

# Strategic Capital Business Plan 2012

(SCBP 2012)

Date: May 2012

Prepared by: Capital

Status: **Final**



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# 1 Introduction

## 1.1 Context

Heathrow engages extensively with its stakeholders on the future development of the airport. HAL is currently working closely with the airline community as part of the Q6 'Constructive Engagement' process to identify the most appropriate capital solutions for the airport that meets the overall needs of passengers. HAL has also been working closely with airlines through the Master Planning Working Group (MPWG) to develop the Masterplan and Land Use plan for the airport.

At the end of July 2012 HAL is due to release its Q6 initial Business Plan that will set out its ambition for the development and operation of the airport from April 2014. The Initial Business Plan will also include further context, constraints and assumptions that will assist airlines in understanding inherent risks and sensitivities in the plan. It is important to appreciate that the Initial Business Plan will contain HAL's emerging thinking. HAL will continue to develop and elaborate ideas and plans through the remainder of the year, informed by the Constructive Engagement process. The Business Plan will be submitted to the CAA in January 2013, it will contain more substantive detail than is provided in this document.

In addition to these activities there is a regulatory requirement that HAL consults annually on its Strategic Capital Business Plan. Much of this year's plan builds on the work of the MPWG and activities that form part of the Q6 Constructive Engagement process. To avoid unnecessary duplication the SCBP should be read in conjunction with these documents.

This document is for consultation. HAL encourages airlines to submit views on this document by the end of August 2012, so that they are taken into account in the development of the airport's future capital investment plans.

HAL would encourage airlines to submit views on the projects and issues set out in SCBP 2012 by the end of August 2012, so that they are taken into account in the development of the airport's future capital investment plans.

Consultation responses should be sent to:  
Sanjay Vadhera, Regulatory Compliance Manager  
BAA Limited  
The Compass Centre  
Hounslow  
Middlesex  
TW6 2GW  
sanjay\_vadhera@baa.com

## 1.2 Introduction

This document is Heathrow Airport Limited's (HAL's) annual Strategic Capital Business Plan for 2012 (SCBP 2012), it was formally known as "CIP (Capital Investment Plan)".

The document sets out the capital investment projects currently being proposed by HAL for the regulatory period from April 2008 to March 2013 (Q5), and the projects that make up the extension year to March 2014 (Q5+1). The extension year projects are in the final stage of agreement with the airline community and CAA.

The purpose of this document is to provide a progress update to airlines and facilitate consultation on capital investment at Heathrow. Where airlines require further information to understand proposed investments HAL will endeavour to respond to these requests.

HAL is consulting with the airlines on the key strategic issues that will influence the overall size and shape of HAL's ten-year investment programme. This work is being carried out as part of the Q6 Constructive Engagement through the six Constructive Engagement workstreams.

During 2012 HAL will continue to work with airlines and other stakeholders developing the new Heathrow Masterplan and Land Use plan which sets out how it intends to develop the airport over the period to 2030.

The CIP 2011 document was circulated amongst the Heathrow airline community in May 2011, together with a request for feedback. The period of consultation closed at the end of July 2011. Heathrow welcomes the responses it received from airlines which have helped inform SCBP 2012 and assisted work associated with the Masterplan.

### **1.3 Regulatory years**

#### **1.3.1 Q5 Extension**

In March 2011 the CAA confirmed that, exercising its powers under Section 40 of the Airports Act, it had decided to extend Q5 to March 2014. The extension of Q5 by a year was due to the CAA's desire that the Civil Aviation Bill be enacted prior to determining the terms for the Q6 regulatory period.

The CAA has agreed with the airline community and HAL a cap for the capital programme in the extension year, 2013/14 of £735m (2007/08 prices). All existing Q5 capital investment triggers will continue within the extension year.

#### **1.3.2 Q6**

As a result of the CAA's decision to extend Q5 by one year, Q6 will now commence in April 2014. Heathrow Airport is now engaging with the Airline community, through Constructive Engagement, to discuss the key issues for Q6. Constructive Engagement covers all aspects of the regulatory building blocks, from traffic forecasts to operating expenditure to capital solutions.

HAL's initial Q6 Business Plan is due to be published at the end of July 2012. The Q6 Business plan will be developed and updated by January 2013 which will inform the publication of SCBP 2013. The SCBP 2013 will cover the remainder of Q5 and the proposed Q6 investment plan. HAL has and will continue to consult the airline community on the strategic issues which will influence the overall size and shape of the ten-year investment programme.

## 2 Strategy and Vision

### 2.1 Vision for Heathrow Airport

HAL's vision is to become "Europe's hub of choice and the UK's direct connection to the world by making every journey better".

HAL has been discussing this vision with the airline community during 2010-12 and has been encouraged by the level of support. It is a positive aspiration for Heathrow – one that will benefit our passengers and the UK economy as a whole.

From on-going discussions with airline customers, HAL has developed an overall strategy for the next decade to work towards achieving the agreed vision. HAL's strategy will promote Heathrow as the UK's hub and identify a route to sustainable growth. Q6 will be an important step on the way to making our vision a reality.

Jointly HAL and airlines have identified three trends which have been translated into more specific priorities for Q6 and these are now the subject of on-going discussion with airlines through constructive engagement:

- Deliver a noticeably better, "hub of choice" **passenger experience** through Heathrow, delivering improvements in areas that are most meaningful for Heathrow's passengers
- Ensure sufficient **hub capacity** is in place to handle forecast aircraft and passengers, with **improved resilience**
- Ensure a competitive total **cost of operation** relative to Heathrow's passenger mix, service and facilities

Constructive Engagement has also progressed thinking on the content and use of passenger principles and service propositions. Each has been jointly defined with the airline community so that they can be consistently applied throughout the Q6 process and beyond:

- **Joint Passenger Principles** – These are the principles that guide the Heathrow Community's approach to improving the overall passenger experience
- **Heathrow Community Service Propositions** – These describe the enduring passenger experience intents that the Heathrow Community aspires to deliver in order to achieve our vision
- **Heathrow Airport Service Propositions** – These describe Heathrow Airport's specific responsibilities within the overall Service Propositions

The joint passenger principles are built on a clear understanding of what drives a positive experience. The principles guide the Heathrow community's approach to improving passenger experience going forward. We've also developed a series of service propositions – based on these principles and our analysis of the key drivers of passenger satisfaction, delight, disappointment and the reasons why UK residents choose to fly from Heathrow. Each proposition includes outcomes which help define the enduring passenger experience to which the Heathrow community aspires to deliver Heathrow's vision.

The 7 joint passenger principles below were agreed by the JST in April 2012:

- **Consistent Basics** - Consistently delivering the basics every time; safety, security, cleanliness and ease of wayfinding.
- **Reliable and Predictable** - Enabling airlines to deliver a punctual, reliable, comfortable, efficient and predictable service at every stage of the passenger journey through the airport and Heathrow airspace.
- **Easier Journeys** – Work with others to continually improve the overall Heathrow experience, for all departing, arriving and connecting passengers.
- **Show we care** – Caring for each of our passengers’ journeys through the commitment, helpfulness, knowledge, courtesy and appearance of everyone who works at Heathrow.
- **Delight** - Delighting passengers by improving the products, services, facilities and atmosphere in each terminal on a planned and agreed basis.
- **Affordable** – A passenger experience for which airlines and passengers are willing to pay.
- **Value for Money** – Providing competitive solutions for passengers and airlines.

Flying is of great value to the United Kingdom, for the economy, for society and for consumers. It fosters investment, trade and links multicultural Britain to an increasingly globalised world. What matters most to travellers is being able to get where they want to go, when they want to go. Heathrow’s strong network of short-haul and long-haul traffic enables it to offer a wide-range of destinations which point-to-point UK airports cannot match. Heathrow is able to serve important long-haul destinations, at higher frequencies with bigger planes, which benefits London and the UK. HAL also recognises the importance of point-to-point traffic for airlines and the mutually reinforcing relationship between a strong point-to-point business and a strong hub. Heathrow’s surface access connections (M25, M4, A4, M40, M3, Heathrow Express and Piccadilly Line) play an important role in maintaining HAL’s and the UK’s competitive advantage.

## 2.2 SWOT analysis for Heathrow Airport

Hub airports exhibit a defining set of key characteristics:

- Network carrier(s) and/or airline alliance(s) choose to base sufficient aircraft there to operate a hub and spoke strategy
- Appropriate facilities and configuration to handle efficient connections for passengers, their baggage and cargo
- The scale to deliver high connectivity - a large route network, frequently served
- An attractive geographic location, enabling ease of access for local demand and/or allowing the connection of transfer passengers between large international markets
- Adequate runway capacity for the airlines to operate waves of arrivals and departures and offer resilience (this characteristic is relatively more defining for hubs with a relatively weaker local market)

In order for Heathrow to achieve its vision, it needs to understand its strengths, weaknesses, opportunities and threats, and how they relate to these defining characteristics.



## 2.2.1 Strengths

During Q5, Heathrow has taken steps towards becoming Europe's hub of choice. The capital investment programme has modernised Heathrow to provide a better experience for its passengers. Heathrow's ASQ score, an internationally benchmarked survey measure of passenger satisfaction, has been improved from 3.43 in 2007 to 3.88 in 2011. It achieved its highest ever score of 3.92 in the survey for the first quarter of 2012 which continues to position Heathrow as one of Europe's leading hubs, with the airport ranking first among the five largest airports in Europe on 15 of 33 survey measures.

Terminal 5, the first new Heathrow terminal for a quarter of a century is achieving scores equal to the best in Europe in passenger surveys. Steady progress is being achieved on Terminal 2 and major refurbishments have been completed in areas of Terminal 3 and 4 that are showing results in passenger feedback. Furthermore Heathrow has undertaken further works to ensure the airfield is A380 compliant, allowing further passenger growth with the existing two runway plan. All these investment programmes have and will further strengthen passenger experience at Heathrow and its position as a leading European hub.

Heathrow's customer base of network carriers is a key source of strength, with all three of the leading global alliances having significant operations at Heathrow.

Heathrow's location is a further key strength as a hub airport. Heathrow attracts connecting traffic flows between America, Europe, Asia and Africa. The geographic location enables ease of access for local demand and allows a connection of transfer passengers between large international markets. London's regional population of 13 million and Gross Metropolitan Product of £390 billion positions it to be Europe's premier hub airport location.

The Heathrow hub provides leading levels of global connectivity, with direct access to over 70 longhaul destinations that can't be reached from other UK airports. Heathrow is at one end of 7 of the world's top 10 longhaul routes.

## 2.2.2 Weaknesses

Heathrow is constrained to 480,000 air traffic movements (ATMs) per calendar year. Following the UK Government's decision to rule out new runways in the South East, Heathrow is expected to operate as a two-runway airport for the foreseeable future. Given the airport is already operating close to the cap, airlines will be unable to launch new flights.

Heathrow does not have sufficient runway capacity to enable the operation of significant waves of arrivals and departures throughout the day, or indeed to offer desired levels of operational resilience. Heathrow also has a smaller footprint than other European hubs, approximately half the size of Frankfurt and a third the size of Charles de Gaulle. This limitation often drives increase in the cost of construction e.g. via increased site preparation needs, a requirement for operations continuity during construction and a need for vertical build design.

Heathrow's campus currently has four operational terminals. The connectivity, for passengers and bags, between certain terminals e.g. Terminal 4 to T5, is weaker than the leading European hubs. Consequently minimum connection times are not consistently as low as competitor hubs.

### 2.2.3 Opportunities

While HAL will continue to make the case for increased capacity at Heathrow (as the UK's only hub airport), HAL believes the most important way to achieve this vision is by steadily improving the passenger experience in the broadest sense – getting to, travelling through and flying from the airport.

In the nearer term, operational freedoms and airline consolidation represent important opportunities for Heathrow. Operational freedoms are a package of measures developed to meet the objectives of the South East Airports Taskforce, designed to make more resilient use of runway and airspace capacity. Airline consolidation, most recently including IAG's acquisition of BMI, creates an opportunity for airlines to exploit more efficient use of scarce slot resources at Heathrow, for example resulting in greater network coverage.

Over the longer term, Heathrow has the opportunity to develop towards its two runway masterplan. This more efficient layout will enable enhanced connectivity across the campus, with many more passengers enjoying an intra-terminal connection and shorter connection times. Airline customers will benefit from leading edge hub facilities and layout. Wider infrastructure upgrades of enhanced surface access are also an important opportunity, with Crossrail and potentially High Speed 2 improving the connectivity of Heathrow to the wider UK population.

### 2.2.4 Threats

Other major European hub airports, with more runway capacity than Heathrow, are adding new destinations faster. Such hubs are ahead in offering connections to growing regions such as Africa, the Middle East and Asia. Paris and Frankfurt already boast 1000 more annual flights each to the three largest cities in China than Heathrow does. There are also 21 emerging market destinations with daily flights from European competitor hubs not served by Heathrow e.g. Manila, Jakarta.

European hubs can also leverage their less constrained capacity to offer a more complete network of European short-haul feeder routes. Several UK regional airports outside the south east are served by major European Hubs but not by Heathrow

Further afield, Middle Eastern hubs have invested heavily in new infrastructure. Their carriers are competing for both European regional connections and key routes that over-fly Europe such as those linking the USA and India. There's a danger that losing critical connections will reduce Heathrow's attractiveness as a major European hub. This will reduce traffic on feeder routes, in turn putting those routes at risk along with other long-haul routes. This would be to the significant detriment of UK passengers.

## 2.3 Projects in the Plan

Heathrow is in the middle of a major capital programme that will help cement Heathrow's commitment to becoming Europe's hub of choice.

During the first four years of Q5, HAL has continued to transform Heathrow – progressively improving passengers' satisfaction with their airport experience. We have been focused on 'making every journey better' which has involved service improvements and targeted capital investment covering the entire passenger journey.

Many service improvements have been delivered in Q5 including:

- Reduced passenger security queuing
- Improved departures punctuality by working together with airlines and NATS
- Improved wayfinding within terminals
- Improved customer service enabled by staff service training
- Introduction of passenger hosts
- Improved transfer baggage misconnect rates
- Improved services for passengers with restricted mobility (PRMs)
- Introduction of automated immigration systems

Through the remainder of Q5, Heathrow continues to build and improve facilities that build on its strengths, address weaknesses and develop opportunities. There are seven programmes of capital investment that will collectively deliver both an enhanced experience for passengers and a more competitive hub airport proposition for our airline customers:

- **Terminal 2 Replacement:** The focus for the remainder of Q5 and Q5+1 is on delivering T2A and a satellite pier T2B, with 16 boarding gates catering for the largest aircraft. This programme will also provide a new multi storey car park which links into the terminal via a covered courtyard and an energy centre that will be built with sustainability at its heart.
- **Terminal Restoration & Modernisation:** The programme enhances the passenger experience with a mixture of asset replacement and terminal upgrades. It improves staff experience through upgrades of operational support and 'back of house' areas and realises retail growth opportunities. An example project is T5 additional security lanes.
- **Western Baggage Product:** The T3 Integrated Baggage System will replace the life expired baggage infrastructure in Terminal 3. The project will provide the Terminal 3 airline community with a modern baggage facility, it will also improve minimum connect times and miss connect rates.
- **Airport Capacity Optimisation:** To optimise capacity within the constraint of the 480,000 ATMs, Heathrow has embarked on a Resilience programme to deliver changes that will improve the resilience of the airport operations, by improving punctuality, predictability, and the ability to reorganise runway usage during periods of unplanned high demand. The Western Campus A380 Stands and Pier 5 A380 Stands projects will increase T3/T4 A380 capability in preparation for anticipated additional A380 aircraft.
- **Portfolio of Projects:** Encompasses the wider set of capital projects outside the major strategic business change programmes. Projects include regulatory compliance, environment and safety.
- **Programme Identification:** This programme compiles the Capital Investment Programme for Q6 and helps facilitate the prioritisation of Q5 funds across the capital portfolio as necessary. An example project is Energy Infrastructure.
- **IT / Systems:** The programme implements technology which reduces operating costs and delivers improved value to Heathrow's business, airline and passenger stakeholders. Projects include: IT Security, Radio and Cellular infrastructure and Integrated Baggage IT.

- **Rail:** The programme continues to support mode shift from car to rail, and improve the passenger experience. Projects include the upgrade to the Heathrow Express fleet.
- **Q5+1:** The scope for 2013/14 has been jointly created by airlines and HAL, but is yet to be allocated into the above programmes.

A detailed breakdown of the projects above and all the others that are planned to be delivered in Q5 and Q5+1 are provided in Appendices E to M.

## 2.4 Heathrow Airport Future Demand

### 2.4.1 Introduction

Ensuring an accurate traffic forecast is hugely important and benefits the whole Heathrow community. With this in mind, HAL and airlines have worked more rigorously and collaboratively than ever before to jointly create and refine a passenger forecast. The long term traffic forecast has been developed by the Q6 Joint Forecasting Working Group and addresses the inaccuracy and over-optimism of the Q4 and Q5 forecasts – in Q5 HAL is already a cumulative 24 million passengers behind the level expected in the 2008 settlement.

### 2.4.2 Demand for airport capacity and services

Heathrow passenger volumes grew steadily through the 1990s, reaching 64.3 million passengers in 2000. Recession and 9/11 led to a sharp fall in volumes early in the last decade, with some recovery through to 2007 as the world economy grew. Although traffic fell between 2008 -10, it grew to its highest ever level in 2011, with this growth continuing into 2012. However, Heathrow is now at well over 99% of its 480,000 ATM constraint and consequently opportunities for traffic growth are now limited to upgrades in the size of aircraft being used and increased seat factors.

HAL identifies a number of potential factors behind changing in traffic patterns:

- Changing airline business models, most noticeably a shift in network strategies which has slowed the trend from smaller to larger aircraft. New aircraft have allowed airlines to achieve lower unit costs per seat with smaller planes. Airlines have also benefited from greater flexibility or shorter lead times in making capacity decisions. These changes have allowed network carriers to respond to the challenge of short haul low cost carriers and increased network competition. The need to maintain a viable network with a mix of short and long haul connections also slows the overall trend at Heathrow to switch from short haul to long haul flights. In the last couple of years, premium traffic has become a larger portion of many network airlines' business also resulting in lower seat densities.
- The impact of the air traffic movement capacity constraint affects market dynamics at Heathrow. A formal constraint of 480,000 ATMs was introduced as part of the Terminal 5 planning decision. The Government decision against expansion in 2010 can only have reinforced the effects of the cap on the way economic demand is translated into actual passenger numbers in a constrained two runway Heathrow.

- An increase in airline or passenger costs sustained over a number of years and through the economic cycle, such as UK Air Passenger Duty, a sustained upward shift in real terms in the oil price and indeed airport charges. At the same time airlines remain under financial pressure to rebuild their yields and profitability.
- A series of 'one off' events ranging from 9/11, SARS and security changes to volcanic ash, extreme weather and strikes have reduced passenger numbers. While most events have a negative impact on passenger numbers, Heathrow's ability in an increasingly capacity constrained airport to respond to compensatory positive events has reduced.

Balanced against these factors is the strong evidence for continued growth in demand to travel through Heathrow. Heathrow's exposure to global markets, including emerging economies with higher potential for increased levels of flying as they grow richer, also supports the case for future demand growth.

Such underlying demand growth factors are part of the explanation for Heathrow's resilience in traffic numbers despite the slow recovery of the world economy. Heathrow recorded a total of 69.4m passengers in 2011, and exceeded 70m passengers for the first time in the 12 months ending March 2012. This represents growth of 6% on 2010/11, which is partly down to the fact that 2011/12 was relatively event free, with only a few minor occurrences of severe weather and strikes. The majority of the growth can be put down to the recovery from a number of events in 2010/11 including volcanic ash, strikes and snow disruption which caused a significant loss of passengers in that year.

A comparison between forecast and actual traffic figures for Q5 to date are shown in Table A below.

<b>Regulatory year</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>CAA settlement</b>				
<b>forecast</b>	70.4	72.5	74.5	76.2
<b>Actual volumes</b>	65.9	66.1	66.1	70.1
<b>% Growth</b>	-3.0%	0.3%	0.0%	6.0%

*Passenger values in millions*  
*Table A: Actual Heathrow trends in Q5 to date*

## 2.5 Heathrow's Approach to Traffic Forecasting

Heathrow forecasts have long been a product of both top down and bottom up methods. The most recent work on forecasts uses two complementary, 'constrained' modelling approaches to forecast Heathrow's long term passenger numbers. It should be noted that these forecasts are therefore not designed to estimate latent demand at Heathrow nor any scenario that would allow for extra capacity in the future. The first of these approaches is an econometric model, looking at the change in demand as a result of changes in income (GDP and Consumer Expenditure) and changes in fares (driven by oil price, taxes, charges and efficiency gains). The second model is a capacity based model, considering forecast changes in aircraft movements, average aircraft size (number of seats) and load factors. Both models share the element of 'external shocks' that are estimated to impact Heathrow's passenger numbers over the period, for example events akin to the volcanic ash cloud or SARS.

HAL and others' passenger forecasts have also historically produced a single line estimate of passenger numbers. Feedback from stakeholders identified some limitations

of this approach. Firstly, it does not capture the inherent uncertainty in forecasting Heathrow numbers given the complex interactions of multiple factors such as economic growth, the oil price or aircraft purchases which are themselves hard to forecast. Secondly, the appropriate level of forecast may differ depending on the purpose intended. For example, the scoping for some capacity investments might be more sensibly based upon the possibility of a faster increase in passenger numbers than considered in the most likely case. For these reasons HAL has attempted to produce a ranged forecast. A similar methodology for producing ranges has been adopted as is used in other industries when forecasting uncertain, complex trends, for example by the Bank of England in forecasting inflation. The ranges come from standard probability modelling techniques using ranges for the key inputs. For example, we have used the US Department of Energy forecasts, which suggest that the oil price could range between \$50 and \$210 per barrel in constant prices in 2030. Ranged forecasts give both a sense of the likely risks to the central estimate, and allow for different levels of probability to be used for different purposes e.g. price setting versus infrastructure planning. A probability based range has been estimated for both the econometric and the capacity based models.

HAL has worked with the airline community to get expert third party validation of the approaches to help further validate and refine emerging forecasts. On current assumptions the annual passenger totals by regulatory year are provided in Figure A.

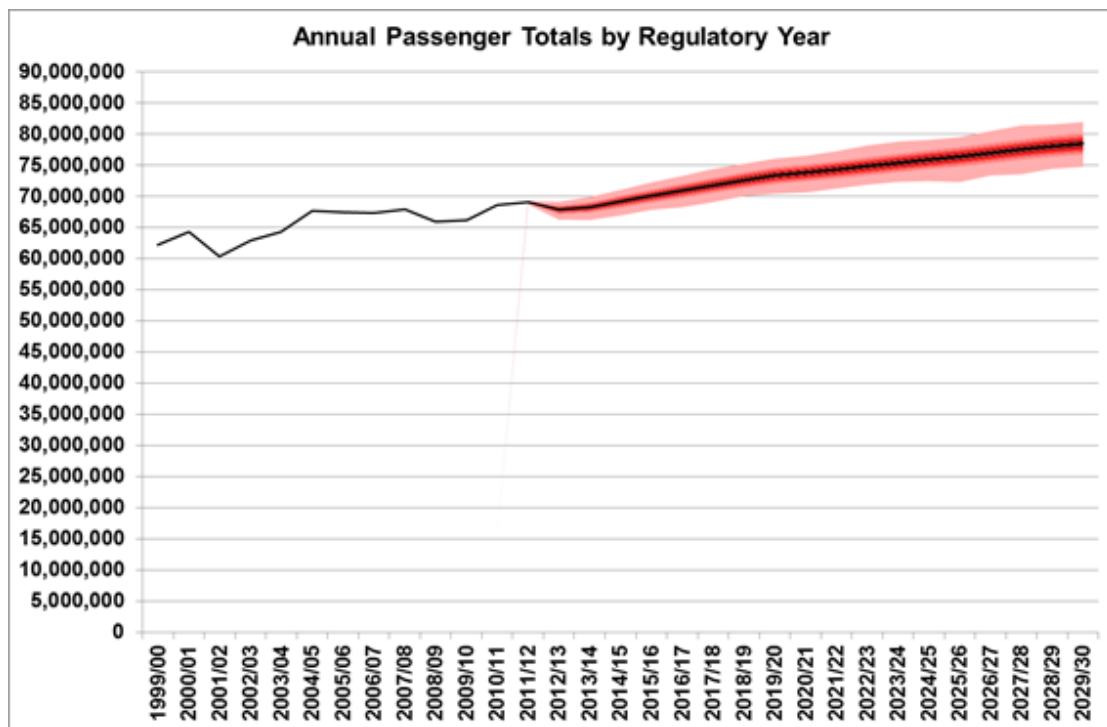


Figure A: Heathrow ranged long term forecast – Econometric Model

### 3 Sustainability Strategy

Heathrow provides valuable economic and social benefits. The airport also has impacts on the local communities and environment around the airport. As a responsible business, HAL needs to find the right balance between economic, social and environmental objectives: enhancing the positive impacts that Heathrow brings, while minimising the negative impacts and meeting agreed environmental limits.

Delivering an airport which is sustainable is one of the strategic intents that underpin HAL's vision for Heathrow to be 'Europe's hub of choice'. This means creating a future Heathrow which:

- is safe and secure for passengers, staff and the airport community
- enables the achievement of positive social and economic effects
- seeks to prevent, reduce or offset significant effects on communities and the environment
- has surface access which limits congestion and other local effects

HAL has set long-term goals on key environmental issues, which include:

- Climate change: by 2020 reducing carbon emissions from energy use in fixed assets at the airport by 34% compared to 1990 levels
- Noise: limit and where possible, reduce the impacts of noise at the airport (see HAL's Noise Action Plan for further detail on specific targets)
- Air quality: play Heathrow's role in driving full compliance with EU air quality limits
- Waste: by 2020 recycling 70% of airport waste

These long-term goals are supported by strategies which set out the actions and investments required by business units and functions, and also by annual performance targets. Heathrow's capital investment projects make a key contribution to delivery of the airport's long-term goals. Some projects are designed to deliver a specific environmental benefit, for example improvements to the airport's pollution control system, and others offer environmental benefits even though that may not be their prime objective, for example improvements to airfield efficiency. In addition, all capital projects have an agreed 'sustainability brief' which ensures they are meeting the appropriate environmental performance standards (related to energy efficiency, for example, or use of environmentally sensitive materials). A significant piece of work is underway to ensure that the Q6 business plan includes the appropriate environmental solutions to maintain legal compliance, take advantage of cost saving opportunities and contribute towards Heathrow's long-term sustainability goals. That will be reported in more detail in the Q6 Initial Business Plan due for publication in July 2012. In addition, work has been undertaken to ensure that the requirements of sustainability strategy are reflected in the integrated masterplan document.

For more detailed information see [www.heathrowairport.com/sustainability](http://www.heathrowairport.com/sustainability).

### 4 Surface Access Strategy

HAL continues to develop both short and long term Surface Access Strategies for the Airport. The most recent Airport Surface Access Strategy was published in October 2008, called "Sustaining the Transport Vision: 2008-2012". A new Sustainable Transport Plan will be published to cover the five year period from 2014 to 2019, which will align with the regulatory quinquennium, with an interim Sustainable Transport Plan due to be published later in 2012.

In April 2011 HAL announced a new rail strategy called the Wider Heathrow Integrated Rail Strategy (WHIRS), with a view to improving passenger experience, taking cars off the road and placing the economic benefits of the UK's only hub airport at the centre of the national rail network. The new programme, seeks to build on previous investment by ensuring that Heathrow has fast, frequent and comfortable rail connections for passengers, whilst at the same time significantly improving links to the surrounding communities.

The first priority for WHIRS will be to ensure that Crossrail provides passenger-friendly, convenient connections for Heathrow travellers. HAL will also continue to invest in asset renewals and enhancements to Heathrow Express including the modernisation of the Heathrow Express fleet to ensure that passengers continue to have the choice of a premium and reliable express rail service into central London.

There is a strong case for rail access from the west of Heathrow, providing a direct connection with Slough, Reading and the Thames Valley for the first time, as well as the South West via the Great Western Mainline. MPs for Slough and Reading, as well as Slough Borough Council have been influential in supporting western rail access to Heathrow and instrumental in gaining preliminary rail industry support. HAL is also influencing key stakeholders to secure the inclusion of western rail access in forthcoming DfT rail policy and has positioned its support for western rail access on the rail industry driving the project forward and establishing both a technical and business case for the project.

The concept of connecting the airport to the south has long been mooted and HAL remains supportive in principle of a southern connection to the airport. The Airtrack project and associated Transport and Works Order application were withdrawn in early 2011 given the difficulties in progressing aspects of the project and the likelihood that there would be no public sector funding support forthcoming for the project.

Beyond connectivity to the airport for passengers, the strategic nature of Heathrow Airport as a UK transport node and its ability to act as an interchange and 'hub' for bus, coach and rail routes is increasingly recognised, including in the recent government announcement on High Speed 2. HAL is keen to see the development of even stronger public transport links as part of the airport's development whilst understanding the implications of strengthening its position as an integrated transport hub.

Investment plans for Q6 and beyond are therefore proposed to focus on Crossrail and continuing to pursue options to improve links to the wider rail network.

The Government's most recent announcement on high speed rail in January 2012 confirmed the strategic case for a new high speed rail network and the Phase 1 route between London and Birmingham. The decision also confirmed support for a direct spur link to the airport from the main high speed rail line with an on-airport station at Terminal 5. Both the DfT and HS2 Ltd will now embark on refining the options for serving Heathrow as part of their work on Phase 2 of the high speed network, with a Government decision expected in summer 2012 confirming the favoured proposals.

Formal consultation on Phase 2 and the Heathrow link is not anticipated until 2014, however HAL will engage closely with DfT and HS2 Ltd in ensuring that airport passenger needs are fully recognised in the development of the link to Heathrow.



## ***Appendix A: Regulatory and Legislative Context***

Capital development at Heathrow, as outlined in this document, takes place within a framework of regulatory and legislative policy. This section provides an overview of the current issues that have an influence on capital investment at Heathrow.

### **A.1 Aviation and Airport Policy**

In March 2011 the Government consulted on its scoping document on a new sustainable aviation policy framework, which will eventually replace the current Air Transport White Paper. The scoping document set out a number of strategic questions in order to define the debate and inform the new long-term aviation policy. The Government, having considered the responses to this scoping document, is expected to publish a draft of its new aviation policy for consultation in July 2012.

### **A.2 Economic Regulation**

#### **A.2.1 Current Regulation**

The 1986 Airports Act established a system of economic regulation for those airports with an annual turnover in excess of £1 million (in at least two of the three previous financial years). Under the terms of the Act, such airports must have permission, granted by the Civil Aviation Authority (CAA), in order to levy airport charges.

In addition, the act also allows for the designation of airports, by the Secretary of State, for price cap regulation. Heathrow airport is currently a designated airport and is therefore subject to economic regulation by the CAA. The CAA conducts a regulatory review normally every five years (Quinquennium). The latest regulatory review took place in 2007/08 (i.e. price control review), where the regulator set the price cap for airport charges effective 1<sup>st</sup> April 2008 to 31<sup>st</sup> March 2013.

Section 39 of the Airports Act imposes four duties on the CAA in determining the price formula, namely:

- To further the reasonable interests of users of airports within the United Kingdom;
- To promote efficient, economic and profitable operation of such airports;
- To encourage investment in new facilities at airports in time to satisfy anticipated demand by the users of such airports; and
- To impose the minimum restrictions that are consistent with the performance by the CAA of its functions under those sections.

It should be noted that under the third duty above, anticipated demands for airport users includes future users as well as current users. The definition of users (in Section 82 of the Airports Act 1986) includes both airlines and passengers, and no priority is specified between these two groups.

The March 2008 CAA Decision<sup>1</sup> sets out the relevant regulatory parameters for Q5 which include the planned capital expenditure totals for Q5.

## A.2.2 Future Regulation

In November 2011 the Secretary of State introduced new legislation in the draft Civil Aviation Bill into Parliament that is set to reform the way in which airports are regulated in the UK. The Bill has been considered by the Commons and is now being debated in the House of Lords. The Government expects the new Bill to be in place by April 2013.

The new Bill will introduce a license based framework and will give the CAA greater flexibility – for example by altering the duration of the price control period and allowing users and the airport to maximise the benefits of commercial agreements.

Having said that the CAA has also indicated that it does not expect to depart from a RAB based price control at LHR – as such the SCBP is based on the assumption this approach will continue for the foreseeable future.

## A.3 Other Relevant Issues

### A.3.1 The Town and Country Planning System

#### A.3.1.1 Airport Development

All development is regulated by primary legislation set out in the 1990 Town and Country Planning Act, the 2008 Planning Act and the Localism Act 2011. Secondary legislation, such as the General Permitted Development Order (GPDO) 1995, further defines what types of development may not require planning permission, including aviation development, before they are carried out.

The GPDO defines what types of development at an airport can be regarded as 'permitted development', i.e. development not requiring planning permission. Generally, this is defined as development, undertaken by the airport operator, on operational land, required in connection with the operation of the airport. This covers most forms of airport related development, such as new aircraft hangars, industrial and cargo buildings, multi-storey car parks, office buildings, aircraft stands, piers and satellites etc.

Although 'permitted development' does not require planning permission, there is a requirement to consult the local planning authority, which means following a similar process as that required for a planning application, albeit that the planning authority cannot refuse approval for the development. However, this does not prevent the planning authority from either applying considerations for HAL to take into account (similar to planning conditions), objecting to a specific development, or in extreme cases, the planning authority could request the Secretary of State to remove HAL's permitted development rights. There is also the possibility that any permitted development over 1 hectare in site area, and likely to cause a significant environmental impact, could also be subject to the Environmental Impact Assessment (EIA) process, in which case permitted development rights would be lost and the normal planning application process then needs to be followed.

Generally, any development at Heathrow involving the extension of a runway or terminal, the provision of a new terminal, or a non-operational building (i.e. not

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<sup>1</sup> Economic Regulation of Heathrow and Gatwick Airport 2008 - 2013, CAA Decision, March 2008.

connected to the operation or function of the airport) will require planning permission with an application made to the local planning authority.

Any development requiring planning permission, and likely to cause a significant environmental impact, could also be subject to the EIA process, whereby the planning application would need to be accompanied by an Environmental Statement (ES) setting out all likely significant environmental impacts arising from the development. The requirements for EIA are also set out in secondary legislation but in respect of Heathrow only usually apply to major projects, such as substantial new stand capacity or new terminal buildings.

However, this can also be relevant where a relatively minor development can lead to a change in the environmental effects. A good example of this is the additional runway access and exit taxiways needed to implement the ending of the Cranford agreement. These facilities allow a different operating pattern to be established at Heathrow which would have significantly different environmental effects, particularly in respect of air noise, ground noise and air quality, thus the development cannot be promoted using permitted development powers and requires an environmental assessment to be undertaken and a planning application for the works made.

### A.3.1.2 Planning Policy

In determining whether development at an airport is acceptable or not, the Planning Act (2004) set out the hierarchy and format of the development plan process which forms the basis on which decisions are made and controls the amount and type of development at the national, regional and local levels. The 2011 Localism Act amended this process by removing the requirement for regional strategies and by introducing a power for local communities to require local planning authorities to draw up neighbourhood plans.

At the national level, aviation policy is set by the Department for Transport with airport development guided by the Air Transport White Paper, (2003) (ATWP), but this will be replaced by the Coalition Government's sustainable framework for UK aviation, a draft of which is due for consultation in Summer 2012 .

During 2011 the Government undertook a consultation on a new National Planning Policy Framework (NPPF) document which has the aim of simplifying and reducing the amount of national planning policy advice and guidance. The main thrust of the new guidance is that there should be a presumption in favour of sustainable development in order that opportunities to deliver economic development are realised. The final version of the NPPF was published in March this year.

At the regional level for Heathrow, the London Plan provides the relevant planning policy framework for London and must be in general conformity with national policy. The provisions of the Localism Act, which in general abolishes regional level plans, makes an exception in the case of London, as the London Plan has a democratic origin as it is the Mayor of London's blueprint for future development in the capital. At the local level, planning policies for the Heathrow area are contained within the Hillingdon Unitary Development Plan, which must also conform to the higher tier regional and national policies.

Local and regional planning policy specific to Heathrow is generally supportive of development that is contained within the limits of growth set down by Government in its decision to permit Terminal 5 and within the defined airport boundary.

In October 2009, the Mayor published his proposals for a new London Plan – Consultation Draft Replacement Plan. The Replacement London Plan was published in July 2011. This document sets out the Mayor’s opposition to a third runway at Heathrow but is supportive of the renewal of infrastructure at the airport which improves efficiency and enhances passenger experience

At the local level, Hillingdon Borough Council is currently preparing their Core Strategy for the Borough, including land in and around Heathrow. A local hearing took place in March 2012 conducted by an independent inspector. At the hearing HAL promoted policies which would allow a more flexible approach to be adopted at Heathrow taking into account the advice contained in the new NPPF. This would enable economic development unique to a hub airport location to be captured, similar to other hub airports in Europe. Also a more flexible approach to the location of new hotels was requested to permit their location in accessible locations on airport and particularly to serve the CTA. HAL also sought to achieve the re-designation of the site of Terminal 5 from its current Green Belt notation.

We are now awaiting the Inspector’s report, which is expected in the summer of 2012, on the hearing to see if he is supportive of the arguments put forward by HAL.

### A.3.1.3 The Planning Act (2008)

The Planning Act (2008) provided a new procedure for dealing with Nationally Significant Infrastructure Projects (NSIP’s), through the establishment of National Policy Statements (NPS’s) and an Infrastructure Planning Commission (IPC). The Act focuses on the delivery mechanism for any NSIP and aims to overcome the perceived deficiencies and delay inherent in the previous planning inquiry process. The need for such major infrastructure projects is being addressed in twelve sector based NPS’s (e.g. Energy, Waste, Water, Rail & Highways) produced by the relevant Government Department, and providing the strategic planning policy framework for each type of major infrastructure. In the future, any airport developments that result in new buildings or runways that would generate 10mppa or more increase in the capacity of the airport or 10,000 cargo air traffic movements would be subject to the new procedure.

The 2008 Act also introduced the creation of an Infrastructure Planning Commission (IPC). The IPC started receiving applications in March 2010 and is an independent decision making authority responsible for examining applications made for a development consent order for a NSIP. The Act has permitted that only under very limited and specific circumstances may a planning decision for a major infrastructure project be determined by the Secretary of State. However, the 2011 Localism Act has amended this process to the extent that all decisions on major infrastructure projects will now be made by the relevant Secretary of State and the IPC is to be abolished and its functions moved into the Planning Inspectorate.

The 2008 Planning Act also brings the introduction of a Community Infrastructure Levy (CIL). This is a new charge which local authorities and the Mayor of London will be empowered to collect on most forms of development.

CIL allows charging authorities to raise funds from developers undertaking building projects in their area. This money is to be used to fund infrastructure requirements needed to support development. This can be used to fund new infrastructure, repair failing existing infrastructure and to cover the on-going costs of providing infrastructure (e.g. maintenance, staffing). This may relate to investment in roads, public transport, schools, hospitals and other social infrastructure.

From 1 April 2012 any developments for which planning permission is granted will be liable to the CIL charge levied by the Mayor of London which will contribute towards the cost of Crossrail. The charge will be £35 per m<sup>2</sup> for net internal floor space of the development. In addition to this, by the end of 2012, it is expected that the London Borough of Hillingdon will have also adopted a CIL charge and this will be added to the Mayor's charge. This new "tax" will add a significant cost to the development process.

Charges will also be relevant to developments carried out by HAL under its permitted development powers, but these charges won't come into effect until 2013 and will be applicable to developments which are started after 6 April 2013.

#### A.3.1.4 Airspace Issues and Traffic Management

The current situation with regard to airspace and air traffic management affecting Heathrow can be viewed on a European and National level.

In Europe, the Single European Sky (SES) II legislation was passed in 2009 and is manifested in five 'pillars' as shown below:-



The airport and its community will be involved in all of these five pillars either directly or indirectly in the following ways;

- In 2012, the air traffic community became subject to the requirements of reporting period 1, which require ANSPs (air navigation service providers) to comply with four Key Performance Areas (KPAs) for which the Commission will set EU targets: safety; cost efficiency; capacity (delay); and the environment. Reporting period 2 becomes effective in 2014 and will affect aerodrome operations – the content has yet to be decided.
- In safety, all national supervisory authorities (regulators) will be unified in terms of how aerodromes conform to a basic regulation under a new European regulator, European Aviation Safety Agency (EASA). This will ensure all national supervisory authorities will meet the safety standards which they will be expected to comply with in 2014. This will also cover air traffic standards, aircraft airworthiness and flight operations.

- The SES ATM research project, Single European Sky ATM Research (SESAR), entered the development phase in 2009 with expected deliverables aligned to an ATM Masterplan for Europe ready for deployment from now onwards; BAA is a consortium member of the SESAR Joint Undertaking.
- Airport capacity is a key enabler to making the future capacity demands of European airspace work. An EU Observatory has been established to review the relationship between runway slots, flight plans, runway capacity assessment methodology and inter-modality.
- Human factors deals with open reporting (incident reporting).

Progress against these pillars is being made.

## Appendix B: Q5 Delivery

### B.1 Q5 Programme Delivery

The Q5 delivery programme is in its fifth year of the quinquennium. To enable efficient delivery of the capital investment detailed in this SCBP, HAL has divided the overall plan into programmes for management purposes. Since the publication of the last CIP document, Heathrow has embarked on a re-engineering programme to become an intelligent client and model of excellence in programme management.

2011 has seen the conclusion of Tranche 1 of the re-engineering programme with the launch of a 'New Way of Working' for Capital, central to which is this vision:

*'To be recognised as a model of excellence, in safely delivering sustainable solutions which realise business benefits through a lean, strategic and programmatic approach, whilst working as an intelligent client.'*

A new process framework has been implemented, made up of portfolio, programme and project gateway processes, aligned with industry best practice.

### The portfolio / programmes / project approach

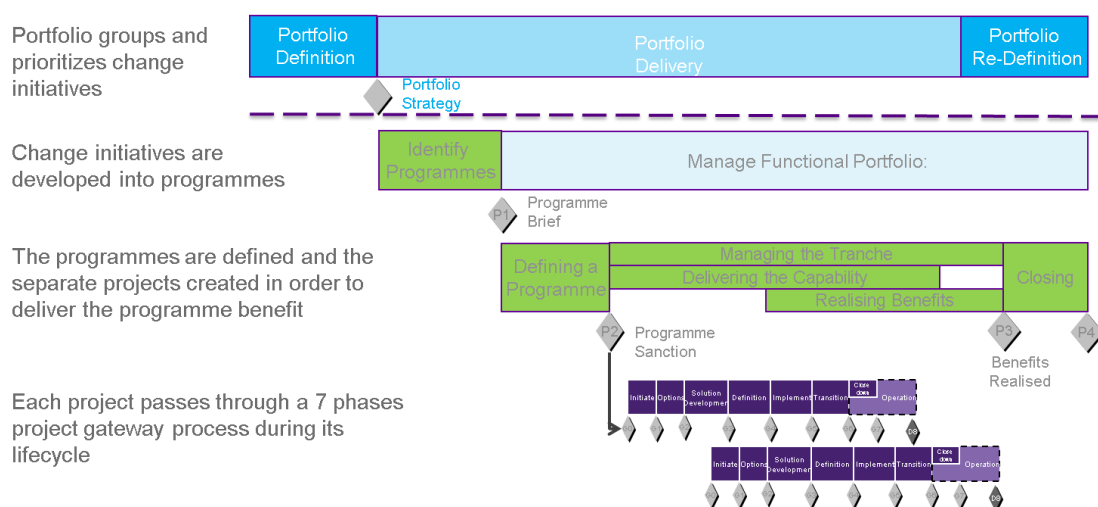


Fig B: The Portfolio/Programmes/Project Approach

Projects over the remainder of Q5 have been reorganised into one of the following eight programmes aligned to benefit maximisation, (each under the sponsorship of an Executive Director):

- Terminal 2 Replacement
- Western Baggage Product
- Terminal Restoration & Modernisation
- Airport Capacity Optimisation
- Portfolio of Projects
- Programme Identification
- IT
- Rail

In addition to these delivery programmes, all Q5 scope that has been completed has been moved into a 'Legacy' programme.

## Re-Engineered Capital Organisation

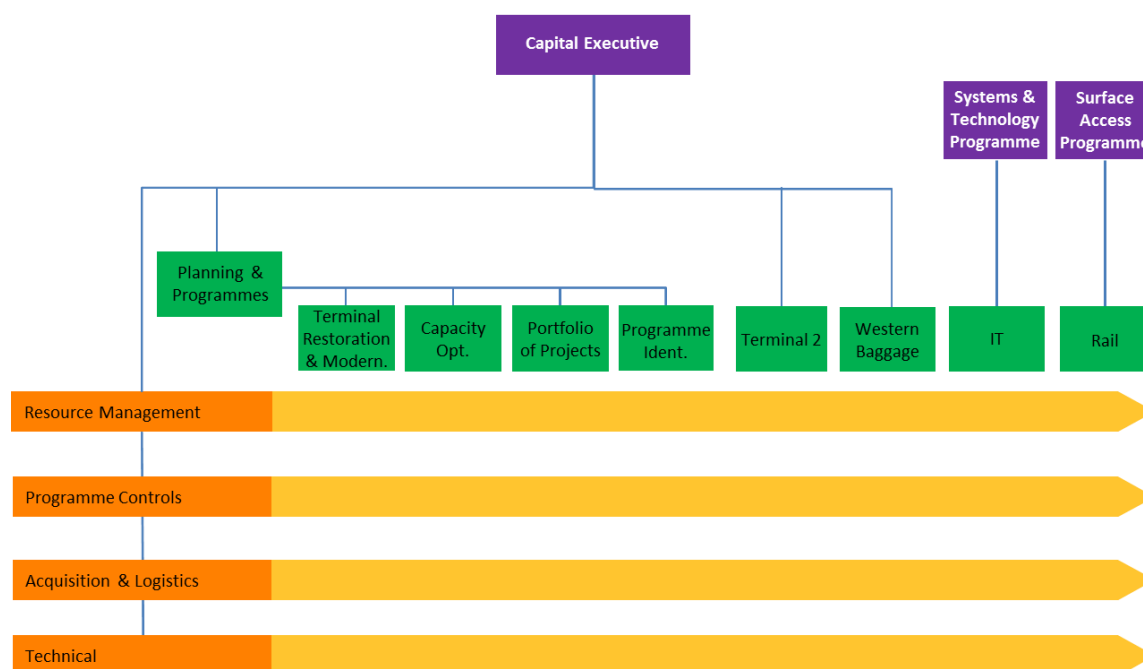


Fig C: Re-engineered Heathrow Capital Organisation

Capital has introduced a non-customised suite of products for Information Management, including a Capital Portal, Heathrow Map Live, and process applications that, together, hold the tools, templates, policies and governance requirements that are needed to deliver a project at Heathrow.

For the delivery of Q5 and the Q5 extension year, the following programmes are in place to enable delivery of Project investment works:

- T2 (the facilities in the geographic areas of T1 and T2 including all land to the eastern edge of the operational airport)
- Western Baggage Product (the suite of baggage projects at Heathrow excluding T2.)
- Terminal Restoration and Modernisation (all on-going refurbishment of all terminals, landside and airside areas.)
- Airport Capacity Optimisation (projects that maximise throughput and resilience of our existing capacity.)
- Portfolio of Projects (all projects that do not naturally reside in the above programmes)
- Programme Identification (which covers Q6 work and facilitates prioritisation of Q5 funds)
- Information Technology (IT) / Systems (which covers standalone IT / Systems investment not delivered as part of a main capital investment works)
- Rail (Heathrow Express and other rail led investments)



### B.1.1 Q5 Extension Year

In March 2011 HAL and the airline community started to work closely to finalise the Q5 extension year programme and the appropriate capital expenditure triggers that should apply. To this end an initial meeting was held in May 2011 following on from which a Q5+1 Working Group was established at the request of the Q6 Capital & Solutions Working Group.

The Q5+1 Working Group was chaired by IATA and following on from the initial meeting have met many times. During the process of finalising the capital expenditure plan for 2013/14 the working group discussed, reviewed and jointly agreed to proposals associated with scope, inflation and triggers.

At the time of publication of this document the jointly endorsed current scope proposal to be delivered in 2013/14 is as per the document titled "Q5+1 (2013/14) Heathrow capital plan" based on 2007/08 £735m inflated to 2011/12 price base £879m Rev 26 (Appendix M). The scope document excludes the impact of the April 2012 HAL Integrated Baseline Review (IBR8) which has in effect increased the value of what is termed Rollover scope in 2013/14 (Rollover scope is primarily the T2 and the T3 Integrated Baggage programmes). To deal with the impact of IBR8 HAL will use change control to balance funding between Q5 and Q5+1. This will be executed within the context of the cumulative overall capital expenditure for Q5 and Q5+1 remaining within endorsed CAA limits.

Going forwards the endorsed capital investment plan for 2013/14 will be change controlled into programmes and then subsequently delivered via normal Q5 processes which are inclusive of airline consultation via stakeholder boards. Any subsequent change to the endorsed 2013/14 capital expenditure plan will be managed via the CIPWG.

By the 30<sup>th</sup> June 2012 HAL expects to have jointly written with the airline community to the CAA documenting the agreed plan for the year 2013/14.

## B.2 T2 Programme

### B.2.1 Overview

As part of Heathrow's vision to be Europe's hub of choice and the UK's direct connection to the world by making every journey better, HAL's £2.5bn Terminal 2 replacement programme provides a visually stunning new terminal to replace the out-dated Queen's Building and Terminal 2 facilities. It will provide a better experience for every single person who travels through it, with an airy, spacious feel and airlines grouped closely together to give a smoother passenger journey. The programme includes:

- A new terminal T2A with 8 code C and 2 code F stands
- A new satellite pier T2B with 6 code E and 10 code F stands
- A new multi storey car park which links straight into the terminal via a covered courtyard
- A reconfigured road layout to give passengers a more free-flowing journey around the Central Terminal Area and into Terminal 2
- A new Cooling Station and Energy Centre built to sustainable principles
- The departing and transfer baggage system will be an upgraded T1 system, the arrival system will be in T2.

The programme has already delivered some early benefits with the closure and demolition of the original Terminal 2 and adjoining car park and Queen's Building.

## T2A – Progress April 2012



South east corner



Southern elevation



Roof



T2A cooling station



Multi Storey Car Park: Ramp bridges



Columns and formwork

Below is a list of projects that are over £3m in value (nominal) at March 2012:

### B.2.2 List of Projects

#### BCT Number and Project Name as presented in Schedules

3814	:	MSCP East New Build
4201	:	T2B Phase 2
7209	:	T2B Apron
9351	:	T1 Baggage Prolongation Programme

- 9723 : Eastern Campus Accommodation and Ancillary Facilities
- 9805 : Eastern Campus Information & Control Systems
- 10309 : T1 Transitions (Baggage)
- Various: T2A and Associated Projects

### B.3 Western Baggage Product Programme

#### B.3.1 Overview

The Western Baggage Product programme is focused on supporting Heathrow’s vision to “Become the UK’s direct connection to the world and Europe’s hub of choice by making every journey better”. The programme’s vision is to provide “the Western Campus Airlines and Handlers with an integrated world class baggage product using cutting edge technology that will leave a legacy to be proud of”.

During 2011 and 2012, significant investment has been made in delivering the Post T5 Transfer Baggage System, which will reduce bag transfer times between Terminal 5 and the Central Terminal Area, and replacing Hold Baggage Screening machines to comply with EU/DfT requirements which come into force on 1<sup>st</sup> September 2012. In addition, construction started on the T3 Integrated Baggage System in May 2011 and this is due to be delivered in September 2014. The T3IB project will replace life-expired assets, consolidate direct and transfer baggage make-up in one facility and significantly improve the baggage performance across the Western Campus.

#### T3 Integrated Baggage System - Progress



Post T5 Transfers Baggage System

Western Interface Building



T5 –T3 tunnel complete



Below is a list of projects that are over £3m in value (nominal) at March 2012:

### B.3.2 List of Projects

#### **BCT Number and Project Name as presented in Schedules**

1851	:	Post T5 Transfer Baggage System
3801	:	T3 Integrated Baggage System
10094	:	T3 HBS Replacement
10378	:	LHS OCL & RAP7 & HBS
10545	:	T4 APV HBS Replacement
10658	:	T5 Baggage Western Campus IT
10662	:	T5 Early Bag Store Capacity Increase

## **B.4 Terminal Restoration and Modernisation Programme**

### B.4.1 Overview

The Terminal Restoration and Modernisation Programme (TRM) was formed in November 2011 as an outcome of the Capital re-engineering process. The new grouping pulls together terminal restoration and modernisation projects from the Eastern Campus, Western Campus and Infrastructure Teams. TRM objectives are to enhance the passenger experience with a mixture of asset replacement and terminal upgrades, improve staff experience through upgrades of operational support and 'back of house' areas and realise retail growth opportunities.

In the past year, an extensive programme of refurbishment works has been delivered. In Terminal 3, the Flight Connection Centre, the Landside Departures concourse, both the Baggage and Immigration halls and Central Search Area have been upgraded. Ambience, seating and passenger flows have all been enhanced by the Departures Lounge upgrade and in Pier 6, 4 new airbridges have been installed. The Minor Projects team have completed a large number of projects including toilet block refurbishments in T1/T3 and stand entry guidance systems across the airfield

Projects currently in progress include Terminal 4 International Departures Lounge refurbishment, Terminal 4 Airbridge replacement and the relocation of the Air India CIP Lounge. In Terminal 5, a project to improve flows and provide additional capacity in both security search areas is also underway.

Projects that will commence in 2012 include airport wide improvements to Wayfinding, further improvements to the T3 check-in area, upgrades to the HVAC system in the T3 South Wing Offices and a refurbishment of the T3 landside arrivals area.

### **Terminal 5C - open**



Terminal 5C External view



T5C Departures Level

## Terminal 3



Immigration Hall



Baggage Hall

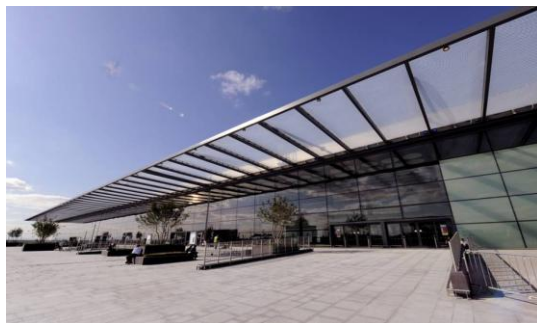


Terminal 3 FCC (Flight Connection Centre)



T3 CSA

## Terminal 4



Check in Refurbishment & Extension



Landside Arrivals

Below is a list of projects that are over £3m in value (nominal) at March 2012:

### B.4.2 List of Projects

#### BCT Number and Project Name as presented in Schedules

9105	:	New Model Line
9575	:	T5 Transfers Add Security Lanes
9644	:	T4 Departures Phase 2
9844	:	T4 Airbridge Replacement
10232	:	Minor Projects
10554	:	T3 South Wing HVAC Replacement
10652	:	T3 CIP Lounge Remedial Works
10666	:	Wayfinding Strategy Initiative

## B.5 Airport Capacity Optimisation Programme

### B.5.1 Overview

The Capacity Optimisation Programme has been set up to look at all aspects of HAL's operation to improve resilience and capacity to deliver good passenger experience.

The Programme's vision is that as Europe's hub of choice, Heathrow Airport is recognised as an airport which operates with a smooth operational flow within its statutory limits. Also, Heathrow is held as a model example of how to protect capacity and continue operating in times of disruption, safeguarding Heathrow's reputation for ensuring resilience.

The programme's objectives are:

- Balance Capacity across the LHR campus
- Be prepared for growth in A380 traffic
- Protect Heathrow's reputation
- Minimising the effect of capacity constraints at Heathrow
- Support argument for future Capacity at LHR by delivery of Environmental Benefit

The programme contributes to a number of Heathrow KPI's including improving take off punctuality by reducing bottlenecks in key processes, increasing terminal passengers by providing facilities for A380 aircraft and improving the passenger experience by developing and implement new technology projects to improve the passenger journey.

The programme covers all areas of Heathrow and is split into 4 areas:

- Aircraft Capacity Projects: these are projects that improve the movement of aircraft around the airfield, increase capacity for new aircraft and improve resilience for aircraft movement in times of disruption. Key projects include Heathrow Resilience, Aviation Fuel Infrastructure and Pier 5 A380 stands.
- Passenger and Baggage Capacity Projects: these projects will deliver benefits from improving the passenger experience where extra capacity is needed. Key projects are T4 Baggage Hall Expansion and T5 TTS.
- Airport Control: these projects will deliver benefit by providing consolidated control rooms for both Baggage and the Airport as a whole so that both in business as usual and disruption situations improved control facilities will ensure the operation can return to normal as quickly as possible.
- Technology Projects: these projects are being jointly progressed with the IT CIP and will deliver projects under the "Technology in the Passenger Journey" initiative. An example of this is the Self Bag Drop trial which is planned for 2012.

Below is a list of projects that are over £3m in value (nominal) at March 2012:

### B.5.2 List of Projects

#### **BCT Number and Project Name as presented in Schedules**

3841	:	Western Campus A380 Stands
9501	:	Heathrow Resilience
9508	:	Pier 5 A380 Stands
10377	:	T4 ABF 1-75 (Phase 2)
10448	:	T5 TTS Enhancement
10495	:	Stands Infrastructure
10664	:	Proof of Concept Self Bag Drop
10682	:	T3 Pier 5 Capacity

## **B.6 Portfolio of Projects Programme**

### **B.6.1 Overview**

The Portfolio of Projects contains those projects that do not “fit” in the other strategic programmes. Projects typically are driven by issues such as regulatory compliance, airport environmental strategy, safety issues or major asset replacement.

The portfolio is different from the other programmes in that the combined outputs of the individual projects do not create business change outcomes or over-arching strategic benefits. However there are opportunities to be realised from managing these projects as a portfolio: combined procurement opportunities are explored, the knowledge and expertise of the project managers dealing with these types of project is shared across the team and the sponsoring group ensures that the right amount of governance (determined by project complexity) is applied to the project.

The focus of the work for the remainder of Q5 is outlined here, the majority of projects follow the drivers identified above however there are a number of projects listed where, during the re-allocation of the projects into programmes, it made more sense for projects to drop into the portfolio because of other issues such as the involvement of a particular project manager or support function. An example of this is three projects linked to the new Terminal 2 where the portfolio is delivering the final stages of the Energy Centre, the T2B North West Stands and the Eastern Apron Access Road.

Other projects within the portfolio, are the completion of the Control Post Project where control posts have been modernised and additional capacity has been added, completion of the design and procurement work for the refurbishment of the main and cargo tunnels into the central terminal area and improvements to the storm-water management systems to reduce the impact of the airport’s surface water run off on the local rivers and waterways.

The portfolio is undertaking a number of general repair works to the taxiways and Cul de Sacs which will see the tug road on the South East of the airport renovated, and also repair works to block 115 completed. The portfolio is responsible for the purchase of new fire appliances for the airport. The team are also working in collaboration with London Underground to upgrade the central station facilities and improve access for passengers with reduced mobility, this work is being undertaken by the London Underground team but is being funded by HAL, and the works will be complete in time for the Olympics.





Stands 231, 232 and 233 operational



Last section of southern A380 taxiway complete



Replacement Control Posts

Below is a list of projects that are over £3m in value (nominal) at March 2012:

## B.6.2 List of Projects

### **BCT Number and Project Name as presented in Schedules**

3353	:	Major Fire Appliance Replacement
3809	:	Runway Overlays
4185	:	VIP Strategy
4202	:	Eastern Apron Airside Rd and Taxilane UnderPass
6793	:	Heathrow Storm Water Catchment
7666	:	Energy Infrastructure
7718	:	Eastern Maintenance Base Redevelopment
8452	:	Control Post Programme
8857	:	Taxiway/CDS Rebuilds
9301	:	Tunnels Refurbishment
9843	:	Low Cost Security Projects
10625	:	Terminal 3 Roof Repair
10668	:	CO2 Energy Demand Management

## B.7 Programme Identification

### B.7.1 Overview

This programme satisfies two business needs. The first business need is directly linked to the work that is required to compile the Capital Investment Programme for the next regulatory Quinquennium, Q6. The programme supports the Q6 Capital and Solutions Working Group through the commissioning of strategically directed studies which aim to address identified performance or capacity gaps across Heathrow. The programme also supports the strategically directed studies which are required to continue the development and refinement of the Heathrow Masterplan. The outputs of this



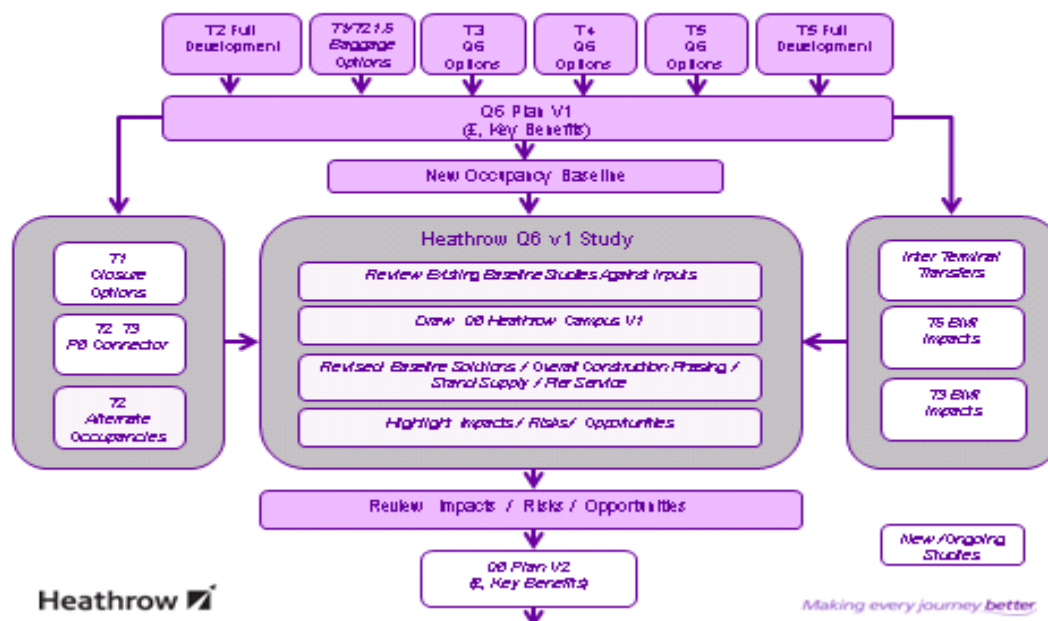
programme consulted through the Capital and Solutions will contribute to HAL being able to develop a Q6 Capital Investment Plan that:

- Includes appropriate capital investments to improve passenger experience and provide the right capacity.
- Is based on consultation and ensures the airline community is as much as is possible engaged and aligned with HAL leading into the start of Q6.

Although the final submission of the HAL Q6 Business Plan to the CAA is not expected until January 2013 significant effort and solution iteration is required in the lead up to the final submission to achieve the desired goals.

To achieve the first business need the programme is following an iterative process in line with the staged timelines required for the final Q6 submission. The iterative process allows for inclusion of new ideas, themes and input from both external and internal sources upon which the programme is dependent to improve and refine the quality of the final output, starting at a very wide point in terms of broad options and quickly narrowing options down as guidance and feedback is gained along the process. These iterations are expected to be both from a top down point of view incorporating strategic changes to the shape of the overall Q6 Capital Investment Plan and from a bottom up point of view working at a lower level of detail with Heathrow Facilities and Operational teams to provide the detailed information to allow the optimisation of the core asset replacement concepts for Q6.

### Q6 Workstreams – Plan of work moving forwards



The principal interfaces associated with this programme are many and cover the breadth of the existing Capital Delivery Programmes right through to the CAA. These interfaces are centrally about the development of information upon which the Q6 Capital Investment Plan will be based. These interfaces are therefore central to this programme being successful. Internally the team will be leveraging the appointed business unit Champions in identifying and generating effective engagement with key areas of the business. Externally key airline stakeholders will have a significant part to play. External sub groups are focusing on the development and review of key concepts as part of the development of the Q6 Capital Investment Plan.

The second business need this programme enables is the facilitation of the efficient prioritisation of Q5 funds across the entire Capital Portfolio. The Programme Identification programme performs this function by at any one time holding funds that are surplus to the needs of the existing Capital Delivery Programmes. These surplus funds through consultation with CIPWG are then reallocated back into the Capital Delivery Programmes either in alignment with developing future Q5+1 or Q6 business needs or shorter term business needs. This process ensures the optimum allocation of Capital across all the delivery programmes to the benefit of Heathrow.

Below is a list of projects that are over £3m in value (nominal) at March 2012:

### B.7.2 List of Projects

7720 : T2A Phase 2  
10472 : Post Q5 Solutions D&D Studies

## B.8 IT / Systems Programme

### B.8.1 Overview

The strategic operating plan for IT was developed during 2009 to support the strategic intents for Heathrow through improving IT service, reducing operating costs and implementing technology which delivers improved value to Heathrow's business, airline and passenger stakeholders.

The IT Programme projects are included in the CIP within the IT line. Projects with an IT component are included within the Capital Programme.

The key strategic IT programmes for delivery in Q5 are as follows:

- IT Security Programme - develop and implement solutions in response to the business need to make sure that BAA's IT systems are secure and in particular, to close the known vulnerabilities identified via security compliance audits.
- Programme of Radio and Cellular infrastructure and service improvements.
- Delivery of a suite of Primavera applications – P6, PRA, PCM, PPM and others - to enable better control over Projects, Programmes and the Portfolio, with associated improved business processes.
- Remediate 78 IT Computer Rooms that are in need of improvement to an appropriate level of Health & Safety.
- Deliver an Integrated Baggage IT System that will enable the Baggage Operation to manage the airport-wide baggage product in a coherent and consistent way to improve all aspects of the operation and contribute to making a step change in Transfer Baggage performance in line with Heathrow's strategic intent.

## B.8.2 List of Projects

### **BCT Number and Project Name as presented in Schedules**

IT01: Airport Operational Systems  
IT02: IT Infrastructure Renewal  
IT03: Business Planning & Support IT Solutions

## B.9 Rail

### B.9.1 Overview

The Rail programme is designed with the following objectives:

- Continue the mode shift from car to rail, for both passengers and employees
  - Reducing emissions
  - Reducing road congestion
- Enhance passenger experience by reducing the journey anxiety, through
  - Integrating with aviation
  - Providing frequency, certainty, reliability
  - Quality service

The Programme comprises of around 50 projects, the projects have been rolled up into key categories according to type.

### B.9.2 List of Projects

#### **BCT Number and Project Name as shown in Schedules**

10146 : Fleet Modernisation & Connect  
Various: HEx Growth Projects  
Various: HEx Asset Replacement

## B.10 Project for the Sustainable Development of Heathrow (PSDH)

### B.10.1 Overview

The Q5 regulatory settlement allowed for £640m (2007/08 prices) of capital investment for PSDH.

HAL and the airline community agreed that the £640m (inflated to £672m at 2008/09 prices in CIP 2009) should be split between different categories of expenditure. These were:

- £440m for third runway and master-planning activity.
- £62m for runway resilience work, including the ending of the Cranford Agreement.
- £170m for other capacity increasing projects.

This split being broadly equivalent to the manner in which the possible sums for PSDH were outlined by HAL in the period leading up to the Q5 settlement and forming the basis of the £640m.

This split was agreed by the airline community in June 2009 and formally recorded, with the full project control and ex post arrangements, in November 2009.

In May 2010, the UK Government withdrew support for a third runway; this has resulted in the remaining third runway expenditure becoming unallocated. These funds can only be allocated to new capacity and resilience based projects/ scope with prior approval from CIPWG, JST and CAA. . During 2011/12 £47m was transferred from PSDH to the T3IB project.

Unallocated Monies within PSDH currently equates to £303m as at March 2012.

The remaining PSDH monies still to be spent included in the SCBP 2012 in Outturn prices is £102m (£672m less transfers for runway resilience and other capacity increasing projects, £267m and unallocated budget, £303m.)

## **B.11 Trigger Milestones**

### **B.11.1 Overview**

A feature of the CAA price control at Heathrow is a series of projects (so called 'capital investment trigger projects') where a deferral in project delivery would lead to an adjustment to aeronautical charges that can be levied on HAL.

A total of 24 projects were defined as trigger projects at the start of Q5, equivalent to approximately 60% of the Q5 capital investment programme. The CAA regulatory settlement for Q5 at Heathrow provided that if none of these projects were delivered during Q5, a maximum cumulative reduction to aeronautical charges of £278 million would result. Forecast total aeronautical charges over Q5 in the CAA's price control document are £5,531 million meaning that the maximum potential reduction is approximately 5% of total aeronautical income.

*Note: All figures in this section are in 2007/08 prices. Table 13-2 of the CAA March 2008 publication "Economic Regulation of Heathrow and Gatwick Airports" provides further details.*

The specifications of capital triggers were set out in broad terms and the relevant dates and rebates determined in the CAA decision. They were, however, not defined to a working level and in March 2009, following a period of joint working between HAL and the airline community and formal consultation by the CAA, the CAA published the final definitions of the trigger projects.

Since the start of Q5 a further 2 triggers have been introduced, both agreed with the airline community and endorsed by the CAA. These are:

- T5C Nodes and Link Bridges to stands 563/564 complete – this trigger was created by splitting out this scope and associated rebate from the main T5C trigger.
- T5 Track Transit System (TTS) enhancements – a new trigger based on the requirement to upgrade the TTS walkways.

## B.11.2 Trigger Completion

### B.11.2.1 Process

The airport and the AOC send a joint letter certifying the completed works to the CAA and confirming successful performance against the triggered project milestone(s). This letter should state, how the views of airlines have been sought, and either that:

- no airlines objected;
- certain named airlines objected, and a brief summary of these objections and how they have been addressed; or
- the AOC as a whole does not agree with the airport that the trigger has been met, setting out the reasons for the disagreement.

Where the CAA receives a joint letter from the airport and AOC agreeing to the trigger and confirming that no objections exist, the CAA will not consult further before agreeing the trigger.

Where the CAA receives a joint letter from the airport and AOC agreeing to the trigger but stating that certain airlines objected, the CAA may investigate these objections before deciding whether to agree to the trigger.

Where the AOC does not agree with the airport that the trigger has been met then the CAA will investigate any objections before deciding whether to agree to the trigger.

### B.11.2.2 Trigger Status

As at March 2012 the following 13 milestones have been delivered on or before the trigger date and endorsed by the CAA.

- T1 - Completion of BMI Nose Building Facility
- T2B - Completion of T2B Ph 1 Stage 1 for Operational Readiness
- T3 - Completion of Pier 5 refurbishment
- T3 – Completion of Immigration, Landside Departures & Baggage Hall Refurb
- T3 – Completion of Check-in and Security Search Refurbishment
- T4 - New CIP (stand 407) Lounge Access for Fit-out
- T4 - Completion of 3rd jetties on each of 2 A380 stands
- T4 - Completion of North East bank of Check in desks
- T2A – Ph1 T2 demolition complete & T2A substructure complete
- Post T5 Transfer Baggage System - Completion of T5-T3 baggage link
- T5C - completion of satellite
- T5C – completion of nodes and link bridges to stands 563/564
- T2A - Phase 1 Building weather-tight

In total 4 milestones have been delivered that have incurred rebates. These have all been endorsed by the CAA and are:

- Completion of T4-T1 baggage tunnel refurbishment - Rebate incurred £0.2m
- T4 - Completion of Baggage Sorter (Replacement) - Rebate incurred £0.6m
- T3 pier 7 Refurbishment Complete - Rebate incurred £0.2m
- T4 Check-in Phase completion of South West bank of check in desks – Rebate incurred £0.2m

Finally, there are three milestones that are not yet delivered but which are incurring rebates on a monthly basis:

- Completion of Diversion of East Church Road
- Completion of T2C (outer pier) North
- T5 Track Transit System enhancements

Details of the status of all the capital investment trigger projects, as at March 2012 month end, is set out in Appendix Q.

### B.11.2.3 Q5 Extension Year Trigger

A large proportion of the proposed capital expenditure plan for the year 2013/14 is composed of what is termed Rollover scope (Rollover scope is primarily made up of the T2 and the T3 Integrated Baggage programmes). 56% of the 2013/14 capital expenditure plan, excluding the IBR8 impact, is covered by existing triggers.

However, to maintain alignment with Q5, where 60% of the capital plan by value is triggered, additional scope was required to be triggered in the year 2013/14. During the process of developing the Q5+1 capital plan a trigger was created on a new Rollover project associated with improving the capacity at peak times of the Track Transit System at Terminal 5. The inclusion of this trigger brought the trigger percentage of the 2013/14 capital plan up to 58%.

To meet the 60% HAL has agreed that the southern runway resurfacing project be triggered on the basis that it is one of the more critical elements of scope within the Q5+1 capital plan. The airline community are in agreement to this proposal therefore by the 30<sup>th</sup> June 2012 HAL expects to have jointly written with the airlines to the CAA documenting the agreed triggers covering the year 2013/14.

### B.11.2.4 Trigger Change Control

HAL and the airline community have developed a working level process to define how they will work together to bring any proposed changes to triggers to the CAA after a period of consultation. Consultation on any changes to scope or date of triggers is progressed through the CIP Working Group (CIPWG) with final ratification by the JST. To date, changes have been agreed to 4 triggers and consultation is on-going concerning further 4 projects:

Trigger changes agreed with airlines and endorsed by the CAA:

- Post T5 Transfer Baggage System (T5 - T3)– changes to the operational performance specification and to the trigger definition
- MSCP East – change to trigger scope with respect to the number of spaces provided by the Phase 1 car park and the introduction of agreed scope for T2 roads and forecourt solution
- T3 completion of Check-in and Security Search refurbishment – change of trigger date to July 2011 and increase in scope of Security area works
- T5C – change of jetty configuration in line with pan-airport agreements for provision of Code F stands in Q5; creation of a separate trigger for delivery of Stands 563 and 564

Trigger changes subject to on-going consultation with airlines:

- Completion of T2C North – proposal to change triggered scope to T2B south
- Completion of T2B – clarification of triggered scope to exclude stands 234/235
- Post T5 Transfer Baggage System (T3 – T1) – proposal to change trigger scope following removal of the T3-T1 tunnel fit-out from the Q5 CIP in 2009
- Diversion of East Church Road – proposal to change trigger scope

## ***Appendix C: Technical Notes***

### **C.1 Project Definition Sheets**

Project Definition Sheets (PDS) are included in this document and they provide an overview of each individual project with a budget greater than £3m. The key content / process in the PDS are:

- Information on HAL and airline high level objectives for the project.
- Information on scope, delivery and operational assumptions underpinning the project.
- A section to capture Operational Costs related to the completed investment. e.g. additional security resource.
- A section to capture Revenue Impact related to the completed investment. e.g. incremental additional revenue.
- A section on capital financial information, with Estimate at Completion (Outturn) being shown.
- Key context drawings or images in an appendix.

### **C.2 Work Breakdown Structure and Price Base**

#### **C.3.1 Work Breakdown Structure**

The Work Breakdown Structure (WBS) for the programme is current at the report date of March 2012.

The capital Expenditure Lines are:

- Capital Projects
- IT
- Rail
- PSDH

Appendix P provides a 'tracker' detailing how the current WBS relates to the original Settlement and identifies notable scope changes between CIP 2008 and SCBP 2012. The tracker also cross-references to the PDS sheets provided in the body of the document. The tracker is presented in 07/08 prices.



### C.3.1.1 Price Base

The Q5 regulatory Settlement in March 2008 was published in 2007/08 prices. The following tables (Tables D to G) provide a comparison of the total capital investment plan for Heathrow between the CAA 2008 Settlement in the 2007/8 Price Base and projected outturn, and the SCBP 2012 (Outturn prices and 2007/08 Price base).

<b>CAA Q5 Decision</b>	<i>Cost base: 07/08 Real</i>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>Capital Projects</b>	831	1005	840	641	298	3615
<b>Thames Water</b>	3	4	6	6	7	26
<b>Rail</b>	28	35	33	29	26	151
<b>IT</b>	24	23	23	21	20	112
<b>PSDH</b>	163	80	97	123	177	640
<b>Total</b>	<b>1050</b>	<b>1146</b>	<b>999</b>	<b>820</b>	<b>527</b>	<b>4542</b>

All values in £ millions.

*Table D Total CIP Values - Q5 Decision  
(Refer Table 8.3 CAA's Determination)*

<b>CAA Q5 Decision</b>	<i>Cost base: Projected Outturn</i>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>Capital Projects</b>	870	1101	962	767	372	4071
<b>Thames Water</b>	3	4	7	7	8	29
<b>Rail</b>	30	38	38	35	32	173
<b>IT</b>	25	26	26	25	25	127
<b>PSDH</b>	171	87	111	147	221	737
<b>Total</b>	<b>1099</b>	<b>1256</b>	<b>1144</b>	<b>981</b>	<b>658</b>	<b>5137</b>

All values in £ millions.

*Table E Total CIP Values - Q5 Decision  
(RPI +2%)*

<b>CIP 2012</b>	<i>Cost base: 07/08 Real</i>					
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
<b>Capital Projects*</b>	683	701	678	837	1223	4122
<b>Rail</b>	12	14	9	17	23	75
<b>IT</b>	10	31	37	23	26	127
<b>PSDH**</b>	0	19	49	22	6	96
<b>Total</b>	<b>705</b>	<b>765</b>	<b>773</b>	<b>899</b>	<b>1278</b>	<b>4420</b>

All values in £ millions.

\* Capital projects includes payments related to Land Purchased for the Construction of Terminal 5 & transfers from PSDH

\*\* Excludes unallocated PSDH budget and budget transferred to Capital Projects

*Table F: Total CIP Values - SCBP 2012*

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
<b>Capital Projects*</b>	716	737	712	897	1336	4398
<b>Rail</b>	13	14	10	18	25	80
<b>IT</b>	11	33	39	24	28	135
<b>PSDH**</b>	0	20	51	24	6	102
<b>Total</b>	<b>740</b>	<b>804</b>	<b>812</b>	<b>963</b>	<b>1395</b>	<b>4714</b>

All values in £ millions.

\* Capital projects includes payments related to Land Purchased for the Construction of Terminal 5 & transfers from PSDH

\*\* Excludes unallocated PSDH budget and budget transferred to Capital Projects

Table G: Total CIP Values - CIP 2012

Table G shows total Heathrow Q5 Capital expenditure (outturn prices) of £4,714m. This compares to the CAA's outturn Q5 Capital expenditure forecast of £5,137m, Table E. The variance of £423m is mainly as a result of unallocated PSDH funds and transfer of Q5 funds from Q5 into Q5+1.

HAL has agreed with the airline community that it will work to ensure that the overall Heathrow Q5 Capital expenditure (outturn prices) will not exceed the CAA's outturn Q5 Capital expenditure forecast.

### C.3 Change Control

HAL is continuing with the established change control process which was introduced in June 2008 to capture all changes to projects arising from baseline reviews, budget or scope change. This process is called Client Change Control and ensures that all changes are assessed, consulted upon with airlines and approved for implementation.

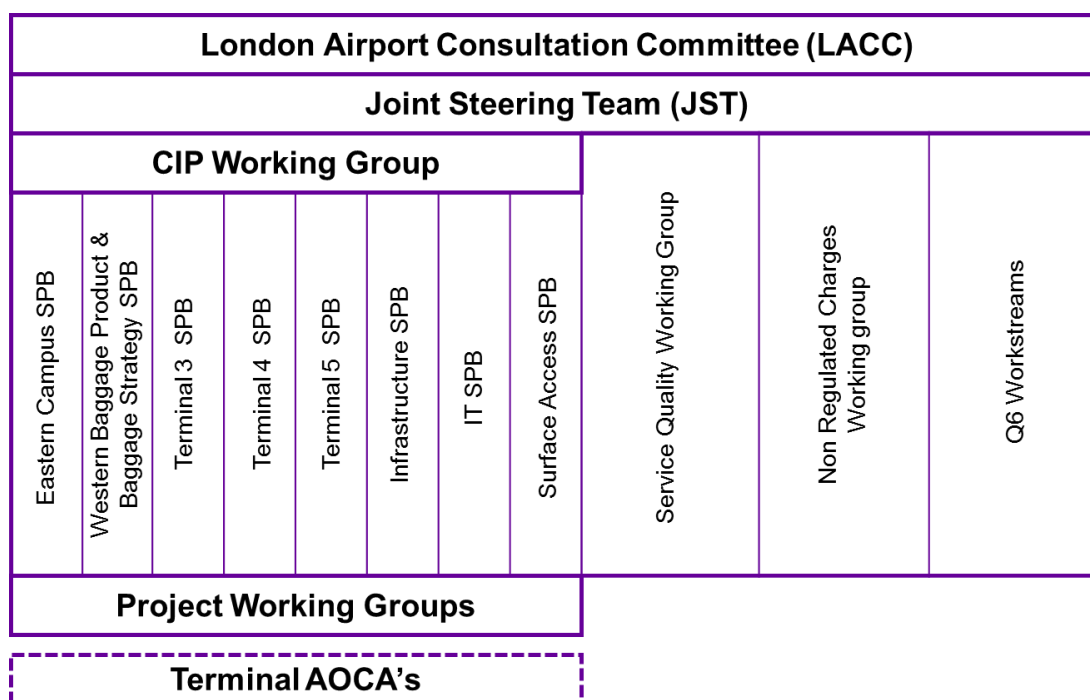
The CIP Working Group has been used for final consultation on behalf of the JST. In addition the CIP Working Group has agreed the categories of client change on which consultation should be conducted, the forum (Stakeholder Programme Boards or CIP Working Group) that should consider each category of change and the airline representatives who have the authority to endorse changes on behalf of the community.

Impacts and status of all change requests are captured on a central Client Change Register. This information is shared with airlines each month via Stakeholder Boards and the CIP Working Group. A dashboard report is also produced for the CIP Working Group each month which is designed to illustrate the volume and status of change across the CIP and provide an indication of how successful consultation is being conducted in relation to the implementation of change.

## *Appendix D: Consultation*

### D.1 Consultation on Capital Projects

A comprehensive structure is in place to engage with the airline community on the Q5 programme and beyond. The Joint Steering Team (JST) provides a forum for cross campus consultation and is attended by representatives from the home based carriers, the alliances, IATA and the AOC.



#### D.1.1 Stakeholder Programme Boards

Stakeholder Programme Boards (SPBs) are operating for Terminal 2, Western Campus (divided into 3 respective subsets for Terminals 3, 4 and 5, due to the specific needs of each terminal), Infrastructure and Western Baggage Product and Baggage Strategy. The SPBs, which meet on a monthly basis, are chaired by Programme Leaders who have full accountability for all aspects of the programme. The SPBs provide a forum for individual project consultation including change and progress reporting. Membership includes representatives of airlines, alliances, IATA and the AOC.

#### D.1.2 Surface Access Stakeholder Programme Board

The Surface Access Stakeholder Programme Board was formed in November 2009, the programme Board meets on a quarterly basis and is chaired by the Heathrow Surface Access Project Manager.

The purpose is to:

- Ensure airlines and key stakeholders are engaged with the Programme objectives and delivery, so that the objectives are achieved
- Provide stakeholders with an overview of all solutions in the Programme to assure alignment
- Demonstrate compliance with the CAA Q5 CIP Settlement Annex G

Membership includes HEX, AOC, IATA and representatives of airlines and alliances.

### D.1.3 Information Technology (IT) / Systems

The IT/Systems scope is covered by three separate portfolios; Airport Operational Systems, Infrastructure Renewal and Business Planning and Support Solutions

In support of Annex G, an Airline Consultation Process has been established for IT; the IT Stakeholder Board is a quarterly meeting which is focussed on high level strategic plans for the future of technology at Heathrow and is attended by Chief Information Officer level representation from British Airways (also representing One World), Virgin Atlantic, Emirates, British Midland, KLM, Star Alliance and the AOC<sup>[1]</sup>. The IT Stakeholder Board is supported by the IT Working Group which is a monthly meeting attended by IT Senior Managers from the Airlines and alliances referenced above, with individual representatives nominated by each IT Stakeholder Board member. The IT Working Group is responsible for reviewing and endorsing the IT CIP portfolio and carrying out detailed consultation on key IT projects.

## D.2 CIP Working Group

In addition to the Stakeholder Programme Boards, HAL consults with the airline community on the overall delivery and development of the CIP through a monthly CIP Working Group (a sub-committee of the JST). These meetings review the high level progress of Q5 delivery, change, together with monitoring of capital efficiency, Annex G compliance and overreaching financial issues for current and future quinquennia.

## D.3 Consultation at Gateways

A selection of Q5 projects were identified as meeting the annex G definition of 'key projects', these were agreed by HAL and the airlines. For Key projects, formal gateway consultation events are held in line with HAL's project management process at key gateway stages. For the largest projects, consultation has been undertaken through dedicated working groups. For other 'key projects', it has been deemed appropriate to consult through the SPBs. The wider airline community are provided with updates on the outcomes of all gateway consultation events through the JST.

## D.4 Change Control

The Change Control Process is built around the principle of consultation at the earliest stage possible and HAL consults the airline community extensively on changes to cost or scope in the CIP. The status of outstanding change issues are reviewed and reported regularly and a pan airport view of significant items is provided to the CIP Working Group which considers cross campus issues.

It has been recognised that consulting on change effectively with large airline groups is challenging and two Airline Leads have been appointed for each SPB. There are agreed terms of reference for this role; the Airline Lead reviews each item of change and confirms that consultation has taken place. The SPBs retain visibility of all significant change issues.

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<sup>[1]</sup> Heathrow Airline Operations Committee

#### D.4.1 Project for the Sustainable Development of Heathrow (PSDH)

The management and allocation of PSDH funds is governed through the Joint Steering Team (JST).