

Appendix C

Notice of the CAA's proposal to modify HAL's licence

Introduction

- C1 This Appendix constitutes a notice under section 22(2) of the Civil Aviation Act 2012 ("CAA12") ("Notice") that the CAA proposes to modify the licence granted to HAL by the CAA under section 15 of the CAA12 on 13 February 2014 ("the Licence") to implement the policy decisions set out in these Final Proposals for HAL's H7 Price Control.
- C2 The proposed modifications are set out below and are mostly set out in full in "tracked change" format in red in Table C.1 compared to the current version of the licence, which took effect on 2 February 2022.¹
- C3 However, as the modifications we propose to make to Schedule 1 of the Licence are very extensive, this Notice presents the changes as deleting the existing Schedule 1 and replacing it with the modified version in order to ensure the Schedule is straightforward for stakeholders to read. To aid stakeholders' understanding of the detailed changes to Schedule 2, these changes are summarised in Table C.2 below. The proposed modifications to Schedule 1 of the Licence are set out as a "clean" version of that schedule.
- C4 Where the reasons for, and effects of, the modifications set out in this Notice are set out in other chapters of these Final Proposals, the reasons for, and effects of the proposed modification set out in those other chapters are deemed to be incorporated in this Notice. Table C.1 sets out the main sections of these Final Proposals where those reasons are to be found.
- C5 Where we are not reinstating terms that had previously been included in the Licence for the Q6 price control (as extended), such as those relating to commercial agreements and the pass through for expansion costs, we have explained our reasons for this in chapter 14 (Implementing through the Licence) or in the relevant chapter on the policy in question.

What the modifications cover

- C6 Key areas that are addressed in these Final Proposals include:

¹ www.caa.co.uk/media/n4dbpdwr/heathrow-licence_20220202.pdf

- the projections of costs, revenues, allowed returns and passenger numbers and how we have used these to identify our final proposal for the H7 price cap on airport charges;
- our approach to incentivising efficient capital expenditure and service quality;
- how we intend to deal with the high degree of uncertainty created by the impact of the covid-19 pandemic;
- proposals for improving the governance arrangements for capital expenditure, service quality and charges for other services, to rectify weaknesses in the licence framework that have been identified in recent years;
- HAL's request for a further covid-19 related RAB adjustment; and
- other amendments to the regulatory framework and price control adjustment terms to ensure that these are suitable for the H7 period.

C7 Not all of these policy proposals require extensive licence modifications. For example, the projections of costs, revenues, allowed returns and passenger numbers are reflected in the calculation of the opening price cap, with details of the policy decisions and assumptions that have led to that price cap set out in these Final Proposals. Other policy proposals, such as the move to OBR require extensive changes to the licence to reflect the new measures and targets, even though mechanisms for calculating the rebates and bonuses draw on the approach adopted in the Q6 price control period.

Representations

C8 We welcome representations on any of the modifications proposed in this Notice. Details of when and how to respond are set out in the Summary of these Final Proposals.

The proposed licence modifications

C9 In summary, we are proposing changes to:

- **Condition C1 Price Control (see Table C.1 below)**, including:
 - a new opening price cap which takes into account our policy proposals relating to traffic forecasts, capex, opex and commercial revenues;
 - reinstating some of the adjustment terms and definitions that were used in the Q6 price control but were removed on 2 February 2022 as they were not needed to implement the holding price cap. These terms need to be reintroduced to the Licence now to enable the price cap to run for the five years of the H7 period. Most of these terms follow the

- Q6 price control format but have been updated (and/or monetary values uplifted) to reflect our Final Proposals;
- a new term to enable the overall capex envelope for the H7 period to be increased, as discussed in chapter 6 (Assessment of capital expenditure);
 - new adjustment terms to allow for the implementation of the TRS mechanism (as discussed in chapter 2 (Regulatory framework)) and uncertainty regarding the revenues that will be raised from the terminal drop-off charge (as discussed in chapter 5 (Commercial revenues)); and
 - a new term to allow for the adjustment of over recovery of airport charge revenue in 2020 and 2021 (as discussed in chapter 14 (Implementing through the Licence)).
- **Condition C2 Charges for other services (discussed in chapter 8 (Other regulated charges)),** including:
 - clarifying when and how the CAA can require changes to the cost allocation mechanism;
 - allowing changes to be made to the list of Specified Facilities if HAL, airlines and the CAA all agree these are necessary;
 - removing some Specified Facilities from that list; and
 - generally clarifying the obligations in this condition.
 - **Condition D1 Service Quality (discussed in chapter 3 (Outcome Based Regulation)),** including:
 - changes to terminology to reflect our move from the SQRB scheme and to implement OBR and the scope of the mechanism for making changes to Schedule 1 of the Licence which sets out the details of the OBR arrangements; and
 - removing the ability for CAA to make a determination on changes to schedule 1 if there is no agreement between HAL and airlines on the change, so that the CAA will need to use the licence modification procedure set out in CAA12 if it considers that a change needed in the interests of consumers.
 - **Condition E2 Financial Resilience (discussed in Appendix I (Financial resilience and ring fencing)),** including:
 - making minor changes to the sufficiency of resources obligation (and associated certificates) to ensure internal consistency within the licence by requiring HAL to have sufficient assets to operate the airport in accordance with the licence;

- making clear the equal importance of financial and operational resilience by requiring separate certificates for financial and operational resources (in place of the existing combined certificate);
- proposing new requirements to provide additional supporting evidence in circumstances where the directors of HAL draw the CAA's attention to matters that may affect HAL's resilience;
- including a new requirement in HAL's licence to ensure that the CAA has notice of, and access to, the same information as HAL provides to credit markets;
- clarifying the ultimate holding company undertaking; and
- including a new requirement in HAL's licence to ensure new directors are aware of the ultimate controller undertaking.
- **Condition F1 Consultation (discussed in chapter 14 (Licence implementation) and this appendix) including:**
 - renaming this condition to reflect its revised scope;
 - clarifying the expectations on, and process for HAL in agree with airlines the governance arrangements for capital development, ORCs and service quality; and
 - expanding the consultation arrangements to cover certain changes to the terminal drop-off charge.
- **Schedule 1 (discussed in chapter 3 (Outcome Based Regulation)), including:**
 - proposing to amend the title of this to become the Statement of Measures, Targets and Incentives (previously the Statement of Standards, Rebates and Bonuses);
 - replacing the schedule with a revised version that implements the move to outcome-based regulation, including new measures and targets and new terminology to implement our proposed policy; and
 - restructuring Schedule 1 to improve signposting and increase transparency. As the modifications we propose to the Schedule are extensive, we propose to modify it by replacing the Schedule. These changes are explained in Table C.2, followed by a "clean" version of the proposed Schedule setting out the text of the proposed modified statement.

C10 We are also proposing other minor, consequential changes throughout the Licence.

Table C.1: Proposed Licence modifications

Licence Condition and modification	Proposed modification	Reasons and effects
Part A: Condition C1 Price control		
<p>Insert New Condition A3.1(f): Include a new definition of H7.</p>	<p>(f) NOT-USED H7 means the price control period set by the CAA in relation to the five Regulatory Years ending on 31 December 2026;</p>	<p>We are proposing to include a definition of “H7” that refers to the full five years of the price control period. The effect of this is to ensure the proper functioning of other elements of the price control. We have carefully considered each instance where it is used. Where only the years 2023 to 2026 are relevant, this has been made clear in the proposed modifications. Further reasons underlying this change are set out in chapter 2 (Regulatory framework).</p>

Licence Condition and modification	Proposed modification	Reasons and effects
Insert New Condition A3.1(h): include a new definition of groundhandling.	(h) groundhandling has the meaning assigned to it by regulation 2(1) of the Airports (Groundhandling) Regulations 1997 (1997 No.2389).	The reasons for and effect of this modification is to clarify the use of this term in Conditions C2 and D2.
Part C: Condition C1 Price control		
Delete existing Condition C1 to C1.4	Delete Condition C1.1 in its entirety Delete Condition C1.2 in its entirety Delete Condition C1.3 in its entirety Delete Condition C1.4 in its entirety	The reason for these modifications is that these conditions need to be replaced by the new conditions set out below to implement the H7 price control. The effect of their removal is to allow for replacement of the holding price cap.
Insert new Condition C1.1	<p>C1 Price Control</p> <p>C1.1 When the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in a Regulatory Year, it shall fix those charges at the levels best calculated to secure that, in that Regulatory Year, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the maximum revenue yield per passenger. For Regulatory Year 2023, the maximum revenue yield per passenger shall be calculated as follows:</p>	The reasons why we consider a price cap is needed for HAL are set out in the Summary and apply to all the modifications we are

Licence Condition and modification	Proposed modification	Reasons and effects
	$M_{2023} = Y_{2022} \times (1 + CPI_{2023} + X + B_{2021}) + \frac{AC_{2023}}{Q_{2023}} - \frac{T_{2023}}{Q_{2023}} + \frac{TDO_{2023}}{Q_{2023}} - AK_{2023}$ <p>where:</p> <ul style="list-style-type: none"> (a) M_{2023} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2023 expressed in pounds sterling; (b) Y_{2022} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2022, as defined in Condition C1.3(a); (c) CPI_{2023} is the percentage change between: <ul style="list-style-type: none"> (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2023; and (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2022; (d) $X = -5.74\%$; (e) B_{2021} is the bonus factor in Regulatory Year 2023, based on the Licensee's service quality performance in Regulatory Year 2021, as defined in Condition C1.6; (f) AC_{2023} is the Licensee's allowed capex adjustment in the Regulatory Year 2023, as defined in Condition C1.7 to C1.12; (g) Q_{2023} is the number of passengers using the Airport in the Regulatory Year 2023; (h) T_{2023} is the capital trigger factor in the Regulatory Year 2023, as defined in Condition C1.13 to C1.14; (i) TDO_{2023} is the terminal drop-off charge factor in Regulatory Year 2023, as defined in 	<p>proposing to make to Condition C1.</p> <p>This condition sets the price cap for 2023, from which the price cap for subsequent years will be derived.</p> <p>The level of the price cap has been calculated to give effect to these Final Proposals. Details of the CAA's calculations underlying the level of this price cap are set out throughout these Final Proposals. Chapter 13 (Calculating the price cap and financeability) sets out our approach and the assumptions we have made in developing our Final Proposals for the level and profile of the price cap for the H7 price control.</p>

Licence Condition and modification	Proposed modification	Reasons and effects
	<p>Condition C1.15 to C1.16; and</p> <p>(j) AK_{2023} is the additional correction factor for Regulatory Year 2023, as defined in Condition C1.19 to C1.20.</p>	
<p>Insert New Condition 1.2</p>	<p>C1.2 On each occasion on which the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in each of the subsequent Regulatory Years starting on 1 January 2024 and ending on 31 December 2026, the Licensee shall fix those charges at the levels best calculated to secure that, in each Regulatory Year, total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the amount set in accordance with the formula below:</p> $M_t = Y_{t-1} \times (1 + CPI_t + X + B_{t-2}) + \frac{AC_t}{Q_t} - \frac{T_t}{Q_t} + \frac{TDO_t}{Q_t} + \frac{TRS_t}{Q_t} - AK_t - K_t$ <p>where:</p> <p>(a) Y_{t-1} is the average revenue yield per passenger in Regulatory Year $t - 1$, as defined in Condition C1.3;</p> <p>(b) M_t is the maximum revenue yield per passenger using the Airport in Regulatory Year t expressed in pounds sterling;</p> <p>(c) CPI_t is the percentage change between:</p> <p>(i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year t; and</p> <p>(ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 1$;</p> <p>(d) X has the same value as in Condition C1.1(d);</p>	<p>This condition provides the mechanism by which the price cap is updated for the remaining years of the H7 price control (Regulatory Years 2024 to 2026).</p> <p>This mechanism has been developed to give effect to these Final Proposals. Chapter 13 (Calculating the price cap and financeability) sets out our approach and the assumptions we have made in developing our Final Proposals for the level and profile of the price cap for the H7 price control.</p>

Licence Condition and modification	Proposed modification	Reasons and effects
	<p>(e) B_{t-2} is the bonus factor in Regulatory Year t, based on the Licensee's service quality performance in Regulatory Year $t - 2$, as defined in Condition C1.6;</p> <p>(f) AC_t is the Licensee's allowed capex adjustment in Regulatory Year t, as defined in Condition C1.7 to C1.12;</p> <p>(g) Q_t is the number of passengers using the Airport in Regulatory Year t;</p> <p>(h) T_t is the capital trigger factor in Regulatory Year t, as defined in Condition C1.13 to C1.14;</p> <p>(i) TDO_t is the terminal drop-off charge factor in Regulatory Year t, as defined in Condition C1.15 to C1.16;</p> <p>(j) TRS_t is the traffic risk sharing factor in Regulatory Year t, as defined in Condition C1.17 to C1.18;</p> <p>(k) AK_t is the additional correction factor in Regulatory Year t, as defined in Condition C1.19 to C1.20; and</p> <p>(l) K_t is the correction factor in Regulatory Year t, as defined in Condition C1.21.</p>	
<p>Insert New Condition C1.3</p>	<p>Average revenue yield per passenger Y_{t-1}</p> <p>C1.3 Y_{t-1} is the average revenue yield per passenger in Regulatory Year $t - 1$ calculated in accordance with the following formula:</p> $Y_{t-1} = Y_{t-2} \times (1 + CPI_{t-1} + X) + S_{t-1}$ <p>where:</p> <p>(a) $Y_{2022} = £30.190 + S_{2022}$;</p>	<p>The effect of this formula is to calculate the average revenue yield per passenger in previous Regulatory Years for the purposes of the formula in Condition C1.2.</p>

Licence Condition and modification	Proposed modification	Reasons and effects				
	<p>(b) CPI_{t-1} is the percentage change between:</p> <ul style="list-style-type: none"> (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 1$; and (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 2$; <p>(c) X has the same value as in Condition C1.1(d); and</p> <p>(d) S_{t-1} is the allowable security and/or health and safety cost per passenger in Regulatory Year $t - 1$, as defined in Condition C1.4 to C1.5.</p>					
<p>Insert New Condition C1.4 and C1.5 Allowable security and/or health and safety cost per passenger</p>	<p>Allowable security and/or health and safety cost per passenger S_{t-1}</p> <p>C1.4 S_{t-1} is the allowable security and/or health and safety cost per passenger in Regulatory Year $t - 1$ arising as a result of changes to security and/or health and safety standards. Additional costs from such changes shall be positive values; reductions in costs from such changes shall be negative values. This mechanism applies only when the expected cumulative cost ("EC") associated with changes to security and/or health and safety standards are:</p> <ul style="list-style-type: none"> (a) above a cumulative £22.12m "deadband" figure; or (b) below a cumulative - £22.12m "deadband" figure. <p>C1.5 S_{t-1} is calculated in accordance with Table C.1 below:</p> <p>Table C1: Calculation of S_{t-1}</p> <table border="1" data-bbox="580 1257 1731 1407"> <thead> <tr> <th colspan="2" data-bbox="580 1257 1731 1337">For each relevant Regulatory Year $t - 1$</th> </tr> </thead> <tbody> <tr> <td data-bbox="580 1337 1158 1407">If EC is a positive number, then:</td> <td data-bbox="1158 1337 1731 1407">If EC is a negative number, then:</td> </tr> </tbody> </table>	For each relevant Regulatory Year $t - 1$		If EC is a positive number, then:	If EC is a negative number, then:	<p>The effect of this condition is to calculate the value of S_{t-1} for the purposes of the formula in Condition C1.3 to allow for the recovery of allowable security and/or health and safety costs. The reasons for these costs being allowed through the price control are referred to in chapter 2 (Regulatory framework).</p>
For each relevant Regulatory Year $t - 1$						
If EC is a positive number, then:	If EC is a negative number, then:					

Licence Condition and modification	Proposed modification		Reasons and effects
	<p>if: $EC_{t-1} > £22.12m$ and $EC_{t-2} > £22.12m$ then: $S_{t-1} = 0.9 \times C_{t-1}$</p> <p>OR:</p> <p>if: $EC_{t-1} > £22.12m$ and $EC_{t-2} < £22.12m$ then: $S_{t-1} = 0.9 \times \frac{(EC_{t-1} - £22.12m)}{TimeFactor \times Q_{t-1}}$</p> <p>OR:</p> <p>if: $EC_{t-1} < £22.12m$ and $EC_{t-2} > £22.12m$ then: $S_{t-1} = -0.9 \times \frac{(EC_{t-2} - £22.12m)}{TimeFactor \times Q_{t-1}}$</p> <p>Otherwise: $S_{t-1} = 0$</p>	<p>if: $EC_{t-1} > £22.12m$ and $EC_{t-2} > £22.12m$ then: $S_{t-1} = 0.9 \times C_{t-1}$</p> <p>OR:</p> <p>if: $EC_{t-1} > £22.12m$ and $EC_{t-2} < £22.12m$ then: $S_{t-1} = 0.9 \times \frac{(EC_{t-1} + £22.12m)}{TimeFactor \times Q_{t-1}}$</p> <p>OR:</p> <p>if: $EC_{t-1} < £22.12m$ and $EC_{t-2} > £22.12m$ then: $S_{t-1} = -0.9 \times \frac{(EC_{t-2} + £22.12m)}{TimeFactor \times Q_{t-1}}$</p> <p>Otherwise: $S_{t-1} = 0$</p>	
<p>where:</p> <p>(a) Q_{t-1} is the number of passengers using the Airport in Regulatory Year $t - 1$; and</p> <p>(b) TimeFactor is a time variable, which is defined in Table C.2 below:</p> <p>Table C.2: TimeFactor</p>			

Licence Condition and modification	Proposed modification						Reasons and effects	
	Regulatory Year t	2022	2023	2024	2025	2026		
	TimeFactor	5	4	3	2	1		
	<p>(c) C_{t-1} is the total allowable security and/or health and safety claim per passenger using the Airport in Regulatory Year $t - 1$ (whether of a positive or negative value) expressed in pounds sterling, compared to security and/or health and safety costs per passenger in Regulatory Year $t - 2$;</p>							
	<p>(d) EC_t is the expected cumulative security and/or health and safety claim in Regulatory Year t, which shall be calculated in accordance with Table C.3 below:</p>							
<p>Table C.3: Calculation of annualised allowable security and/or health and safety costs (EC_t)</p>								
Changes in Regulatory Year	Regulatory Year							
	2022	2023	2024	2025	2026			
2022	$5 \times C_{2022} \times Q_{2022}$	$5 \times C_{2022} \times Q_{2022}$	$5 \times C_{2022} \times Q_{2022}$	$5 \times C_{2022} \times Q_{2022}$	$5 \times C_{2022} \times Q_{2022}$			
2023	0	$4 \times C_{2023} \times Q_{2023}$	$4 \times C_{2023} \times Q_{2023}$	$4 \times C_{2023} \times Q_{2023}$	$4 \times C_{2023} \times Q_{2023}$			
2024	0	0	$3 \times C_{2024} \times Q_{2024}$	$3 \times C_{2024} \times Q_{2024}$	$3 \times C_{2024} \times Q_{2024}$			

Licence Condition and modification	Proposed modification						Reasons and effects
	2025	0	0	0	$2 \times C_{2025} \times Q_{2025}$	$2 \times C_{2025} \times Q_{2025}$	
2026	0	0	0	0	$1 \times C_{2026} \times Q_{2026}$		
$EC_t =$	Sum rows	Sum rows	Sum rows	Sum rows	Sum rows		
<p>where:</p> <ul style="list-style-type: none"> (i) C_t is the total allowable security and/or health and safety claim per passenger using the Airport in Regulatory Year t (whether of a positive or negative value) expressed in pounds sterling, compared to security and/or health and safety costs per passenger in Regulatory Year $t - 1$; and (ii) Q_t bears the same meaning as in Condition C1.2(g). 							

Licence Condition and modification	Proposed modification	Reasons and effects
Insert New Condition C1.6 Bonus factor	<p>Bonus factor B_{t-2}</p> <p>C1.6 B_{t-2} is the bonus factor based on performance achieved in respect of bonus measures bm of the Licensee's service quality Measures, Targets and Incentives scheme as defined in Condition D1. The bonus factor shall be calculated in accordance with Schedule 1 of this Licence.</p>	<p>The effect of this new condition is to calculate the value of B_{t-2} for the purposes of the formulae in Conditions C1.1 and C1.2 and address the impact of the OBR scheme on the price control.</p> <p>The reasons for the implementation of the OBR scheme are set out in chapter 3 (Outcome Based Regulation).</p>

Insert New Conditions C1.7 to C1.12
Allowed Capex adjustment

Allowed capex adjustment AC_t
C1.7 AC_t is the capex adjustment, which adjusts the maximum revenue yield per passenger in Regulatory Year t to account for the changes in revenue requirement associated with allowed capex projects. AC_t shall be calculated in accordance with Table C.4 below.

Table C.4: Allowed capex adjustment

For projects in	Adjustment for revenue requirement in Regulatory Year			
	2023	2024	2025	2026
Regulatory Year 2022	$\frac{P_{2023}}{P_{2022}} \times d_{2022}$	$\frac{P_{2024}}{P_{2022}} \times d_{2022}$	$\frac{P_{2025}}{P_{2022}} \times d_{2022}$	$\frac{P_{2026}}{P_{2022}} \times d_{2022}$
Regulatory Year 2023	$0.5 \times d_{2023}$	$\frac{P_{2024}}{P_{2023}} \times d_{2023}$	$\frac{P_{2025}}{P_{2023}} \times d_{2023}$	$\frac{P_{2026}}{P_{2023}} \times d_{2023}$
Regulatory Year 2024	0	$0.5 \times d_{2024}$	$\frac{P_{2025}}{P_{2024}} \times d_{2024}$	$\frac{P_{2026}}{P_{2024}} \times d_{2024}$
Regulatory Year 2025	0	0	$0.5 \times d_{2025}$	$\frac{P_{2026}}{P_{2025}} \times d_{2025}$
Regulatory Year 2026	0	0	0	$0.5 \times d_{2026}$
	Sum Rows \times RWACC	Sum Rows \times RWACC	Sum Rows \times RWACC	Sum Rows \times RWACC

where:

- (a) P_t is the average value of the Office for National Statistics monthly CHAW Retail Price

The effect of these conditions is to calculate the value of AC_t for the purposes of the formulae in Conditions C1.1 and C1.2 which address recovery of the difference between the annual capex allowance and HAL's projected capex for each year.

These conditions also provide for a mechanism that enables HAL to apply to the CAA to increase the level of its allowed capex as its capital plan matures during the course of H7.

The reasons for these conditions are set out in chapter 7 (Capex incentives).

	<p>Index over Regulatory Year t;</p> <p>(b) d_t is the allowed capex adjustment in Regulatory Year t as defined in Condition C1.8; and</p> <p>(c) RWACC is the pre-tax RPI-real weighted average cost of capital which shall have a value of 4.18%.</p> <p>C1.8 For the purposes of Condition C1.7, the allowed capex adjustment (d_t) in Regulatory Year t is an amount equal to the difference between the capex allowance included in the H7 settlement and the total capex associated with capex projects in Regulatory Year t, and is to be calculated as follows:</p> $d_t = IC_t - AV_t \times \frac{P_t}{P_{2018}} + AddC_t \times InfAddC_t$ <p>where:</p> <p>(a) IC_t is the total capex incurred by the Licensee in Regulatory Year t in accordance with the governance arrangements;</p> <p>(b) AV_t is the available capex allowance in Regulatory Year t in 2018 RPI-real prices; and is given by:</p> <ul style="list-style-type: none"> (i) £356.788 million for 2022; (ii) £543.902 million for 2023; (iii) £668.919 million for 2024; (iv) £962.008 million for 2025; and (v) £907.895 million for 2026. <p>(c) P_t bears the same meaning as in Condition C1.7(a);</p> <p>(d) P_{2018} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2018 and is equal to 281.58;</p>	
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	<p>(e) AddC_t is additional capex allowance for Regulatory Year t determined by the CAA through the Capex Adjustment Mechanism in accordance with Condition C1.9. It shall have the value zero unless otherwise directed by the CAA in accordance with that condition; and</p> <p>(f) InfAddC_t is the inflation adjustment applicable to AddC_t for Regulatory Year t as set out in Condition C1.12(b)(i).</p> <p>C1.9 The Licensee may seek a decision by the CAA to direct a value for one or more capex allowances for inclusion in the calculation of AddC_t in Condition C1.8. The Licensee may apply to the CAA for a decision to make such a direction where it considers that the following criteria (the “Capex Adjustment Criteria”) are both met:</p> <p>(a) the Licensee considers that it is in the interests of consumers for it to undertake capex projects that were not included in the calculation of AV_t. Such capex projects may include, but are not limited to, capex projects to reduce, control or mitigate the adverse environmental effects of the Airport; and</p> <p>(b) over the H7 period, the Licensee expects to incur a cumulative capex of a value more than the H7 total available capex allowance, calculated in accordance with the following formula:</p> $\sum_{t=2022}^{t=2026} AV_t$ <p>where AV_t shall bear the meaning given to that term in Condition C1.8.</p> <p>C1.10 Except where the CAA has given consent in writing, the Licensee may make an application under Condition C1.9 only during the following periods:</p> <p>(a) 1 February 2024 to 31 March 2024; and/or</p> <p>(b) 1 February 2025 to 31 March 2025.</p>	
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	<p>C1.11 For the purposes of Condition C1.9, the Licensee must support any application with comprehensive evidence setting out:</p> <ul style="list-style-type: none"> (a) the scope of the capex project(s) that are the subject matter of its application (the “Project(s)”); (b) the costs that the Licensee expects to incur during the H7 period in relation to each Project which is the subject of its application; (c) the basis on which the Licensee considers that the Project(s) (individually or cumulatively) meet each of the Capex Adjustment Criteria; (d) evidence setting out how airlines have been consulted in relation to each Project in accordance with the governance arrangements; and (e) a report setting out airlines’ views on the matters consulted on under Condition C1.11(d). <p>The Licensee shall make any application in accordance with the requirements of any additional guidance on the form or content of applications that the CAA may publish.</p> <p>C1.12 Where the Licensee has made an application under Condition C1.9, the CAA will:</p> <ul style="list-style-type: none"> (a) before making a direction under Condition C1.9, publish on its website: <ul style="list-style-type: none"> (i) the Licensee’s application that does not contain information that the CAA considers is confidential to the Licensee; (ii) the text of any proposed direction that it is proposing to make; (iii) the reasons for the proposed direction; and (iv) a period during which representations may be made on the proposed direction, which will not be less than 28 days. (b) after the period for representations set out in this Condition has ended, make a decision to direct on: <ul style="list-style-type: none"> (i) such adjustment or adjustments to the value of $AddC_t$, and such value for the inflation adjustment applicable to it ($InfAddC_t$) as it considers appropriate in the 	
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	<p>interests of consumers, and the Regulatory Years to which any such adjustment and/or inflation adjustment relate;</p> <ul style="list-style-type: none"> (ii) rejecting the Licensee’s application; or (iii) requesting more information from the Licensee. 	
<p>Insert New Conditions C1.13 and C1.14 Trigger Factor</p>	<p>Trigger factor T_t</p> <p>C1.13 T_t is the trigger factor in Regulatory Year t, which is a change in the maximum revenue yield per passenger occurring when the Licensee achieves specific capital investment milestones associated with relevant projects earlier or later than the milestone month in the Capital Investment Triggers Handbook. The factor shall be calculated as follows:</p> $T_t = \sum_i TM_{it} TF_{it}$ <p>where for any specific trigger i:</p> <ul style="list-style-type: none"> (a) TF_{it} is the number of months between the milestone month and either: <ul style="list-style-type: none"> (i) for capex projects completed later than the milestone month, the earlier of the project completion date or the end of Regulatory Year t; or (ii) for capex projects completed earlier than the milestone month, the later of the project completion date or the start of Regulatory Year t. <p>in either case, TF_{it} shall bear a maximum value of 12.</p> (b) TM_{it} is the trigger payment associated with each trigger in Regulatory Year t and is defined as: $TM_{it} = MTP_i \times \frac{P_t}{P_{2018}}$ <p>where:</p> <ul style="list-style-type: none"> (i) MTP_i is the monthly trigger payment which is defined for each relevant project; 	<p>The effect of these conditions is to calculate the value of T_t for the purposes of the formulae in Conditions C1.1 and C1.2 and apply the capital trigger factor.</p> <p>The reasons for these conditions are set out in chapter 7 (Capex incentives).</p>

	<p>(ii) P_t bears the same meaning as in Condition C1.7(a); and</p> <p>(iii) P_{2018} bears the same meaning as in Condition C1.8(d).</p> <p>C1.14 The triggers, milestone month and monthly trigger payments shall bear the same meaning as set out in the Capital Investment Triggers Handbook and may be modified in accordance with the modification processes set out in that handbook.</p>					
<p>Insert New Conditions C1.15 and C1.16 Terminal drop-off charge</p>	<p>Terminal drop-off charge TDO_t</p> <p>C1.15 TDO_t is the Terminal drop-off charge factor that:</p> <p>(a) implements risk sharing; and</p> <p>(b) provides protection to the Licensee from the risk that a change to legislation prevents it from recovering revenue from Terminal drop-off charges in Regulatory Year t.</p> <p>C1.16 TDO_t shall be calculated in accordance with Table C.5 below.</p> <p>Table C5: Calculation of the Terminal drop-off charge</p> <table border="1" data-bbox="580 820 1731 971"> <thead> <tr> <th data-bbox="580 820 1155 895">If $w_t = 0$</th> <th data-bbox="1155 820 1731 895">If $w_t = 1$</th> </tr> </thead> <tbody> <tr> <td data-bbox="580 895 1155 971">$-0.65 \times (OTDO_t - FTDO_t)$</td> <td data-bbox="1155 895 1731 971">$-1.00 \times (OTDO_t - FTDO_t)$</td> </tr> </tbody> </table> <p>where:</p> <p>(a) $w_t = 1$ if a change to legislation comes into force in Regulatory Year t that prevents the Licensee from recovering the full amount of the Forecast, and = 0 otherwise;</p> <p>(b) $OTDO_t$ is the outturn revenue collected by the Licensee from Terminal drop-off charges in Regulatory Year t; and</p> <p>(c) $FTDO_t$ is the forecast of the revenue that the Licensee will collect from Terminal drop-off charges in Regulatory Year t and is set out in the CAA’s final decision setting the price control applicable to the Licensee for H7.</p>	If $w_t = 0$	If $w_t = 1$	$-0.65 \times (OTDO_t - FTDO_t)$	$-1.00 \times (OTDO_t - FTDO_t)$	<p>The effect of these conditions is to calculate the value of TDO_t for the purposes of the formulae in Conditions C1.1 and C1.2 and apply the risk sharing mechanism in relation to revenues from the Terminal drop-off charge.</p> <p>The reasons for this condition are set out in chapter 5 (Commercial revenues).</p>
If $w_t = 0$	If $w_t = 1$					
$-0.65 \times (OTDO_t - FTDO_t)$	$-1.00 \times (OTDO_t - FTDO_t)$					

Insert New Conditions C1.17 and C1.18 Traffic risk sharing

Traffic risk sharing adjustment TRS_t

C1.17 TRS_t is the traffic risk sharing adjustment in Regulatory Year t, which adjusts the maximum revenue yield per passenger in Regulatory Year t to take account of the number of passengers using the Airport in previous Regulatory Years being either higher or lower than the number forecast by the CAA and set out in Table C.8 in Condition C1.18. It shall be calculated in accordance with Table C.6 below.

Table C.6: Traffic Risk Sharing Adjustment

Adjustment for outturn in	Regulatory Year		
	2024	2025	2026
Regulatory Year 2022	$\frac{ARS_{2022}}{10} \times \frac{P_{2024}}{P_{2022}} \times (1 + RWACC)^2$	$\frac{ARS_{2022}}{10} \times \frac{P_{2025}}{P_{2022}} \times (1 + RWACC)^3$	$\frac{ARS_{2022}}{10} \times \frac{P_{2026}}{P_{2022}} \times (1 + RWACC)^4$
Regulatory Year 2023	0	$\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2$	$\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3$
Regulatory Year 2024	0	0	$\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$
TRS_t	Sum rows	Sum rows	Sum rows

where:

- (a) ARS_t is the annual risk share with respect to traffic outturns in Regulatory Year t, as defined in Condition C1.18;

The effect of these conditions is to calculate the value of TRS_t for the purposes of the formula in Condition C1.2 and implement the TRS mechanism.

The reasons for these conditions are set out in chapter 2 (Regulatory framework).

- (b) P_t bears the same meaning as in Condition C1.7(a); and
- (c) RWACC bears the same meaning as in Condition C1.7(c).

C1.18 For the purposes of Condition C1.17, ARS_t is the annual risk share with respect to traffic outturns in Regulatory Year t , which is calculated in accordance with the formula below:

$$ARS_t = \sum_{i=1}^{i=4} RS_{it}$$

where RS_{it} is calculated in accordance with Table C.7 below:

Table C.7: Annual Risk Share

	if	then	otherwise
RS_{1t}	$OAR_t < 0.9 \times FAR_t$	$(0.9 \times FAR_t - OAR_t) \times 1.05$	0
RS_{2t}	$OAR_t < FAR_t$	$\{FAR_t - \max[(0.9 \times FAR_t), OAR_t]\} \times 0.5$	0
RS_{3t}	$OAR_t > FAR_t$	$\{FAR_t - \min[(1.1 \times FAR_t), OAR_t]\} \times 0.5$	0
RS_{4t}	$OAR_t > 1.1 \times FAR_t$	$(1.1 \times FAR_t - OAR_t) \times 1.05$	0

where:

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

$$OAR_t = MY_t \times Q_t$$

where:

- (i) MY_t is the maximum allowed yield (excluding adjustments) in Regulatory Year t defined as:

For $t = 2022$: $MY_{2022} = \text{£}30.19$

For $t > 2022$: $MY_t = MY_{t-1} \times (1 + CPI_t + X)$

where:

- 1. CPI_t bears the same meaning as in Condition C1.2(c); and
- 2. X bears the same meaning as in Condition C1.1(d);

(ii) Q_t bears the same meaning as in Condition C1.2(g).

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

$$FAR_t = MY_t \times Q_t^f$$

where:

- (i) MY_t bears the same meaning as in Condition C1.18(a)(i); and
- (ii) Q_t^f is the forecast number of passengers using the Airport in Regulatory Year t , as set out in Table C.8 below.

Table C.8: Traffic Risk Sharing Adjustment

Regulatory Year	Forecast number of passengers
2022	54,874,872
2023	67,335,952
2024	75,360,950
2025	80,998,858
2026	81,631,688

<p>Insert New Conditions C1.19 and C1.20 Additional correction factor</p>	<p>Additional correction factor AK_t</p> <p>C1.19 AK_t is the additional correction factor to be made in Regulatory Year t to return in full during Regulatory Years 2023 to 2026 the Licensee’s over recovery of revenue from airport charges compared with M_{2020} and M_{2021}. AK_t is calculated as follows:</p> $AK_t = \frac{1}{Q_t} \times \left[wR2020_t \times (R_{2020} - Q_{2020} \times M_{2020}) \times \frac{P_t}{P_{2020}} \times (1 + RWACC)^{t-2020} + wR2021_t \times (R_{2021} - Q_{2021} \times M_{2021}) \times \frac{P_t}{P_{2021}} \times (1 + RWACC)^{t-2021} \right]$ <p>where:</p> <p>(a) Q_t bears the same meaning as in Condition C1.2(g);</p> <p>(b) $wR2020_t$ is the proportion of the Licensee’s over-recovery of revenue from airport charges in Regulatory Year 2020 to be included in the adjustment of the maximum allowable yield for Regulatory Year t and shall be subject to:</p> $\sum_{t=2023}^{t=2026} wR2020_t = 1$ $0 \leq wR2020_{2023} \leq 1$ $0 \leq wR2020_{2024} \leq 1$ $0 \leq wR2020_{2025} \leq 1$ $0 \leq wR2020_{2026} \leq 1$ <p>(i) The Licensee shall publish the value of $wR2020_t$ in the annual consultation for setting charges for Regulatory Year t.</p> <p>(c) $wR2021_t$ is the proportion of the Licensee’s over-recovery of revenue from airport charges in Regulatory Year 2021 to be included in the adjustment of the maximum allowable yield for Regulatory Year t and shall be subject to:</p>	<p>The effect of these conditions is to calculate the value of AK_t for the purposes of introducing a new mechanism to address the over-recovery of revenues in Regulatory Years 2020 and 2021.</p> <p>The reasons for this are set out in chapter 14 (Implementing through the Licence).</p>
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	$\sum_{t=2023}^{t=2026} wR2021_t = 1$ $0 \leq wR2021_{2023} \leq 1$ $0 \leq wR2021_{2024} \leq 1$ $0 \leq wR2021_{2025} \leq 1$ $0 \leq wR2021_{2026} \leq 1$ <p>(i) The Licensee shall publish the value of $wR2021_t$ in the annual consultation for setting charges for Regulatory Year t.</p> <p>(d) R_t is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year t expressed in pounds sterling;</p> <p>(e) M_t bears the same meaning as in Condition C1.2(b);</p> <p>(f) P_t bears the same meaning as in Condition C1.7(a);</p> <p>(g) P_{2020} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2020 and is equal to 293.14;</p> <p>(h) P_{2021} is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year 2021 and is equal to 305.00; and</p> <p>(i) RWACC bears the same meaning as in Condition C1.7(c).</p> <p>C1.20 For the purposes of Condition C1.19, the values of R_t, Q_t and M_t shall be calculated in accordance with the price control conditions applicable to the Licensee in this licence as they were in each of the Regulatory Years 2020 and 2021.</p>	
<p>Insert New Condition C1.21 correction factor</p>	<p>Correction factor K_t</p> <p>C1.21 K_t is the correction factor (whether positive or negative value) to be made in Regulatory Year t, which is calculated as follows:</p>	<p>The effect of this condition is to calculate the value of K_t for the purposes of the formulae in Conditions</p>

	$K_t = \frac{1}{Q_t} \times (R_{t-2} - Q_{t-2} \times M_{t-2}) \times \left(1 + \frac{I_{t-2}}{100}\right)^2$ <p>where:</p> <ul style="list-style-type: none"> (a) R_{t-2} is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year $t - 2$ expressed in pounds sterling; (b) Q_{t-2} is the number of passengers using the Airport in Regulatory Year $t - 2$; (c) M_{t-2} is the maximum revenue yield per passenger using the Airport in Regulatory Year $t - 2$ expressed in pounds sterling; (d) I_{t-2} is the appropriate interest rate for Regulatory Year $t - 2$, which is equal to: <ul style="list-style-type: none"> (i) the specified rate plus 3% where K_t is positive; or (ii) the specified rate where K_t is negative. 	C1.1 and C1.2 and correct the maximum allowed yield for over- or under-recovery of revenues in previous Regulatory Years.
Insert New Condition C1.22 Definitions	<p>Definitions</p> <p>C.1.22 In this Condition C.1:</p> <ul style="list-style-type: none"> (a) allowable security and/or health and safety claim per passenger means the annual equivalent of the increase or decrease in security and/or health and safety costs at the Airport in the relevant Regulatory Year which arise as a result of a change in required security and/or health and safety standards at the Airport, where the CAA agrees in writing that the relevant standard has changed, divided by the number of passengers using the Airport in that Regulatory Year; (b) average revenue yield per passenger means the revenue from airport charges levied in respect of relevant air transport services in the relevant Regulatory Year, before any deduction of rebates under the Measures, Targets and Incentives Scheme in Schedule 1 of this Licence, divided by the total number of passengers using the Airport in the relevant Regulatory Year; (c) the Capital Investment Triggers Handbook means the handbook published by the 	These definitions are largely being reintroduced from the equivalent provisions of the licence as it was prior to 2022. Their effect is to enable other provisions of Condition C1 to work properly to support the policy outcomes set out in these Final Proposals. Where appropriate, they have been updated and clarified from the

	<p>Licensee in accordance with Condition F1.1(a) which contains details of the triggers, milestone months and monthly trigger payments for capex projects and details of how future changes to those elements can be made with the agreement of the Licensee and the airlines;</p> <p>(d) capex project is any project that is being taken forward in accordance with the governance arrangements;</p> <p>(e) the governance arrangements means the arrangements set out in the Capital Efficiency Handbook published by the Licensee as required in accordance with Condition F1.1(a);</p> <p>(f) A passenger using the Airport is a passenger who</p> <ul style="list-style-type: none"> (i) boards an aircraft at the Airport as the origin of their journey; (ii) arrives at the Airport as the final destination of their journey; (iii) is a transferring passenger who changes from one aircraft to another at the Airport; or (iv) is a transiting passenger who arrives at the Airport on an aircraft with one flight number, remains airside, and departs from the Airport on the same flight number; <p>(g) project completion date is the date when, in accordance with the governance arrangements, the Licensee has achieved the trigger criteria as defined for each project in the Capital Investment Triggers Handbook;</p> <p>(h) relevant air transport services means air transport services carrying passengers that join or leave an aircraft at the Airport, including air transport services operated for the purpose of business or general aviation;</p> <p>(i) specified rate means the average of the three month Treasury Bill Discount Rate (expressed as an annual percentage interest rate) published by the UK Debt Management Office (www.dmo.gov.uk/data/treasury-bills/tender-results/), during the 12 months from the beginning of May in Regulatory Year t – 2 to the end of April in</p>	<p>definitions used in the Q6 price control.</p>
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		Regulatory Year t – 1; (j) Terminal drop-off charge means the per vehicle charge for accessing the drop off area for departures from any terminal at the Airport, as set by the Licensee from time to time.	
Part C Condition C2 Charges for other services			
Amend Condition C2.1	C2.1	By 30 September 2014 and by 30 September in each subsequent year Regulatory Year, the Licensee shall inform provide to the CAA and users of the Specified Facilities details of the system methodology it uses used by it to allocate the costs it incurs in the provision of the Specified Facilities (“the cost allocation methodology”). The Licensee shall make any amendments to its cost allocation system if so requested by CAA by 31 December prior to each charging year commencing on 1 January.	The effects of the modifications to this condition are to account for the new Price Control Coming into effect and clarify the expectations on HAL. The reasons for this are set out in chapter 8 (Other regulated charges).
New Condition C2.2 and C2.3	C2.2 C2.3	<p>C2.2 The CAA may, by notice published no later than 31 October in any Regulatory Year and following a reasonable period of consultation, require the Licensee to amend the cost allocation methodology referred to in Condition C2.1 in the manner, or to achieve the outcomes, specified in the notice provided that such amendments will not result in the Licensee failing to recover all costs in accordance with the rules and processes set out in the ORC governance arrangements.</p> <p>C2.3 Where the CAA has required the Licensee to amend the cost allocation methodology under Condition C2.2, the Licensee must make the changes specified in the notice before the start of the next Regulatory Year.</p>	<p>The effect of these new conditions is to enable the CAA to require HAL to amend its approach to cost allocation for ORCs.</p> <p>The reasons for the CAAs approach are set out in chapter 8 (Other regulated charges).</p>
New Condition C2.4	C2.4	The Licensee shall facilitate and pay for an independent review of the appropriateness of the cost allocation methodology to validate that the cost allocation methodology ensures that the costs of the Specified Facilities are allocated between airlines and non-airline users of the Specified Facilities on a fair and reasonable basis. The terms of reference of the review shall	The effect of this new condition is to facilitate an independent review of

	<p>be set by the CAA after consultation with the Licensee and users of the Specified Facilities. The independent reviewer for this purpose will be appointed by the Licensee and shall report to the CAA and copies of that report shall be made available to users of the Specified Facilities. The Licensee may recover its costs for this review through ORC charges.</p>	<p>HAL's ORC cost allocation methodology.</p> <p>The reasons for the CAAs approach are set out in chapter 8 (Other regulated charges).</p>
Amend Condition C2.2 and renumber as C2.5	<p>C2.25 By 30 September 2014 and by 30 September in each subsequent year Regulatory Year, the Licensee shall provide to the CAA and users of the Specified Facilities statements of the actual costs it has incurred and the revenues it has generated in respect of each of the Specified Facilities for the year ending the previous 31 December preceding Regulatory Year in a form, and to a sufficient degree of detail, as set out in the governance arrangements, to enable the CAA and users of the Specified Facilities to be reasonably satisfied that the charges that the Licensee proposes to apply to the Specified Facilities are derived in accordance with the cost allocation methodology.</p>	<p>The effects of the modifications to this condition are to clarify and enhance the expectations of cost and revenue transparency on HAL in relation to ORCs.</p> <p>The reasons for this are set out in chapter 8 (Other regulated charges).</p>
Amend Condition C2.3 and renumber as C2.6	<p>C2.36 By 31 December in each year Regulatory Year, the Licensee shall provide to the CAA and to users of the Specified Facilities, or their representatives prior to implementing any price changes to the charges for the Specified Facilities, a statement of ("the pricing principles"):</p> <p>(a) for each item charged confirming the principles it shall use for calculating the charges it levies for each Specified Facility, as set out in the governance arrangements; and</p> <p>(b) setting out including the assumptions and relevant cost information</p> <p>in a form, and to a sufficient degree of detail, as set out in the governance arrangements, to enable the CAA and users of the Specified Facilities to be reasonably satisfied adequate to verify that the charges derive from that the Licensee proposes to apply to the Specified Facility are derived in accordance with the application of pricing principles.</p>	<p>The effects of the modifications to this condition are clarify and enhance the expectations of pricing transparency on HAL in relation to ORCs.</p> <p>The reasons for this are set out in chapter 8 (Other regulated charges).</p>

Amend Condition C2.4 and renumber as C2.7	<p>C2.47 Where charges for the Specified Facilities are not established in relation to the cost allocation methodology or the pricing principles, the Licensee shall provide to the CAA and to users of the Specified Facilities or their representatives a statement of:</p> <p>(a) the reasons for using an alternative methodology and/or approach to charging; and</p> <p>(b) the methodology and principles that the Licensee has used to set those on the basis of which the charges have been set</p> <p>in a form, and to a sufficient degree of detail, as set out in the governance arrangements, to enable the CAA and users of the Specified Facilities with full background information as to understand the calculation of such charges, including details of comparable charges for similar services provided by the Licensee or other providers. statements of any comparables used</p>	<p>The effect of the modifications to this condition are to further clarify and enhance the expectations of transparency on HAL in relation to ORCs where it does not use the cost allocation methodology or pricing principles under Condition C2.</p> <p>The reasons for this are set out in chapter 8 (Other regulated charges).</p>
Delete Condition C2.5	<p>C2.5 — Where, in respect of any relevant Regulatory Year (apart from the Regulatory Year 2022) actual the revenue that the Licensee generates from for any of the Specified Facilities differs from that the forecast set by the CAA for the purposes of the price control review for the period 1 April 2014 to 31 December 2018 (as specified by the CAA), the Licensee shall provide to the CAA and to users of the Specified Facilities or their representatives detailed reasons for those differences.</p>	<p>The effect of this modification is to delete this condition, which is now covered by the amended Condition C2.8.</p>
Amend Condition C2.6 and renumber as C2.8	<p>C2.68 Where, in respect of any the Regulatory Year 2022, the actual revenue that the Licensee generates from any of the Specified Facilities differs from the actual revenue that the Licensee generated from that Specified Facility in the preceding Regulatory Year, the Licensee shall provide to the CAA and to users of the Specified Facilities or their representatives detailed reasons for those differences.</p>	<p>The effect of these modifications to this condition is to further clarify the expectations of transparency on HAL in relation to changes in ORC revenues from year to year. The reasons for</p>

		<p>these modifications are set out in chapter 8 (Other regulated charges).</p>
<p>Insert New Conditions C2.9 to C2.11</p>	<p>C2.9 The CAA may by notice modify the list of Specified Facilities in this Condition C2 with immediate effect where there is written agreement from the Licensee and the AOC on the nature of the modification to be made.</p> <p>C2.10 The modifications that can be made under Condition C2.9 shall be limited to any modifications to the list of Specified Facilities to include particular facilities in (or exclude them from) the list in Condition C2.12(a).</p> <p>C2.11 Modifications can be made to the list of Specified Facilities in this Condition C2 under Condition C2.9 at any time.</p>	<p>The effect of these new conditions is to create a “self modification” procedure for amending the list of “Specified Facilities” covered by ORCs, as permitted by section 21(3) CAA12 and without the need to use the procedure set out in section 22 CAA12.</p> <p>If there is no agreement, but the CAA considers that changes are needed it will modify the licence under section 22 CAA12, which affords the right of appeal.</p> <p>The reasons for this modification are set out in chapter 8 (Other regulated charges).</p>
<p>Amend Condition C2.7 and</p>	<p>C2.7¹² In this Condition C2 (a) the Specified Facilities are:</p>	<p>The effect of this new condition is to update and clarify the list of “Specified</p>

<p>renumber as C2.12</p>	<p>a.—check-in desks;</p> <ul style="list-style-type: none"> (i) baggage handling systems (ii) Hold Baggage Screening; (iii) services for Passengers with reduced mobility (PRM)s; (iv) staff car parking; (v) staff identity ID cards; (vi) fixed electrical ground power; (vii) pre-conditioned air; (viii) airside licences; (ix) waste, recycling and refuse collection; (x) taxi feeder park; (xi) heating and utility services (including electricity, gas, water and sewerage); and (xii) HAL the Licensee’s contribution to the funding of the AOC (xiii)—facilities for bus and coach operators; (m) common IT infrastructure; and <p>(b) the governance arrangements means the arrangements set out in the ORC Protocol published as required in accordance with Condition F1.1(a); and</p> <p>(c) users of the Specified Facilities are</p> <ul style="list-style-type: none"> (i) airlines (including the AOC) that the Licensee charges directly for use of the Specified Facilities; and (ii) any other person that the Licensee charges directly for use of the Specified Facilities including, but not limited to, suppliers of groundhandling services, retailers, hotels, UK Border Force and hire car operators, or their representatives. 	<p>Facilities” covered by ORCs.</p> <p>These modifications also specify the governance arrangements that apply and define users of Specified Facilities in order to clarify other obligations in Condition C2.</p> <p>The reasons for these modifications are set out in chapter 8 (Other regulated charges).</p>
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Part C Condition C3 Procurement of capital projects

Amend Condition C3.7	C3.7 The Licensee shall publish by 1 February in each Regulatory Year year a report identifying instances where significant capital investment work has not been procured in line with the Procurement Code of Practice, providing in each case evidence and analysis as to why an alternative procurement method better met the objective.	The reason for this modification is to implement a consequential change to align this Condition C3 with terminology used throughout the Licence. This modification has no significant effect on the existing obligation.
Part D Condition D1 Service Quality standards, rebates and bonuses		
Amend the title of Condition D1	D1 Service quality measures, targets, incentives standards, rebates, bonuses and publication	The effect of this modification is to reflect the title of the new Schedule 1. The reasons for these modifications to support the changeover to OBR are set out in chapter 3 (Outcome Based Regulation).
Amend Condition D1.1 and D1.2	<p>D1.1 The Licensee shall comply with the Statement of service quality Standards, Rebates and Bonuses-Measures, Targets and Incentives ("the Statement") set out in Schedule 1 of this Licence.</p> <p>D1.2 The Statement set out at Schedule 1 of to this Licence includes its Annexes and, subject to the following provisions of this Condition, is a condition of this Licence.</p>	The effect of these modifications is to update the licence to refer to the new Schedule 1 to the Licence.

		<p>The reasons for these modifications to support the change to OBR are set out in chapter 3 (Outcome Based Regulation).</p>
<p>Amend Conditions D1.3 to D1.5</p>	<p>D1.3 The Licensee shall maintain records of the actual quality of service, rebates that it pays, and bonuses that it accrues in each Regulatory Year in such form and detail that the performance can be independently audited against the requirements standards set out in the Statement.</p> <p>D1.4 The Licensee shall publish relevant information about service quality its performance in accordance with the requirements specified in the Statement.</p> <p>D1.5 The Licensee shall facilitate and pay for regular, independent audits of the adequacy, measurement and workings of the service quality Measures, Targets and Incentives service quality rebates and bonuses (SQRB) scheme set out in Schedule 1, including the QSM surveys included within it. The independent auditors for this purpose will be appointed by the CAA and shall report to the CAA.</p>	<p>The effect of these modifications is to clarify the obligation and reflect the insertion of a new Schedule 1 to the Licence.</p> <p>The reasons for these modifications to support the changeover to OBR are set out in chapter 3 (Outcome Based Regulation).</p>
<p>Amend Condition D1.6</p>	<p>D1.6 The CAA may by notice modify the Statement with immediate effect where there is written agreement from both between: the Licensee and the AOC on the nature of the modification to be made.</p>	<p>The reason for and effect of these modifications is to clarify the “self modification” procedure for amending the Statement of service quality Measures, Targets and Incentives to be inserted as the new Schedule 1.</p>

<p>Delete Conditions D1.7 and D1.8</p>	<p>D1.7 — Where the Licensee and the AOC cannot reach agreement, either party may request that the CAA determines the modification.</p> <p>D1.8 — Where a request has been made under Condition D1.7, the CAA may by notice determine the modifications, following a reasonable period of consultation.</p>	<p>The effect of this modification is to remove the ability for the CAA to determine a change to the Statement of service quality Measures, Targets and Incentives in Schedule 1 if either HAL or the AOC do not agree. The reason for this is that it will align the self modification procedure with the approach in the revised Conditions C2.9 to C2.11 above. If the CAA considers that changes are needed it will modify the licence under section 22 CAA12, which affords the right of appeal.</p>
<p>Amend Conditions D1.9 and D1.10 and renumber as D1.7 and D1.8 respectively</p>	<p>D1.97 The modifications that can be made under Conditions D1.6 and D1.8 are any modifications to Schedule 4 the Statement except:</p> <p>(a) any modifications to the elements listed in the 'Element' columns of Table 1a to Table 6 and Table 10a to Table 10e;</p> <p>(a) any modifications to the table of bonuses (Table 8) and to the calculation of the bonus factor set out in the Statement; and</p>	<p>The reasons for and effect of these modifications are to reflect the modification to insert a new Schedule 1 and the deletion of Conditions D1.7 and D1.8.</p>

	(b) any modifications to Table 7 9. D1.408 Modifications can be made to the Statement under Conditions D1.6 and D1.8 at any time.	
Delete sub-heading and Condition D1.11	Definitions D1.11 In this Condition D1 the QSM has the meaning set out in the Statement.	This modification is to address this condition no longer being used.
Part D Condition D2 Operational Resilience		
Amend Condition D2.14	D2.14 The Licensee shall take use all reasonable endeavours steps to ensure that airlines and suppliers of groundhandling services comply with the rules of conduct developed under Condition D2.13.	As discussed in chapter 14 (Implementing through the Licence), the reason for and effect of this modification is to clarify the obligation on HAL since there is extensive judicial authority on the meaning of “all reasonable endeavours”.
Amend Condition D2.16(b) and (c)	D2.16 In this Condition D.2 (a) Conditions of Use means the Heathrow Airport Conditions of Use including Airport Charges, as reviewed and published by the Licensee on an annual basis; (b) The Denied Boarding Regulations means UK Regulation (EU) No 261/2004 (the UK Denied Boarding Regulations) and The Air Passengers Rights and Air Travel Organisers Licensing (Amendment) (EU Exit) Regulations 2019 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, and repealing Regulation (EEC) No 295/91 ; and (c) relevant parties means those providing a service to users of air transport services at the	The reasons for and effect of these modifications are to reflect changes in law, to ensure consistent terminology throughout the Licence and provide clarity on relevant parties.

	Airport including airlines, providers suppliers of groundhandling services, the provider of aerodrome air navigation services, fuel and energy suppliers and the UK Border Force.	
Part E Condition E1 Regulatory accounting requirements		
Amend Condition E1.5(b)	<p>E1.5 The Licensee shall:</p> <p>(a) procure, in respect of the regulatory accounts prepared in accordance with Condition E1.3 in respect of a Regulatory Year, a report by the Auditors addressed to the CAA which provides their opinion on those accounts. The opinion should be worded in the form required by those professional bodies accountable for prescribing the form of audit reports on regulatory accounts and should reference compliance with the Condition and the Regulatory Accounting Guidelines;</p> <p>(b) deliver to the CAA the Auditors' report referred to in sub-paragraph a) Condition E1.5(a) and the regulatory accounts referred to in Condition E1.3 as soon as reasonably practicable, and in any event not later than six months after the end of the Regulatory Year to which they relate; and</p> <p>(c) arrange for copies of the regulatory accounts and Auditors' report referred to in Conditions E1.5 (a) and (b), respectively, to be made publicly available and, so far as reasonably practicable, to do so when the annual statutory accounts of the Licensee are made available.</p>	This modification is a consequential amendment.
Part E Condition E2 Financial Resilience		
Amend the sub-heading and Condition E2.1	<p>Certificate of adequacy of for the CAA in relation to financial resources</p> <p>E2.1 The Licensee shall at all times act in a manner calculated to secure that it has available to it sufficient resources including (without limitation) financial, management, operational and staff resources, to enable it to provide airport operation services at the Airport and do so in accordance with this licence.</p>	<p>The effect of this modification is to clarify the obligation and ensure internal consistency within the Licence.</p> <p>The reasons for the modifications to the financial resilience and</p>

		ring fencing conditions in the Licence are set out in Appendix I (Financial resilience and ring fencing).
<p>Modify Condition E2.2 and insert new Condition E2.3</p>	<p>E2.2 With effect from 1 January 2023, the The Licensee shall submit a certificate addressed to the CAA, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution. Such certificate shall be submitted within four months of the end of the relevant Regulatory Year and shall include a statement of the factors which the directors of the Licensee have taken into account in preparing that certificate. Each certificate shall be in one of the following forms:</p> <p>(a) Financial Resources Certificate 1</p> <p>“After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation that the Licensee will have available to it, after taking into account in particular (but without limitation):</p> <ul style="list-style-type: none"> (i) any dividend or other distribution which might reasonably be expected to be declared or paid; (ii) any amounts of principal and interest due under any loan facilities; and (iii) any actual or contingent risks which could reasonably be material to their consideration, <p>sufficient financial and other resources and financial and operational facilities to</p> <ul style="list-style-type: none"> (i) enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware; and 	<p>The effect of these modifications is to split the certificates that the Licence requires into separate certificates for each of (i) financial and (ii) operational resources.</p> <p>The reasons for these modifications to the financial resilience and ring fencing conditions in the Licence are set out in Appendix I (Financial resilience and ring fencing).</p>

	<p>(ii) do so in accordance with the licence obligations to which it is or will be the Licensee can reasonably expect to be subject for a period of two years from the date of this certificate.”</p> <p>(b) Financial Resources Certificate 2</p> <p>“After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation, subject to what is said below, that the Licensee will have available to it, after taking into account in particular (but without limitation):</p> <ul style="list-style-type: none"> (i) any dividend or other distribution which might reasonably be expected to be declared or paid; (ii) any amounts of principal and interest due under any loan facilities; and (iii) and any actual or contingent risks which could reasonably be material to their consideration, <p>sufficient financial and other resources and financial and operational facilities to:</p> <ul style="list-style-type: none"> (i) enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware; and (ii) do so in accordance with the licence obligations to which it is or will be the Licensee can reasonably expect to be subject <p>for a period of two years from the date of this certificate.</p> <p>However, they would like to draw attention to the following factors which may cast doubt on the ability of the Licensee to provide airport operation services at London Heathrow Airport for that period...”</p> <p>(c) Financial Resources Certificate 3</p>	
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	<p>“In the opinion of the directors of the Licensee, the Licensee will not have available to it sufficient financial or other resources and financial and operational facilities to:</p> <ul style="list-style-type: none"> (i) provide airport operation services at London Heathrow Airport of which the Licensee is aware or of which it could reasonably be expected to make itself aware; and (ii) or do so in accordance with the licence obligations to which it is or will be the Licensee can reasonably expect to be subject <p>for a period of two years from the date of this certificate.”</p> <p>Certificate for the CAA in relation to operational services</p> <p>E2.3 With effect from 1 January 2023, the Licensee shall submit a certificate addressed to the CAA, approved by a resolution of the board of directors of the Licensee and signed by a director of the Licensee pursuant to that resolution. Such certificate shall be submitted within four months of the end of the relevant Regulatory Year. Each certificate shall be in one of the following forms:</p> <ul style="list-style-type: none"> (a) Operational Resources Certificate 1 <p>“After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation that the Licensee will have available to it sufficient operational resources, including (without limitation) management, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, to:</p> <ul style="list-style-type: none"> (i) enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware; and (ii) do so in accordance with the licence obligations to which the Licensee can reasonably expect to be subject <p>for a period of two years from the date of this certificate.”</p> 	
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	<p>(b) Operational Resources Certificate 2</p> <p>“After making enquiries based on systems and processes established by the Licensee appropriate to the purpose, the directors of the Licensee have a reasonable expectation that the Licensee will have available to it sufficient operational resources, including (without limitation) management, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights, to:</p> <ul style="list-style-type: none"> (i) enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware; and (ii) do so in accordance with the licence obligations to which the Licensee can reasonably expect to be subject <p>for a period of two years from the date of this certificate.</p> <p>However, they would like to draw attention to the following factors which may cast doubt on the expectation set out above...”</p> <p>(c) Operational Resources Certificate 3</p> <p>“In the opinion of the directors of the Licensee, the Licensee will not have available to it sufficient operational resources, including (without limitation) management, personnel, fixed and moveable assets, rights, licences, consents and facilities, on such terms and with all such rights to:</p> <ul style="list-style-type: none"> (i) enable the Licensee to provide airport operation services at London Heathrow Airport of which the Licensee is aware or could reasonably be expected to make itself aware; and (ii) do so in accordance with the licence obligations to which the Licensee can reasonably expect to be subject <p>for a period of two years from the date of this certificate.”</p>	
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<p>Amend Conditions E2.3 and E2.4 (and renumber as E2.4 and E2.5 respectively) and insert new Condition E2.6</p>	<p>E2.34 The Licensee shall inform the CAA in writing as soon as practicable if the directors of the Licensee become aware of any circumstance which causes them no longer to have the reasonable expectation expressed in the then most recent certificate given under either Condition E2.2 or Condition E2.3.</p> <p>E2.45 The Licensee shall obtain and submit to the CAA with each certificate provided under Condition E2.2 and Condition E2.3 a report prepared by its Auditors stating whether or not the Auditors are aware of any inconsistencies between, on the one hand, that those certificates and the statement submitted with them and, on the other hand, any information which they obtained during their audit of the relevant year end accounts of the Licensee.</p> <p>E2.6 Where the Licensee has submitted a certificate to the CAA under Condition E2.2 or Condition E2.3 in either the form of Financial Resources Certificate 2 or Operational Resources Certificate 2, such certificate(s) shall be accompanied by a statement setting out information on business forecasting scenarios that the directors have used in the preparation of the certificates and which have caused them to draw the CAA's attention to the matters referred to in the relevant certificate. In each such statement, the Licensee shall provide a range of plausible outcomes for the matters to which they are drawing the CAA's attention, including, as a minimum, a central case, with positive and negative sensitivities together with their assessment of the impact of each of them on the sufficiency of its financial and/or operational resources.</p>	<p>The effect of these modifications is to recognise the splitting of the certificates that the Licence requires into separate certificates for each of (i) financial and (ii) operational resources and set out new requirements to provide additional supporting evidence in circumstances where the directors of HAL draw the CAA's attention to matters that may affect HAL's resilience.</p> <p>The reasons for these modifications to the financial resilience and ring fencing conditions in the Licence are set out in Appendix I (Financial resilience and ring fencing).</p>
<p>Amend Condition E2.5 (and renumber as E2.7) and insert</p>	<p>E2.57 If the Licensee or any of its linked companies (or, where applicable the directors and officers of any of those undertakings) seeks, or is advised to seek, advice from an insolvency practitioner or any other person relating to:</p> <p>(a) the Licensee's financial position or ability to continue to trade; or</p>	<p>The effect of these modifications is to make consequential numbering changes and include a new requirement in HAL's</p>

<p>new Condition E2.8.</p>	<p>(b) that linked company's financial position or ability to continue to trade, only to the extent that it would affect the Licensee's financial position or ability to continue to trade,</p> <p>(e) the Licensee shall inform the CAA within 3 working days.</p> <p>E2.8 The Licensee shall inform the CAA by email to economicregulation@caa.co.uk (or such other email address as the CAA may specify to the Licensee from time to time in writing) when it has placed new information for bondholders and/or investors on its website.</p>	<p>licence to ensure that the CAA has notice of, and access to, the same information as HAL provides to credit markets. The reasons for these modifications to the financial resilience and ring fencing conditions in the Licence are set out in Appendix I (Financial resilience and ring fencing).</p>
<p>Renumber Condition E2.6 as E2.9, E2.10 as E2.14 and E2.11 as E2.15</p>	<p>[No other modifications to these conditions]</p>	<p>These are consequential amendments with no material effect.</p>
<p>Amend Conditions E2.7 to E2.12 (and renumber as E2.10, E2.11 and E2.12 respectively) and insert new Condition E2.13</p>	<p>E2.710 The Licensee shall procure from each Covenantor a legally enforceable undertaking in favour of the Licensee in the form specified by the CAA that that Covenantor will:</p> <p>(a) refrain from any action, and procure that every subsidiary of the Covenantor (other than the Licensee and its subsidiaries) will refrain from any action, which would then be likely to cause the Licensee to breach any of its obligations under this Licence;</p> <p>(b) ensure each subsidiary of the Covenantor that holds records that the Licensee may reasonably require to carry on the activities permitted under Condition E2.9 maintains those records to enable the Covenantor to comply with paragraph (c) of this condition; and</p> <p>(c) promptly upon request by the CAA (specifying the information required) provide to the</p>	<p>The effect of these modifications is (i) to effect consequential changes, (ii) clarify the nature of the undertaking that the Licensee must obtain and (iii) include a new requirement to ensure new directors are aware of the ultimate controller undertaking.</p>

	<p>CAA (with a copy to the Licensee) information of which they are aware and which the CAA reasonably considers necessary in order to enable the Licensee to comply with this Licence.</p> <p>E2.811 Such The undertaking required by Condition E2.10 shall be obtained within seven days of the company or other person in question becoming a Covenantor and shall remain in force for so long as the Licensee remains the holder of this Licence and the Covenantor remains a Covenantor.</p> <p>E2.912 The Licensee shall:</p> <ul style="list-style-type: none"> (a) deliver to the CAA, within seven days of obtaining the undertaking required by Condition E2.810, a copy of such undertaking; (b) inform the CAA as soon as practicable in writing if the directors of the Licensee become aware that the undertaking has ceased to be legally enforceable or that its terms have been breached; and (c) comply with any direction from the CAA to enforce any such undertaking. <p>E2.13 With effect from 1 January 2023, the Licensee shall write to each director of the Covenantor appointed after that date within one week of their appointment as a director of the Covenantor appraising that director of the terms of the undertaking that the Covenantor has given.</p>	<p>The reasons for these modifications to the financial resilience and ring fencing conditions in the Licence are set out in Appendix I (Financial resilience and ring fencing).</p>
<p>Renumber Condition E2.12 as E2.16 and amend Condition E2.16(a)</p>	<p>E2.126 In this Condition E2:</p> <ul style="list-style-type: none"> (a) the Covenantor means the holding company of the Licensee which is not itself a subsidiary of another company. For the purposes of this definition, “holding company” and “subsidiary” shall bear the meanings given to those terms in section 1159(1) of the Companies Act 2006. a company or other person which is at any time an ultimate holding company of the Licensee. (b) ... [no modifications proposed to this definition] (c) Permitted Business means: <ul style="list-style-type: none"> (i) any and all business undertaken by the Licensee and its subsidiary undertakings as 	<p>The effect of this modification is to implement consequential numbering changes and clarify the identity of the party from whom it must obtain an undertaking. The reasons for the modifications to the financial resilience and</p>

	<p>at 1 April 2014;</p> <p>(ii) to the extent that it falls outside the definition in Condition E2.126(c)(i), the business of owning, operating and developing the Airport and associated facilities by the Licensee and its subsidiary undertakings (including, without limitation, any and all airport operation services, provision of facilities for and connected with aeronautical activities including retail, car parks, advertising and surface access and the infrastructure development thereof); and</p> <p>(iii) any other business, provided always that the average of any expenses incurred in connection with such businesses during any one financial year is not more than 2% of the value of the regulatory asset base (RAB) at the start of the financial year.</p>	ring fencing conditions in the Licence are set out in Appendix I (Financial resilience and ring fencing).
Part F Condition F1 Consultation		
Amend the heading of this Part	<p>Part F Consultation and Governance conditions</p>	The reasons for and effect of this modification is to reflect the contents of the condition more closely
Amend Condition F1.1	<p>F1.1 The Licensee shall ensure that:</p> <p>(a) develop, consult on and use reasonable endeavours to agree with Relevant Parties governance and consultation arrangements (including such protocols and handbooks as are appropriate) that establish clear rules, processes and information requirements, including consultation requirements, to allow Relevant Parties to scrutinise, challenge and collaborate with the Licensee to drive efficient costs and appropriate service levels and to propose and, where relevant, agree amendments to:</p> <p>(i) the Licensee's site proposals for future investment in the short, medium and long term that have the potential to affect those Relevant Parties;</p> <p>(ii) the Licensee's site proposals for the development and delivery of key capital projects identified in its future investment proposals in Condition F1.1(a)(i);</p>	The effect of this modification is to clarify which activities require HAL to seek to agree governance arrangements with relevant parties and those activities where HAL must consult on any changes. For the services provided in Condition C2 (Charges for other services) HAL must seek

	<ul style="list-style-type: none"> (iii) the Licensee'sits charges that are subject to Condition C2 in relation to users of Specified Facilities in Condition C2.12(c)(i); (iv) the service quality regime in Condition D1, including the Statement of Standards, Rebates and Bonuses Measures, Targets and Incentives in Schedule 1 of this Licence..- (b) it consults Relevant Parties for a period of no less than 28 days (or such other time period as may be agreed with Relevant Parties)-on, as a minimum, any proposed changes to its: <ul style="list-style-type: none"> (i) its proposals for future investment in the short, medium and long term that have the potential to affect those parties; (ii) its proposals for the development and delivery of key capital projects identified in its future investment proposals in Condition F1.1.(a) (i) (i) charges that are subject to Condition C2-in relation to users of Specified Facilities in Condition C2.12(c)(ii)-; (iii) the service quality regime in Condition D1, including the Statement of Standards, Rebates and Bonuses in Schedule 1 to this Licence; (ii) its traffic forecasts; (iii) its operational resilience activities in Condition D2; (iv) Terminal drop-off charge in excess of 10 per cent of the charge applicable in Regulatory Year 2022; and (v) its policies and proposals for any other airport operation service it provides, (b)so that those parties have sufficient information to take an informed view of the proposed changes. and (c)the views of the relevant parties are taken into account in deciding on the future development of the proposals. 	<p>to agree governance arrangements with airlines and must consult non-airline users on changes to its charges under that Condition. Specifically, this change also introduces the obligation to notify airlines about significant changes to the terminal drop-off charge and is being introduced for the reasons set out in chapter 5 (Commercial revenues). The reasons for the modifications to the governance arrangements are set out in chapter 14 (Implementing through the Licence).</p>
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Insert new Condition F1.2	<p>F1.2 Before making any changes following a consultation referred to in Condition F1.1, the Licensee must provide to the Relevant Parties and the CAA a report setting out:</p> <ul style="list-style-type: none"> (a) the revisions originally proposed; (b) a summary of any representations made in writing and not expressly withdrawn; and (c) details of how it has taken those representations into account, including any revisions to the proposed changes as a result of such representations. 	<p>The effect of this modification is to require a more formal consultation and response structure.</p> <p>The reason for these changes is so that the standard expected of HAL is more transparent and appropriate to enable HAL to comply.</p>
Amend Condition F1.2 and renumber as F1.3	<p>F1.23 The Licensee shall within the Regulatory Year 2023 by 1 October 2014 consult on, use reasonable endeavours to agree, and publish make available to Relevant Parties and the CAA, one or more protocols, handbooks or other arrangements setting out how it will satisfy the obligations in Condition F1.1(a) and, to the extent those protocols, handbooks or other arrangements have been agreed, the Licensee shall comply with them.</p>	<p>The effect of these modifications is to add clarity to the condition.</p> <p>The reason for these modifications is so that the standard expected of HAL is more transparent and appropriate to enable HAL to comply.</p>
Amend Conditions F1.3 and F1.4 and renumber as F1.4 and F1.5 respectively	<p>F1.34 As a minimum, the protocols, handbooks or other arrangements referred to in Condition F1.1(a) shall include those elements set out in any relevant guidance issued from time to time by the CAA.</p> <p>F1.45 No revision of any CAA guidance under Condition F1.34 shall have effect unless the CAA has first consulted the Licensee and any other relevant parties on that guidance or any revision of it.</p>	<p>The effect of these modifications is to add clarity to the condition.</p> <p>The reason for these modifications is so that the standard expected of HAL is more transparent and appropriate to enable HAL to comply.</p>

Amend Conditions F1.5 and F1.6 and renumber as F1.6 and F1.7 respectively	<p>F1.56 In compliance with Condition F1.23, the Licensee may publish use any protocol, handbook or other arrangement that that meets the requirements of Condition F1.1(a) and was is already agreed with Relevant Parties as-at prior to 1 January 2022 and is in force at the date this Licence comes into force, subject to any revisions required under Condition F1.7.</p> <p>F1.67 The Licensee shall, in consultation with rRelevant pParties, review the protocols, handbooks or other arrangements it has in place to meet the requirements of Condition F1.1(a) from time to time or if directed by the CAA by notice to do so and update them as necessary in accordance with that Condition, or if directed by the CAA by notice to do so.</p>	The effect of these modifications is to update and add clarity to the condition. The reason for these modifications is so that the standard expected of HAL is more transparent and appropriate to enable HAL to comply.
Amend Condition F1.7 and renumber as F1.8	<p>F1.78 Where the Licensee cannot reach agreement with the rRelevant pParties under Conditions F1.1(a), F1.23 or F1.67, it may refer the matter to the CAA for determination and, following such a referral, the CAA may, by notice, determine it make a determination on the matter so referred.</p>	The effect of these modifications is to add clarity to the condition. The reason for these modifications is so that the standard expected of HAL is more transparent and appropriate to enable HAL to comply. This
Amend Condition F1.8 and renumber as F1.9	<p>F1.89 In this Condition F1, Relevant Parties means those stakeholders that need to be consulted for each protocol the Licensee to comply with the relevant obligation under this Condition F1, including any groups or boards already established for the purpose of developing protocols. and in place at the date this Licence was granted</p>	The reasons for and effect of these modifications is to add clarity to the condition.
Schedule 1		
Delete Schedule 1 Statement of standards,	Delete Schedule 1 Statement of standards, rebates and bonuses in its entirety	The reasons for the modifications to support

<p>rebates and bonuses</p>		<p>the changeover to OBR are set out in chapter 3 (Outcome Based Regulation).</p>
<p>Insert New Schedule 1 Statement of measures, targets and incentives</p>	<p>Insert a new Schedule 1 Statement of measures, targets and incentives as set out below.</p>	<p>The reasons for the modifications to support the changeover to OBR are set out in chapter 3 (Outcome Based Regulation).</p>

Schedule 1 Statement of Measures Targets and Incentives – policy background

C11 Chapter 3 (Outcome Based Regulation) of these Final Proposals summarises the key policy proposals and the licence changes that are needed to implement OBR. These include the following themes, which we expand on in Table C.2 below. The Modifications proposed as part of this Notice are set out as the text of Schedule 1 after Table C.2.

Terminology

C12 There are a number of changes that update, clarify or remove existing terminology, definitions and provisions to reflect the move to the OBR framework. Among other changes, we propose to refer to the new arrangements as the service quality “measures, targets and incentives” (“MTI”) scheme, which replaces the “SQRB” scheme. We have also included some drafting changes to provide more clarity.

Structure

C13 We propose changes to re-order and streamline Schedule 1 to improve signposting and make the MTI scheme more transparent. Among other things, we propose to:

- consolidate the existing tables in Schedule 1 which are currently set out for each terminal to reduce duplication and make it easier for stakeholders to understand how rebates for individual measures compare across terminals; and
- move some existing provisions into separate annexes to Schedule 1 to improve signposting. These include the Quality of Service Monitor survey (“QSM”) and other survey questions for relevant measures, exclusions and details on the renamed “runway operational resilience” measure.

Substantive

C14 We propose changes to reflect our proposed OBR framework as set out in chapter 3 (Outcome Based Regulation) including:

- measures: the removal and merging of existing measures and adding of new measures with financial and reputational incentives;
- metrics: updating existing metrics and adding metrics for new measures, which are grouped into the following categories: survey-based, queuing times, availability-based, and other metrics;

- targets: reflecting the proposed targets set out in in chapter 3 (Outcome Based Regulation);
- rebates: reflecting the proposed rebates set out in in chapter 3 (Outcome Based Regulation);
- bonuses: reflecting the proposed bonuses as set out in chapter 3 (Outcome Based Regulation);
- publication requirements: updating the requirement for HAL to publish its performance for relevant measures in each terminal at the airport. The changes we propose include removing existing measures which will no longer apply under OBR and adding those new measures that are most directly relevant to consumers; and
- a new provision for specific service quality alleviations (relating to exclusion 'o' in paragraph 2.28 of Schedule 1 in the current licence), now set out in Annex 3 to Schedule 1, that allows the CAA to make a binding decision where agreement cannot be reached between HAL and the airline community on the application of this specific exclusion.

Table C.2: Explanatory table on key proposed changes to Schedule 1 of HAL's licence

Theme	Key proposed changes	
Terminology	<ul style="list-style-type: none"> • “Statement of service quality standards, rebates and bonuses (SQRB)” becomes “statement of service quality measures, targets and incentives (MTI scheme)” • “Elements” becomes “measures” • “Standards” becomes “targets” • Measures which have been renamed, merged, removed or added: <ul style="list-style-type: none"> ○ Renamed – “aerodrome congestion term” becomes “runway operational resilience”, “specified elements k” become “bonus measures bm” ○ Merged – “PSE general” and “PSE priority” becomes “availability of lifts, escalators and travelators ○ Removed – “flight information display screens” and “departure lounge seat availability” which are now captured within the wider measure “an airport that meets my needs” ○ Added – new proposed measures. 	
Structural	<p style="text-align: center;"><u>Current structure under Q6 SQRB scheme</u></p> <ul style="list-style-type: none"> • Section 1 – introduction setting out components of the SQRB scheme and remaining sections • Section 2 – setting out components of the SQRB scheme <ul style="list-style-type: none"> ○ (a) Quality of Service Monitor (QSM) ○ (b) Queue times for passengers and staff; ○ (c) Queue times for vehicles; ○ (d) Availability (including Exclusions under paragraph 2.28) ○ (e) Aerodrome congestion term • Section 3 – Rebates • Section 4 – Bonuses • Section 5 – Publication • Section 6 – General matters (rounding and definitions) • Section 7 – Tables of elements, metrics, targets, rebates, bonuses per terminal and publication requirements] 	<p style="text-align: center;"><u>Proposed structure under H7 MTI scheme</u></p> <ul style="list-style-type: none"> • Section 1 – introduction setting out components of the MTI scheme and remaining sections • Section 2 – Measures • Section 3 – Metrics • Section 4 – Targets • Section 5 – Rebate incentives • Section 6 – Bonus Incentives • Section 7 – Publication requirements • Section 8 – Tables <ul style="list-style-type: none"> ○ Table 1: Financial measures (Terminal) ○ Table 2: Financial measures (Airport-wide) – Control posts vehicle queue time ○ Table 3: Financial measures (Airport-wide) – Runway operational resilience ○ Table 4: Reputational measures (Terminal)Table 5: Reputational measures (Airport-wide) ○ Table 6: Bonuses

	<ul style="list-style-type: none"> ○ Tables 2a-2d: Terminal 2 ○ Tables 3a-3d: Terminal 3 ○ Tables 4a-4d: Terminal 4 ○ Tables 5a-5d: Terminal 5 ○ Table 6: Control post rebates ○ Table 7: Aerodrome congestion term rebates ○ Table 8: Bonuses ○ Table 9: Periods of bonuses earned to be taken into account when setting M_t as specified in Condition C1 ○ Tables 10a-10e: Publication requirements 	<ul style="list-style-type: none"> ○ Table 7: Periods of bonuses earned to be taken into account when setting M_t as specified in Condition C1 ○ Table 8: Publication requirements ● Annexes to Schedule 1 <ul style="list-style-type: none"> ○ Annex 1 – General matters ○ Annex 2 – Survey questions ○ Annex 3 – Exclusions for availability-based measures ○ Annex 4 – Runway operational resilience
<p>Substantive</p>	<p><u>Measures (section 2) – new section</u> Key proposed changes:</p> <ul style="list-style-type: none"> ● To reflect that measures under the MTI scheme are either subject to financial incentives (with attached rebates or bonuses or both and publication requirements) or reputational incentives (with publication requirements). ● To distinguish between those measures which are measured on a terminal basis and those measured on an airport-wide basis. ● Measures have been assigned a unique indicator depending on whether they are subject to financial or reputational incentives. For example, “cleanliness” is F1 and “overall satisfaction” is R1. <p><u>Metrics (section 3) – new section but incorporates relevant provisions from the existing Q6 SQRB scheme including the current paragraphs 2(a)-2(d) of Schedule 1</u> Key proposed changes:</p> <ul style="list-style-type: none"> ● To update existing metrics and add metrics for new measures, which are grouped into the following categories: (a) survey-based; (b) queuing times; (c) availability-based and (d) other metrics. <p>3(a) Survey-based metrics</p> <ul style="list-style-type: none"> ● To introduce a number of new measures and to remove the current “flight information display screens” and “departure lounge seat availability” measures. ● To reflect two new surveys under the MTI scheme. These are the Surface Access Customer Satisfaction survey (SACS) and Special Assistance Quality of Service Monitor (SpA QSM). <p>3(b) Queuing times metrics</p>	

- To clarify metric definitions and ensure consistency throughout the schedule.
- Control post queuing times - to clarify the measurement method and update control post groupings.
- To introduce the new “immigration queue times” measure.

3(c) Availability-based metrics

- To introduce the new “availability of check-in infrastructure” measure and the combined “lifts, escalators and travelators” measure.
- Exclusions under paragraph 2.28 of SQRB Schedule 1 have been moved to Annex 3.

3(d) Other metrics

- To introduce a number of new measures, in addition to existing measures for “pier-served stand usage” and “runway operational resilience” (formerly the aerodrome congestion term – the details of how this is calculated have been moved to Annex 4).

Targets (section 4) – new section but incorporates relevant provisions from the existing Q6 SQRB scheme

Key proposed changes:

- To set out the formula for calculating targets separately for those measures that are reported on a terminal basis and those reported on an airport-wide basis, and whether they are reported on a monthly, quarterly or annual basis.

Rebate incentives (section 5) – retaining the majority of the existing Q6 SQRB scheme provisions with some clarifications

Key proposed changes:

- Drafting clarifications on the payment of rebates.
- Clarifications on how rebate formulae are presented.

Bonus incentives (section 6) – retaining the majority of relevant provisions from the existing Q6 SQRB scheme with some proposed changes

Key proposed changes:

- To reflect the measures for which we propose HAL can earn bonuses as set out in chapter 3 (Outcome Based Regulation), including our proposal that HAL should only be able to earn bonuses for central search performance if in the same month it also meets the targets for the “helpfulness/attitude of security staff” measure.
- To improve the formula for calculating bonuses.

Publication requirements (section 7) – retaining the majority of the existing Q6 SQRB scheme provisions with some proposed changes

Key proposed changes:

- To update the requirement for HAL to publish its performance for relevant measures in each terminal at the airport (currently set out in paragraph 5.1 of Schedule 1). The changes we propose include removing existing measures which will no longer apply under OBR and updating publication requirements on measures that are most directly relevant to consumers.

Tables (section 8) – retaining the majority of the existing Q6 SQRB scheme provisions with proposed changes to reflect our Final Proposals

Key proposed changes:

- To update the tables to reflect the revised and new measures, targets and incentives as set out in chapter 3 (Outcome Based Regulation).
- To simplify the structure of this section by having a single set of tables (rather than separate tables for each terminal).

Annex 1 – general matters – new annex reflecting paragraph 6 in the existing Q6 SQRB scheme

Annex 2 – survey questions – new annex but incorporates relevant provisions from the existing Q6 SQRB scheme

Key proposed changes:

- To set out information on how relevant surveys are conducted.
- To remove survey questions for measures which are not part of the MTI scheme.
- To include survey questions for new measures.
-

Annex 3 – exclusions – reflecting paragraph 2.28 in the existing Q6 SQRB scheme but with some proposed changes

Key changes proposed:

- A new provision for service quality alleviations (relating to exclusion ‘o’) that allows the CAA to make a binding decision where agreement cannot be reached between HAL and the airline community on the application of this specific exclusion.
- A new exclusion that applies to the availability of check-in infrastructure measure.
- Clarification that these exclusions do not apply only to availability-based measures.

Proposed licence modifications to Schedule 1 Statement of Measures, Targets and Incentives

Schedule 1

Statement of Measures, Targets and Incentives

Introduction

- 1.1 This Schedule and its Annexes set out the service quality Measures, Targets and Incentives scheme referred to in Conditions C1 and D1 of this Licence. This scheme is referred to throughout this Schedule and its Annexes as the “MTI scheme”.
- 1.2 The components of the MTI scheme consist of the measures, metrics, targets, rebate incentives, bonus incentives and publication requirements set out in Table 1 to Table 8 of this Schedule.
- 1.3 The remaining parts of this Schedule are:
 - (a) Measures (section 2);
 - (b) Metrics (section 3);
 - (c) Targets (section 4);
 - (d) Rebate incentives (section 5);
 - (e) Bonus incentives (section 6);
 - (f) Publication requirements (section 7); and
 - (g) Tables (section 8).
- 1.4 The following Annexes attached to this Schedule form part of this Schedule and the Licensee shall comply with the requirements and other matters set out in those Annexes:
 - (a) General matters (Annex 1);
 - (b) Survey questions (Annex 2);
 - (c) Exclusions (Annex 3); and
 - (d) Runway operational resilience (Annex 4).

2. Measures

2.1 The measures in the MTI scheme are subject to either:

- (a) financial incentives (rebates or bonuses or both) with publication requirements; or
- (b) reputational incentives (with publication requirements)

in each case, as specified in this Schedule and the Annexes attached to this Schedule.

2.2 For measures subject to financial incentives, the Licensee's performance shall be measured against targets. The Licensee shall also report on its performance for these measures against those targets in the manner and with the frequency specified in section 7 and Table 8 of this Schedule. The Licensee shall calculate its performance against those targets in accordance with the relevant formulae specified in section 3.

2.3 For measures subject to reputational incentives, the Licensee shall report on performance for those measures in the manner and with the frequency specified in section 7 and Table 8 of this Schedule and in accordance with the relevant formulae in section 3. Where a target has not been set in this Schedule, the Licensee shall report on performance for the measures without reference to targets.

2.4 The measures to which the Licensee's obligations in paragraphs 2.2 and 2.3 of this Schedule apply are the "terminal measures" (applicable to Terminal 2, Terminal 3, Terminal 4 and Terminal 5) or the "airport-wide measures" (applicable to the Airport as a whole) that are set out in Table 1 to Table 5 of this Schedule.

3. Metrics

3.1 For the purposes of this section 3, the measures forming the MTI scheme are grouped into the following metric categories:

- (a) survey-based;
- (b) queuing times;
- (c) availability-based; and
- (d) other metrics.

3(a) Survey-based

3.2 The Licensee shall take the data it uses for the calculation of performance for the survey-based metrics from the Quality of Service Monitor (“QSM”), Surface Access Customer Satisfaction (“SACS”) Survey and the Special Assistance Quality of Service Monitor (“SpA QSM”) as specified in Annex 2 to this Schedule.

3.3 The Licensee shall use the survey-based metrics specified in Annex 2 to this Schedule to measure its performance against targets for the following measures that are subject to financial incentives:

Quality of Service Monitor (QSM)			
F1	Cleanliness	F3	Helpfulness/attitude of security staff
F2	Wayfinding	F4	Wi-Fi performance

3.4 The Licensee shall use the survey-based metrics specified in Annex 2 to this Schedule to measure performance for the measures in List 1 and List 2 below that are subject to reputational incentives:

List 1

Quality of Service Monitor (QSM)			
R1	Overall satisfaction	R5	Feel safe and secure
R2	Customer effort (ease)	R7	Helpfulness/attitude of airport staff
R3	Enjoy my time at the airport	R8	Ease of understanding of Covid-19 safety information
R4	Airport that meets my needs		

List 2

Surface Access Customer Satisfaction Survey (SACS)		Special Assistance Quality of Service Monitor (SpA QSM)	
R6	Ease of access to the airport	R9	Passengers with Reduced Mobility (PRM) – overall satisfaction

Quality of Service Monitor (QSM)

3.5 The Licensee shall use the results of the QSM survey as specified in Annex 2 to this Schedule to provide the basis for the measures specified in paragraph 3.3 and in List 1 of paragraph 3.4 of this Schedule.

3.6 The Licensee shall measure performance using monthly moving annual averages weighted by the monthly number of passengers in the relevant terminal, using the following formulae:

- (a) For a passenger terminal that has been offering air transport services for the carriage of passengers for a period of more than 12 months, or for a passenger terminal where the Licensee has conducted the QSM surveys for a period of more than 12 months, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=12} [\pi_{j-m+1,a} \text{Monthly survey results}_{i,j-m+1,a}]}{\sum_{m=1}^{m=12} \pi_{j-m+1,a}}$$

- (b) For a newly opened or reopened passenger terminal, for the first 12 months after air transport services for the carriage of passengers commence (or recommence) at that terminal, or for a passenger terminal where the Licensee has conducted the QSM surveys for a period of 12 months or less, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=\mu} [\pi_{j-m+1,a} \text{Monthly survey results}_{i,j-m+1,a}]}{\sum_{m=1}^{m=\mu} \pi_{j-m+1,a}}$$

where:

- (i) $\pi_{j,a}$ is the number of passengers in month j in terminal a ;
- (ii) Monthly survey results $_{i,j,a}$ is the performance of measure i in month j in terminal a ;
- (iii) m is a counter of the 12 months ending in month j ;
- (iv) μ is a counter of months so that:
 1. the month in which air transport services for the carriage of passengers commence at terminal a or the month in which QSM surveys start = 1;
 2. the month after air transport services for the carriage of passengers commence at terminal a or the month after QSM surveys start = 2, and each subsequent month shall be identified accordingly; so that
 3. the eleventh month after air transport services for the carriage of passengers commence at terminal a or the eleventh month after QSM surveys start = 12.

Surface Access Customer Satisfaction Survey (SACS)

3.7 The Licensee shall use the results of the SACS survey as specified in Annex 2 to this Schedule to provide the basis for its reporting against the target for measure R6 (ease of access to the airport).

3.8 The Licensee shall measure performance using quarterly moving annual averages weighted by the number of direct departing passengers arriving at the Airport by surface transport in the respective quarter, using the following formulae:

- (a) where the Licensee has conducted the SACS survey for a period of four quarters or more, the Licensee shall calculate performance in quarter q as follows:

$$\text{Performance}_r = \frac{\sum_{q=1}^{q=4} [\pi_{r-q+1} \text{Quarterly survey results}_{r-q+1}]}{\sum_{q=1}^{q=4} \pi_{r-q+1}}$$

- (b) where the Licensee has conducted the SACS survey for a period of less than four quarters, the Licensee shall calculate performance in quarter q as follows:

$$\text{Performance}_r = \frac{\sum_{q=1}^{q=\alpha} [\pi_{r-q+1} \text{Quarterly survey results}_{r-q+1}]}{\sum_{q=1}^{q=\alpha} \pi_{r-q+1}}$$

where:

- (i) π_r is the number of direct departing passengers arriving at the Airport by surface transport in quarter r ;
- (ii) Quarterly survey results $_r$ is the performance of measure R6 in quarter r ;
- (iii) q is a counter of the four quarters ending in quarter r ; and
- (iv) α is a counter of quarters so that:
 1. the quarter in which SACS surveys start = 1;
 2. the quarter after SACS surveys start = 2;
 3. the second quarter after SACS surveys start = 3; and
 4. the third quarter after SACS surveys start = 4.

Special Assistance Quality of Service Monitor (SpA QSM)

3.9 The Licensee shall use the results of the SpA QSM survey as specified in Annex 2 to this Schedule to provide the basis for its reporting against the target for measure R9 (passengers with reduced mobility (PRM) – overall satisfaction).

3.10 The Licensee shall measure performance using monthly moving annual averages weighted by the number of passengers using the service for passengers with reduced mobility interviewed in each month, using the following formulae:

- (a) where the Licensee has conducted the SpA QSM survey for a period of 12 months or more, the Licensee shall calculate performance in month j as follows:

$$\text{Performance}_j = \frac{\sum_{m=1}^{m=12} [\pi_{j-m+1} \text{Monthly survey results}_{j-m+1}]}{\sum_{m=1}^{m=12} \pi_{j-m+1}}$$

- (b) where the Licensee has conducted the SpA QSM survey for a period of less than 12 months, the Licensee shall calculate performance in month j as follows:

$$\text{Performance}_j = \frac{\sum_{m=1}^{m=\mu} [\pi_{j-m+1} \text{Monthly survey results}_{j-m+1}]}{\sum_{m=1}^{m=\mu} \pi_{j-m+1}}$$

where:

- (i) π_j is the number of passengers using the service for passengers with reduced mobility who are interviewed in month j ;
- (ii) Monthly survey results $_{i,j}$ is the performance of measure R9 in month j ;
- (iii) m is a counter of the 12 months ending in month j ; and
- (iv) μ is a counter of months so that:
 1. the month in which SpA QSM surveys start = 1;
 2. the month after SpA QSM surveys start = 2, and each subsequent month shall be identified accordingly; so that
 3. the eleventh month after SpA QSM surveys start = 12.

3(b) Queuing times

3.11 The Licensee shall collect data for queuing times for passengers and staff (security) using the method specified in paragraph 3.18.

3.12 The Licensee shall collect data for queuing times for passengers (immigration) in accordance with paragraph 3.24.

3.13 The Licensee shall collect data for queuing times for vehicles (security) using the method specified in paragraph 3.20 and 3.21.

3.14 The Licensee shall use queuing times metrics to measure its performance against targets for the following measures subject to financial incentives:

Passengers and staff (security)	
F5a	Security queue time – Central search (percentage of queue times measured once every 15 minutes that are less than 5 minutes)
F5b	Security queue time – Central search (percentage of queue times measured once every 15 minutes that are less than 10 minutes)
F6	Security queue time – Transfer search (percentage of queue times measured once every 15 minutes that are less than 10 minutes)
F7	Security queue time – Staff search (percentage of queue times measured once every 15 minutes that are less than 10 minutes)
Vehicles (security)	
F8	Control posts vehicle queuing times (percentage of vehicle queuing times at each control post group that are less than 15 minutes)

- 3.15 The Licensee shall use the queuing times metrics to determine its reporting of performance against targets for the following measures subject to reputational incentives:

Passengers (immigration)	
R17a	Immigration queue times (percentage of queuing times for non-EEA passengers that are less than 45 minutes)
R17b	Immigration queue times (percentage of queuing times for EEA passengers that are less than 25 minutes)

Queuing times for passengers and staff (security)

- 3.16 The Licensee shall calculate queuing time for passengers and staff (security) using the following formula:

$$A - B + C$$

where:

- (a) A is the elapsed time between passengers or staff passing a defined entry portal and reaching the security roller bed (the exit point);
- (b) B is an allowance for the free flow transit time from the point when passengers or staff reach the entry portal to the point where they reach the security roller bed (including an allowance for any intermediate processes conducted between the portal and the roller bed). This is referred to as the 'unimpeded walk time'; and
- (c) C is any additional time that passengers or staff spend in the queue for search before reaching the defined entry portal.

- 3.17 The unimpeded walk times, the inclusion of any uni-queue or maze systems, process delay times, entry and exit points allowed for in the above equation shall be agreed locally for each search area in accordance with the governance arrangements required under Condition F1.1(a)(iv).
- 3.18 The method of data collection shall be agreed locally for each search area in accordance with the governance arrangements required under Condition F1.1(a)(iv). Where the Licensee measures queues by the Manual method agreed by the CAA, the Licensee shall record the times manually noting the queue time of the first passenger or staff member presenting themselves to either:
- (a) the portal (if the queue does not extend to the portal); or
 - (b) the back of the queue (if the queue extends beyond the portal) after a clockwise 15-minute period.

For example, this shall be achieved by the Licensee taking four measurements in every hour at hh:mm, hh:mm+15, hh:mm+30, hh:mm+45 where mm lies between 0 and 14) during the relevant time over which its performance is measured, up to the point that the passenger or staff reaches the security roller bed.

Queuing times for vehicles (security)

- 3.19 The Licensee shall collect data for control post vehicle queuing times using the method specified in paragraphs 3.20 and 3.21 to measure its performance against the targets for control posts specified in Table 2 of this Schedule.
- 3.20 Queuing times shall be recorded by the Licensee using an automatic number plate recognition (ANPR) system. The ANPR system used by the Licensee for this purpose must be able to determine the percentage of vehicles which have a waiting time equal to or greater than 15 minutes.
- 3.21 Waiting time is defined as the elapsed time from when a vehicle first joins a queue to access a control post until when it travels into the control post sterile area.
- 3.22 Passing the overall control post standard shall require the Licensee passing the control post standard in each of the control post groups. The control post groups shall be defined as follows:
- (a) CTA : CP5, CP8
 - (b) Cargo : CP10, CP10a, CP25a
 - (c) Eastside : CP12, CP16
 - (d) Southside : CP24, CP24a
 - (e) Terminal 5 : CP18, CP19, CP20.

Queuing times for passengers (immigration)

3.23 The Licensee shall calculate the queuing time for passengers (immigration) in accordance with the following formula:

$$D - E$$

where:

- (a) D is the time a passenger enters the queue for immigration; and
- (b) E is the time that the same passenger leaves the queue maze to approach an immigration desk or use an e-gate.

3.24 The Licensee shall ensure that appropriate measurement methods are employed.

3(c) Availability-based

3.25 The Licensee shall collect data for availability-based metrics from its operational systems.

3.26 For the purposes of availability-based metrics, availability shall be defined as 'serviceable and available for use, independent of any other measures'. The Licensee shall use availability-based metrics to measure its performance against targets for the following measures that are subject to financial incentives:

Financially incentivised measures in the availability-based metric group	
F9	Availability of lifts, escalators and travelators
F10	Availability of check-in infrastructure
F11	Availability of arrivals baggage carousels
F12a	Availability of Terminal 5 track transit system (percentage of one train serviceable and available for use, independent of any other measures)
F12b	Availability of Terminal 5 track transit system (percentage of two trains serviceable and available for use, independent of any other measures)
F13	Availability of stands
F14	Availability of jetties
F15	Availability of fixed electrical ground power
F16	Availability of stand entry guidance
F17	Availability of pre-conditioned air

3.27 For measures F9 to F17, Performance_{i,j,a} of availability of relevant facilities is defined for measure i in month j in terminal a as:

$$\text{Availability}_{i,j,a} = 100 \times \left(1 - \frac{\sum_{e=1}^{e=n_{i,a}} \text{TU}_{b,j,a}}{n_{i,a} \times \text{Time}_j} \right)$$

where:

- (a) Availability_{i,j,a} is the percentage availability of measure i in month j in terminal a;
- (b) TU_{b,j,a} is the relevant time elapsed in month j during which asset b in terminal a is unavailable as set out in paragraph 3.28;
- (c) Time_j is the total relevant time in month j as defined in Table 1 of this Schedule;
- (d) e is a counter of the number of assets: for measure F10, each Self Service Bag Drop kiosk (with associated software) and each Common Use Self-Service kiosk is counted separately as one asset; and
- (e) n_{i,a} is the number of assets included in measure i in terminal a.

3.28 The Licensee shall measure the time elapsed during which an asset is unavailable from when a fault is reported by automatic back indication, by inspection or by a third party report, subject to the Exclusions specified in Annex 3.

3(d) Other metrics

3.29 The Licensee shall use the metrics set out in paragraphs 3.31 to 3.33 to measure its performance against targets for the following measures subject to financial incentives:

Financially incentivised measures in the other metrics group	
F18	Pier-served stand usage
F19	Runway operational resilience
F20a	Hygiene safety testing (percentage of Amber ATP test results resolved within 12 hours each month)
F20b	Hygiene safety testing (percentage of Red ATP test results resolved within 2 hours each month)

3.30 The Licensee shall use the metrics set out in paragraphs 3.34 to 3.40 to measure performance for the following measures subject to reputational incentives:

Reputationally incentivised measures in the other metrics group	
R10	Timely delivery from departures baggage system
R11	Baggage misconnect rate
R12	Departures flight punctuality
R13	Airport departures management
R14	Airport arrivals management
R15	% of UK population within 3 hours (and one interchange) of Heathrow by public transport
R16	Passenger injuries

F18 Pier-served stand usage

3.31 The Licensee shall collect data for pier-served stand usage from its operational systems. The Licensee shall calculate its performance for this measure in month j in terminal a in accordance with the following formula:

$$\text{Performance}_{j,a} = \frac{\sum_{m=1}^{m=12} [\text{PierPax}_{j-m+1,a}]}{\sum_{m=1}^{m=12} \text{TotalPax}_{j-m+1,a}}$$

where:

- (a) PierPax_{j,a} is the number of arriving and departing passengers accessing a pier served stand in month j in terminal a;
- (b) TotalPax_{j,a} is the number of arriving and departing passengers in month j in terminal a; and
- (c) m is a counter of the 12 months ending in month j.

F19 Runway operational resilience

3.32 The Licensee shall collect data for runway operational resilience to measure its performance against the targets for measure F19 in Table 3 in the manner set out in Annex 4.

F20 Hygiene safety testing

3.33 The Licensee shall undertake a minimum of 10 random adenosine triphosphate (ATP) hygiene tests per day in each terminal to provide data to measure its performance against the targets for measures F20a and F20b in Table 1 in month j in terminal a:

(a) For Amber ATP test results:

$$\text{Performance}_{j,a} = \frac{\text{TimelyAmberATP}_{j,a}}{\text{TotalAmberATP}_{j,a}}$$

where:

- (i) TimelyAmberATP_{j,a} is the number of Amber ATP test results resolved within 12 hours in month j in terminal a; and
- (ii) TotalAmberATP_{j,a} is the total number of Amber ATP test results in month j in terminal a.

(b) For Red ATP test results:

$$\text{Performance}_{j,a} = \frac{\text{TimelyRedATP}_{j,a}}{\text{TotalRedATP}_{j,a}}$$

where:

- (i) TimelyRedATP_{j,a} is the number of Red ATP test results resolved within two hours in month j in terminal a; and
- (ii) TotalRedATP_{j,a} is the total number of Red ATP test results in month j in terminal a.

R10 Timely delivery from departures baggage system

3.34 The Licensee shall collect data for timely delivery from the departure baggage system from its operational systems. The Licensee shall calculate performance for measure R10 in Table 4 in month j in terminal a by recording the percentage of bags delivered from the baggage system to the baggage make up area (or facility) not less than 30 minutes before the scheduled time of departure of their intended flight.

R11 Baggage misconnect rate

3.35 The Licensee shall collect data for the baggage misconnect rate from its operational systems to calculate performance for measure R11 in Table 5. For a bag to qualify as having missed its intended departing flight, it must meet the following criteria via algorithm: (a) the Licensee must receive a subsequent scan from the baggage system that indicates the bag is still present in the Airport after the flight has departed, (b) the Outbound Passenger ('OB pax') status equals 'Boarded' or 'Checked-In', and (c) aircraft status equals 'Airborne'.

R12 Departures flight punctuality

3.36 The Licensee shall collect data for departures flight punctuality from its operational systems to calculate performance for measure R12 in Table 5. The Licensee shall calculate performance for this measure for each month by

recording the proportion of scheduled passenger flights taking off within 15 minutes of the scheduled time of departure.

R13 Airport departures management

3.37 The Licensee shall collect data for airport departures management from its operational systems to calculate performance for measure R13 in Table 5. The Licensee shall calculate performance for this measure for each month by recording the average time taken (across all departing passenger flights) between the Actual Start Request Time and the Actual Take-Off time of an aircraft.

R14 Airport arrivals management

3.38 The Licensee shall collect data for airport arrivals management from its operational systems to calculate performance for measure R14 in Table 5. The Licensee shall calculate performance for this measure for each month by recording the average time taken (across all arriving passenger flights) between the wheels of an aircraft touching down on a runway and roll-retarding chocks being placed against the aircraft wheels, after the aircraft's brakes have been applied on stands.

R15 Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport

3.39 The Licensee shall collect data for the percentage of the UK population within three hours (and one interchange) of the Airport by public transport from geographic information system (GIS) data to calculate measure R15 in Table 5. The Licensee shall calculate performance for this measure in Regulatory year t by:

$$\text{Performance}_t = \frac{\text{Population} < 3\text{hrs}_t}{\text{TotalPopulation}_t}$$

where:

- (a) $\text{Population} < 3\text{hrs}_t$ is the UK population who live within three hours (and one interchange) of the Airport by public transport in Regulatory Year t ; and
- (b) TotalPopulation_t is the total UK population in Regulatory Year t .

R16 Passenger injuries

3.40 The Licensee shall collect data for passenger injuries from its operational systems to calculate performance for measure R16 in Table 5. The Licensee shall calculate the performance of this measure in month j by:

$$\text{Performance}_j = \frac{\sum_{m=1}^{12} [\text{InjuredPax}_{j-m+1}]}{\sum_{m=1}^{12} \pi_{j-m+1} \times \frac{1}{1,000,000}}$$

where:

- (a) InjuredPax_j is the number of passenger injuries reported to HAL's operational systems (excluding ill health) in month j;
- (b) π_{j,a} is the number of passengers in the Airport in month j; and
- (c) m is a counter of the 12 months ending in month j.

4. Targets

For measures applicable to a terminal (terminal measures), for which a target has been set, and reported monthly

4.1 The Licensee shall meet the target if:

$$\text{Performance}_{i,j,a} \geq \text{Target}_{i,j,a}$$

where:

- (a) Performance_{i,j,a} is the recorded performance of measure i in month j in terminal a; and
- (b) Target_{i,j,a} is the relevant target of measure i in month j in terminal a as defined in Table 1 and Table 4 of this Schedule.

4.2 For each measure i, Performance_{i,j,a} and Target_{i,j,a} are defined in the same way by the corresponding metric formulae in the relevant paragraphs in section 3. The targets are set out in Table 1 and Table 4 of this Schedule.

4.3 Paragraphs 4.1 and 4.2 apply to all measures in Table 1 and Table 4 of this Schedule for which targets have been set.

For measures applicable to the whole Airport (airport-wide measures), for which a target has been set, and reported monthly

4.4 The Licensee shall meet the target if:

$$\text{Performance}_{i,j} \geq \text{Target}_{i,j}$$

where:

- (a) Performance_{i,j} is the recorded performance of measure i in month j; and
- (b) Target_{i,j} is the relevant target of measure i in month j.

4.5 For any measure i, Performance_{i,j} and Target_{i,j} shall be defined in the same way as the corresponding metric formulae in the relevant paragraphs in section 3. Relevant targets are set out in Table 2, Table 3 and Table 5 of this Schedule.

4.6 Paragraphs 4.4 and 4.5 apply to the following measures:

Airport-wide measures reported monthly	
F8	Control posts vehicle queue times
F19	Runway operational resilience
R9	Passengers with reduced mobility (PRM) – overall satisfaction
R12	Departures flight punctuality

For measures applicable to the whole Airport (airport-wide measures), for which a target has been set, and reported quarterly

4.7 The Licensee shall meet the target if:

$$\text{Performance}_{i,r} \geq \text{Target}_{i,r}$$

where:

- (a) $\text{Performance}_{i,r}$ is the recorded performance of measure i in quarter r ; and
- (b) $\text{Target}_{i,r}$ is the relevant target of measure i in quarter r .

4.8 For any measure i , $\text{Performance}_{i,r}$ and $\text{Target}_{i,r}$ shall be defined in the same way as the corresponding metric formulae in the relevant paragraphs in section 3. The levels of the targets are set out in Table 5 of this Schedule.

4.9 Paragraph 4.8 applies to measure R6 (ease of access to the Airport).

5 Rebate Incentives

5.1 The Licensee shall pay rebates to Relevant Parties in accordance with this Schedule as modified from time to time.

Payment

5.2 This Schedule sets out the total level of rebates that shall accrue over each relevant Regulatory Year. The Licensee shall pay rebates to the Relevant Parties on a monthly basis in the month following the month in which those rebates accrue.

5.3 The Licensee shall allocate rebates to each Relevant Party in each month on the following basis:

- (a) rebates relating to measures F8 (Control post vehicle queuing times) and F19 (Runway operational resilience) for each month shall be allocated to the Relevant Parties *pro rata* with the Airport Charges incurred for air transport services for the carriage of passengers in that month; and

- (b) all other rebates shall be calculated separately for each terminal and for each month and shall be allocated to the Relevant Parties *pro rata* with the Airport Charges incurred for those air transport services for the carriage of passengers that used the terminal in that month.

5.4 The Licensee shall base the payments it makes to Relevant Parties on a month-by-month basis on its best estimate of the total Airport Charges that will be paid in respect of air transport services for the carriage of passengers in the relevant Regulatory Year.

5.5 To address any differences between the sum of rebates paid to Relevant Parties and the total rebates that the Licensee is required to pay by this Schedule in the same Relevant Year:

- (a) where the sum of rebates paid to Relevant Parties in a Regulatory Year is less than the total rebates that the Licensee is required to pay by this Schedule in the same Regulatory Year, the Licensee shall pay such further amounts to the Relevant Parties that have received rebates so that the amount of rebates paid in respect of the relevant Regulatory Year is brought up to the level required by this Schedule. The Licensee shall pay such additional amounts to the Relevant Parties in the same proportion as the rebates already paid in the course of the Regulatory Year and shall pay them as soon as practicable and no more than three calendar months after the publication of the Licensee's audited accounts in respect of that Regulatory Year. The Licensee shall not be required to make such payments where the CAA has received a letter from the AOC to the effect that the sum is so small that to enforce payment would incur disproportionate processing costs for the Relevant Parties; and
- (b) where the sum of rebates paid to Relevant Parties in a Regulatory Year is greater than the total rebates that the Licensee is required to pay by this Schedule in the same Relevant Year, the Licensee may recover the difference between the amount paid and the required amount from the Relevant Parties that have received rebates *pro rata* with the rebates paid.

Calculation

5.6 The Licensee shall calculate the rebates that it pays to Relevant Parties under this section 5 of this Schedule in accordance with the following formula:

$$\text{Rebate}_{\text{Total},t} = \sum_{a=2}^{a=5} (\text{Rebate}_{\text{Terminal},t,a} \times R_{t,a}) + \text{Rebate}_{\text{CP},t} \times R_t + \text{Rebate}_{\text{ROR},t} \times R_t$$

where:

- (a) $\text{Rebate}_{\text{Total},t}$ is the total aggregate rebate payable for Regulatory Year t ;

- (b) $\text{Rebate}_{\text{Terminal},t,a}$ is the aggregate percentage rebate in Regulatory Year t in terminal a for measures F1-F7, F9-F18 and F20;
- (c) $\text{Rebate}_{\text{CP},t}$ is the aggregate percentage rebate in Regulatory Year t for measure F8 (Control posts vehicle queuing time); and
- (d) $\text{Rebate}_{\text{ROR},t}$ is the aggregate percentage rebate in Regulatory Year t for measure F19 (Runway operational resilience);
- (e) $R_{t,a}$ is the total revenue from Airport Charges in respect of air transport services for the carriage of passengers levied in terminal a in Regulatory Year t ; and
- (f) R_t is the total revenue from Airport Charges in respect of air transport services for the carriage of passengers levied at the Airport in Regulatory Year t .

Rebate_{Terminal,t}

- 5.7 The Licensee shall calculate $\text{Rebate}_{\text{Terminal},t}$ separately for each terminal in respect of its performance at each individual terminal against the targets set out for that terminal in accordance with the following formula:

$$\text{Rebate}_{\text{Terminal},t} = \sum_{j=\text{January}}^{j=\text{December}} \sum_i \text{Min}(R_{i,j}\text{RY} \times x_{i,j,a}, \text{ANNMAX}_i)$$

where:

- (a) ANNMAX_i is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers) payable by the Licensee as rebates for any service failure in measure i in Regulatory Year t as specified in Table 1 of this Schedule;
- (b) $R_{i,j}\text{RY}$ is a proportion of ANNMAX_i for any service failure in measure i in month j for any relevant Regulatory Year. During any Regulatory Year, the Licensee shall pay a percentage rebate of $R_{i,j}\text{RY}$ for the first six service failures of measure i in Regulatory Year t as specified in Table 1 of this Schedule; and
- (c) $x_{i,j,a} = 0$ if $\text{Target}_{i,j,a}$ for measure i in month j in terminal a is met as defined in paragraph 4.1; or
 $= 1$ otherwise.
- (d) $i = \text{F1 to F7, F9 to F18, F20}$ as specified in Table 1 of this Schedule.

Rebate_{CP,t}

- 5.8 The Licensee shall calculate $\text{Rebate}_{\text{CP},t}$ across the whole Airport based on the performance of F8 (Control post vehicle queuing time, relevant to each individual control post group) against the targets set out for control posts.
- 5.9 The Licensee shall aggregate $\text{Rebate}_{\text{CP},t}$ across all months for Regulatory Year t and shall calculate it as follows:

$$\text{Rebate}_{\text{CP},t} = \sum_{j=\text{January}}^{j=\text{December}} \text{Min}(R_{\text{CP},j\text{RY}} \times x_{\text{CP},j}, \text{ANNMAX}_{\text{CP}})$$

where:

- (a) $\text{ANNMAX}_{\text{CP}}$ is the maximum percentage of Airport Charges (relating to air transport services for the carriage of passengers) payable by the Licensee as rebates for any service failure in control posts in Regulatory Year t as specified in Table 2 of this Schedule;
- (b) $R_{\text{CP},j\text{RY}}$ is a proportion of $\text{ANNMAX}_{\text{CP}}$ for any service failure in month j for any relevant Regulatory Year. During any Regulatory Year, the Licensee shall pay a percentage rebate of $R_{\text{CP},j\text{RY}}$ for the first six service failures in Regulatory Year t as specified in Table 2 of this Schedule; and
- (c) $x_{\text{CP},j} = 0$ if $\text{Target}_{\text{CP},j}$ in month j is met as defined in paragraph 4.4; or
 $= 1$ otherwise.

Rebate_{ROR,t}

- 5.10 The Licensee shall calculate $\text{Rebate}_{\text{ROR},t}$ across the whole Airport based on the performance of F19 (Runway operational resilience) against the target for this measure.
- 5.11 The Licensee shall calculate $\text{Rebate}_{\text{ROR},t}$ as follows:

$$\text{Rebate}_{\text{ROR},t} = \text{Min} \left[100 \times \left(\frac{\text{Rebate}_{\text{ARR},t} + \text{Rebate}_{\text{DEP},t}}{R_t} \right), \text{MAXRebate}_{\text{ROR}} \right]$$

where:

- (a) $\text{Rebate}_{\text{ARR},t} = \sum_{\text{All material events}} V_{\text{ARR}_d}$ is the element of this term related to arrival movements at the Airport in Regulatory Year t ;
- (b) $\text{Rebate}_{\text{DEP},t} = \sum_{\text{All material events}} V_{\text{DEP}_d}$ is the element of this term related to departure movements at the Airport in Regulatory Year t ;
- (c) R_t is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year t expressed in pounds sterling; and

- (d) $MAXRebate_{ROR}$ is the maximum percentage rebate for Regulatory Year t as specified in Table 3 of this Schedule.

5.12 For each Material Event d :

- (a) v_{ARR_d} shall have the value set out in Table 3 of this Schedule, dependent on the Maximum Cumulative Arrival Movements Deferred for the d^{th} relevant Material Event adjusted by inflation in the manner specified in paragraph 5.13; and
- (b) v_{DEP_d} is the value in Table 3 of this Schedule, dependent on the Maximum Cumulative Departure Movements Deferred for the d^{th} relevant Material Event adjusted by inflation in the manner specified in paragraph 5.13.

5.13 For $(Rebate_{ARR,t} + Rebate_{DEP,t})$ incurred in the relevant Regulatory Year t , the amount payable shall be inflated to outturn prices by the formula:

$$(Rebate_{ARR,t} + Rebate_{DEP,t}) = (Rebate_{ARR,2020} + Rebate_{DEP,2020}) \times \frac{CPIIndex_t}{CPIIndex_{2020}}$$

where:

- (a) $Rebate_{ROR,2020}$ in 2020 prices as listed in Table 3 of this Schedule;
- (b) $CPIIndex_t$ is the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year t ; and
- (c) $CPIIndex_{2020}$ is the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2020.

6 Bonus Incentives

Payment

6.1 The Licensee may recover bonuses from Relevant Parties. Bonus payments shall be included in the calculation of the Airport Charges in respect of relevant air transport services in Condition C1.

Calculation

- 6.2 B_t is the bonus factor specified in Condition C1, and is based on the Licensee's performance for the bonus measures in the relevant Regulatory Year t set out in Table 6 of this Schedule.
- 6.3 For the purposes of calculating M_t , the maximum allowable yield calculated in accordance with Condition C1, the corresponding periods for which bonuses are recoverable by the Licensee to be included in the calculation of M_t are set out in Table 7 of this Schedule.
- 6.4 For the purposes of calculating M_{2022} , B_{2020} shall be zero. For the purposes of calculating M_{2023} , B_{2021} shall be zero.

6.5 For subsequent Regulatory Years, B_t shall be calculated as follows:

$$B_t = \sum_{j=\text{January}}^{j=\text{December}} \sum_{bm} \text{Max} \left[0, \text{Min} \left[\text{BNS}(\text{T2})_{bm,j}, \text{BNS}(\text{T3})_{bm,j}, \text{BNS}(\text{T4})_{bm,j}, \text{BNS}(\text{T5})_{bm,j} \right] \right]$$

where:

- B_t is the total aggregate percentage bonus rebate payable for Regulatory Year t ; and
- $\text{BNS}(\text{T2})_{bm,j}$, $\text{BNS}(\text{T3})_{bm,j}$, $\text{BNS}(\text{T4})_{bm,j}$, $\text{BNS}(\text{T5})_{bm,j}$ are the amounts of bonuses earned as a percentage of Airport Charges in month j based on the Licensee's performance of bonus measure bm in Terminal 2, Terminal 3, Terminal 4 and Terminal 5. These bonuses shall be calculated using the formulae set out in paragraphs 6.6 and 6.7.

6.6 For each month j and bonus measures $bm = \text{F1}$ (Cleanliness), F2 (Wayfinding) or F6 (Security queue time – Transfer Search):

$$\text{BNS}(\text{T2})_{bm,j} = \frac{1}{12} \times \text{MB}_{bm} \times \frac{\text{Min}[\text{UBT}_{bm}, \text{MP}(\text{T2})_{bm,j}] - \text{LBT}_{bm}}{\text{UBT}_{bm} - \text{LBT}_{bm}}$$

$$\text{BNS}(\text{T3})_{bm,j} = \frac{1}{12} \times \text{MB}_{bm} \times \frac{\text{Min}[\text{UBT}_{bm}, \text{MP}(\text{T3})_{bm,j}] - \text{LBT}_{bm}}{\text{UBT}_{bm} - \text{LBT}_{bm}}$$

$$\text{BNS}(\text{T4})_{bm,j} = \frac{1}{12} \times \text{MB}_{bm} \times \frac{\text{Min}[\text{UBT}_{bm}, \text{MP}(\text{T4})_{bm,j}] - \text{LBT}_{bm}}{\text{UBT}_{bm} - \text{LBT}_{bm}}$$

$$\text{BNS}(\text{T5})_{bm,j} = \frac{1}{12} \times \text{MB}_{bm} \times \frac{\text{Min}[\text{UBT}_{bm}, \text{MP}(\text{T5})_{bm,j}] - \text{LBT}_{bm}}{\text{UBT}_{bm} - \text{LBT}_{bm}}$$

where:

- MB_{bm} is the maximum percentage of Airport Charges recoverable by the Licensee as bonuses for its performance for specified bonus measure bm in the relevant Regulatory Year as specified in Table 6 of this Schedule;
- UBT_{bm} is the upper bonus threshold for bonus measure bm used in the calculation of bonuses. It has the values assigned to it in Table 6 of this Schedule;
- LBT_{bm} is the lower bonus threshold for bonus measure bm used in the calculation of bonuses. It has the values assigned to it in Table 6 of this Schedule;
- $\text{MP}(\text{T2})_{bm,j}$, $\text{MP}(\text{T3})_{bm,j}$, $\text{MP}(\text{T4})_{bm,j}$ and $\text{MP}(\text{T5})_{bm,j}$ are the performance for bonus measures bm in month j for Terminal 2, Terminal 3, Terminal 4 and Terminal 5, respectively;

- (i) for bonus measure $bm = F1$ Cleanliness or $F2$ Wayfinding, the Licensee shall measure its performance using the formulae set out in paragraph 3.6 of this Schedule; and
- (ii) for bonus measure $bm = F5a$ (Security queue time – Transfer Search), the Licensee shall measure its performance using the approach set out in paragraphs 3.16 to 3.18 of this Schedule.

6.7 For each month j and bonus measure $bm = F5a$ (Security queue time – Central Search):

$$BNS(T2)_{bm,j} = \frac{1}{12} \times MB_{bm} \times \frac{\text{Min}[UBT_{bm}, MP(T2)_{bm}] - LBT_{bm}}{UBT_{bm} - LBT_{bm}} \times z_{j,2}$$

$$BNS(T3)_{bm,j} = \frac{1}{12} \times MB_{bm} \times \frac{\text{Min}[UBT_{bm}, MP(T3)_{bm}] - LBT_{bm}}{UBT_{bm} - LBT_{bm}} \times z_{j,3}$$

$$BNS(T4)_{bm,j} = \frac{1}{12} \times MB_{bm} \times \frac{\text{Min}[UBT_{bm}, MP(T4)_{bm}] - LBT_{bm}}{UBT_{bm} - LBT_{bm}} \times z_{j,4}$$

$$BNS(T5)_{bm,j} = \frac{1}{12} \times MB_{bm} \times \frac{\text{Min}[UBT_{bm}, MP(T5)_{bm}] - LBT_{bm}}{UBT_{bm} - LBT_{bm}} \times z_{j,5}$$

where:

- (a) MB_{bm} is the maximum percentage of Airport Charges recoverable by the Licensee as bonuses for performance of specified bonus measure bm in the relevant Regulatory Year as specified in Table 6 of this Schedule;
- (b) UBT_{bm} is the upper bonus threshold for bonus measure bm used in the calculation of bonuses. It has the values assigned to it in Table 6 of this Schedule;
- (c) LBT_{bm} is the lower bonus threshold for bonus measure bm used in the calculation of bonuses. It has the values assigned to it in Table 6 of this Schedule;
- (d) $MP(T2)_{bm,j}$, $MP(T3)_{bm,j}$, $MP(T4)_{bm,j}$ and $MP(T5)_{bm,j}$ are the performance for bonus measures bm in month j for Terminal 2, Terminal 3, Terminal 4 and Terminal 5 for bonus measure $bm = F5a$ (Security queue time – Central Search). The Licensee shall measure its performance using the approach set out in paragraphs 3.16 to 3.18 of this Schedule.
- (e) $z_{j,2}$, $z_{j,3}$, $z_{j,4}$ and $z_{j,5} = 1$ if $\text{Target}_{j,2}$, $\text{Target}_{j,3}$, $\text{Target}_{j,4}$ and $\text{Target}_{j,5}$ for $F3$ (Helpfulness/attitude of security staff) in month j in Terminal 2, Terminal 3, Terminal 4 and Terminal 5 respectively are met, in accordance with the formula set out in paragraph 4.1, and = 0 otherwise.

7. Publication requirements

7.1 The Licensee shall comply with the publication requirements set out in Table 8 of this Schedule and paragraphs 7.2 to 7.4 below.

Publication in terminals

7.2 The Licensee shall publish in each terminal at the Airport:

(a) on a monthly basis within four weeks of the end of the relevant month, performance against targets for each terminal (for “terminal measures”) and for the Airport (for “airport-wide measures”) with respect to the following measures and as specified in Table 8.

- (i) F1 Cleanliness;
- (ii) F2 Wayfinding;
- (iii) F3 Helpfulness/attitude of security staff;
- (iv) F4 Wi-fi performance;
- (v) F5a & F5b Security queue time – Central search;
- (vi) F6 Security queue time – Transfer search;
- (vii) F20a & F20b Hygiene safety testing;
- (viii) R1 Overall satisfaction;
- (ix) R2 Customer effort (ease);
- (x) R3 Enjoy my time at the airport;
- (xi) R5 Feel safe and secure;
- (xii) R9 Passengers with reduced mobility (PRM) – overall satisfaction;
- (xiii) R10 Timely delivery from departures baggage system;
- (xiv) R12 Departures flight punctuality; and
- (xv) R17a & R17b Immigration queue times; and

(b) on a monthly basis within four weeks of the end of the relevant month (where applicable), performance for each terminal (for “terminal measures”) and for the Airport (for “airport-wide measures”) with respect to the following measures and as specified in Table 8.

- (i) R4 Airport that meets my needs;
- (ii) R8 Ease of understanding Heathrow’s covid-19 safety

- information;
- (iii) R11 Baggage misconnect rate;
 - (iv) R13 Airport Departures Management;
 - (v) R14 Airport Arrivals Management;
 - (vi) R15 Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport; and
 - (vii) R16 Passenger injuries.

Publication on website

- 7.3 The Licensee shall publish on the Service Quality page of its website:
- (a) on a monthly basis within four weeks of the end of the relevant month (where applicable),
 - (i) the performance (against targets where relevant) for each of the terminals at the Airport with respect to all measures specified in Table 8 of this Schedule; and
 - (ii) the estimated amount of rebates and bonuses, generated by the performance relating to all measures specified in Table 8 of this Schedule.
 - (b) in line with publishing the regulatory accounts for the relevant Regulatory Year,
 - (i) the confirmed performance (against targets where relevant) for each of the terminals at the Airport with respect to all measures specified in Table 8 of this Schedule; and
 - (ii) the estimated amount of rebates and bonuses generated by the performance relating to all measures specified in Table 8 of this Schedule.

Publication in the Regulatory Accounts

- 7.4 The Licensee shall publish on the Regulatory Accounts page of its website on an annual basis, as soon as available, the audited actual amount of rebates and bonuses generated by performance for all measures specified in Table 8 of this Schedule, split by each relevant measure.

8 Tables

- 8.1 This section sets out the details of the service quality MTI scheme as follows:

- (a) Table 1 Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates;
- (b) Table 2 Financial measure (Airport-wide) – Control posts vehicle queuing time – metrics, targets, annual rebates and monthly rebates;
- (c) Table 3 Financial measure (Airport-wide) – Runway operational resilience – rebates;
- (d) Table 4 Reputational measures (Terminal) – metrics and targets;
- (e) Table 5 Reputational measures (Airport-wide) – metrics and targets;
- (f) Table 6 Bonuses;
- (g) Table 7 Periods of bonuses earned to be taken into account when setting M_t as specified in Condition C1; and
- (h) Table 8 Publication requirements.

8.2 Where, in Table 1 to Table 8, an item is described as being “Agreed locally between the Licensee and AOC”, the Licensee shall do so in accordance with the governance arrangements required under Condition F1(a)(iv).

Table 1 Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates (1)

i	Financial measures	Metric	Time of day to measure performance	Target _{i,j,a}	ANNMAX _i (%)		R _{i,j} RY (%) = ANNMAX _i (%) ÷ 6	
					T2-T4	T5	T2-T4	T5
F1	Cleanliness	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	4.15	0.40	0.40	0.0667	0.0667
F2	Wayfinding	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	4.20	0.40	0.40	0.0667	0.0667
F3	Helpfulness / attitude of security staff	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	4.10	0.20	0.20	0.0333	0.0333
F4	Wi-Fi performance	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	4.05	0.20	0.20	0.0333	0.0333
F5a	Security queue time – Central search	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	05:00 to 22:30	95%	1.00	1.00	0.1667	0.1667
F5b		Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	99%				
F6	Security queue time – Transfer search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	05:00 to 22:30	95%	0.50	0.50	0.0833	0.0833
F7	Security queue time – Staff search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes	Agreed locally between the Licensee and AOC	95%	0.40	0.40	0.0667	0.0667
F9	Availability of lifts, escalators and travelators	Percentage of time serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%	0.70	0.70	0.1167	0.1167
F10	Availability of check-in infrastructure	Percentage of time that (a) Self Service Bag Drop hardware and software and (b) Common Use Self-Service (CUSS) hardware, where any of these are provided by the Licensee, are serviceable and available for use, independent of any other measures.	Agreed locally between the Licensee and AOC	98%	0.50	0.50	0.0833	0.0833

Table 1 Financial measures (Terminal) – metrics, targets, annual rebates and monthly rebates (2)

i	Financial measures	Metric	Time of day to measure performance	Target _{i,j,a}	ANNMAX _i (%)		R _{i,j} RY (%) = ANNMAX _i (%) ÷ 6	
					T2-T4	T5	T2-T4	T5
F11	Availability of arrivals baggage carousels	Percentage of time serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%	0.35	0.35	0.0583	0.0583
F12a	Availability of Terminal 5 track transit system	Percentage of one train serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%		0.30		0.0500
F12b		Percentage of two trains serviceable and available for use, independent of any other measure		97%				
F13	Availability of stands	Percentage of time serviceable and available for use, independent of any other measure	Agreed locally between the Licensee and AOC	99%	0.20	0.20	0.0333	0.0333
F14	Availability of jetties	Percentage of time serviceable and available for use	Agreed locally between the Licensee and AOC	99%	0.20	0.20	0.0333	0.0333
F15	Availability of fixed electrical ground power	Percentage of time serviceable and available for use	Agreed locally between the Licensee and AOC	99%	0.15	0.15	0.0250	0.0250
F16	Availability of stand entry guidance	Percentage of time serviceable and available for use	Agreed locally between the Licensee and AOC	99%	0.20	0.20	0.0333	0.0333
F17	Availability of pre-conditioned air	Percentage of time serviceable and available for use (Terminals 2, 3 and 5 only)	Agreed locally between the Licensee and AOC	98%	0.20	0.20	0.0333	0.0333
F18	Pier-served stand usage	Moving annual average percentage of passengers accessing a pier served stand (last 12 months)	Unrestricted	95%	0.30		0.0500	
F20a	Hygiene safety testing	Percentage of Amber ATP test results resolved within 12 hours each month	Unrestricted	100%	0.20	0.20	0.0333	0.0333
F20b		Percentage of Red ATP test results resolved within 2 hours each month	Unrestricted	100%				

Table 2 Financial measure (Airport wide) – Control posts vehicle queuing time – metrics, targets, annual rebates and monthly rebates

i	Financial measure	Metric	Time of day to measure performance	Target _j	ANNMAX _{CP} (%)	$R_{CP,j}RY (%) = ANNMAX_{CP} (%) \div 6$
F8	Control post vehicle queuing time	Percentage of vehicles at each control post group which have a waiting time of less than 15 minutes	Period agreed locally between the Licensee and the AOC	95%	0.40	0.0667
	CTA	CTA : CP5, CP8				
	Cargo	Cargo : CP10, CP10a, CP25a				
	Eastside	Eastside : CP12, CP16				
	Southside	Southside : CP24, CP24a				
	Terminal 5	Terminal 5 : CP18, CP19, CP20				

Table 3 Financial measure (Airport-wide) – Runway operational resilience – rebates

i	Financial measure	Metric	Target _j	MAXRebate _{ROR} (%)	Maximum cumulative movements deferred each day	0 to 3	4 to 5	6 to 7	8 to 9	10 to 11	12 to 13	14 to 15	16 to 17	18 to 19	20 or more
F19	Runway operational resilience	Maximum cumulative movements deferred each day	zero	0.50%	$V_{ARR_d} + V_{DEP_d}$ (£'000 in 2020 prices)	–	14.10	22.84	32.71	45.26	60.48	78.25	98.84	121.96	141.00

Table 4 Reputational measures (Terminal) – metrics and targets

i	Reputational measures	Metric	Time of day to measure performance	Target_{i,j,a}
R1	Overall satisfaction	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	4.26
R2	Customer effort (ease)	Moving annual average percentage of passengers rating the journey was easy or very easy weighted by monthly passenger numbers	Unrestricted	91%
R3	Enjoy my time at the airport	Moving annual average percentage of passengers rating the journey was enjoyable or very enjoyable weighted by monthly passenger numbers	Unrestricted	80.5%
R4	Airport that meets my needs	Moving annual average percentage of passengers agreeing with statement weighted by monthly passenger numbers	Unrestricted	No target
R5	Feel safe and secure	Moving annual average percentage of passengers agreeing with statement weighted by monthly passenger numbers	Unrestricted	96%
R7	Helpfulness/attitude of airport staff	Moving annual average QSM scores weighted by monthly passenger numbers	Unrestricted	4.36
R8	Ease of understanding of Covid-19 safety information	Moving annual average percentage of passengers agreeing with statement weighted by monthly passenger numbers	Unrestricted	No target
R10	Timely delivery from departures baggage system	Percentage of bags delivered from the baggage system to the baggage make up area (or facility) not less than 30 minutes before the scheduled time of departure of their intended flight.	Unrestricted	98%
R17a	Immigration queue times	Percentage of queuing times for non-EEA passengers that are less than 45 minutes	0500-2230	95%
R17b		Percentage of queuing times for EEA passengers that are less than 25 minutes	0500-2230	95%

Table 5 Reputational measures (Airport-wide) – metrics and targets

i	Reputational measures	Metric	Time of day to measure performance	Target_{i,j}
R6	Ease of access to the airport	Moving annual average of scores among passengers arriving at the Airport by surface access each quarter	Unrestricted	4.44
R9	Passengers with reduced mobility (PRM) – overall satisfaction	Moving annual average of SpA QSM scores collected amongst users of the Special Assistance Service at the Airport	Unrestricted	4.00
R11	Baggage misconnect rate	Average of the number of bags per 1000 passengers, which miss their originally intended departing passenger flight.	Unrestricted	No target
R12	Departures flight punctuality	Average proportion of scheduled passenger flights taking off within 15 minutes of the scheduled departure time	Unrestricted	80.5%
R13	Airport departures management	Average time taken (across all departing passenger flights) between the Actual Start Request Time and the Actual Take-Off Time of an aircraft	Unrestricted	No target
R14	Airport arrivals management	Average time taken (across all arriving passenger flights) between the wheels of aircraft touching down on a runway and roll-retarding chocks being placed against the aircraft wheels, after the aircraft's brakes have been applied on stands	Unrestricted	No target
R15	Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport	Percentage of UK population who live within 3 hours (and one interchange) of the Airport by public transport based on current public transport routes	Unrestricted	No target
R16	Passenger injuries	Moving annual average number of passengers that are injured while travelling through the Airport each month, per one million passengers (excluding ill health)	Unrestricted	No target

Table 6 Bonuses

bm	Bonus measures	Metric	Additional condition	Time of day to measure performance	Lower bonus threshold LBT_{bm}	Upper bonus threshold UBT_{bm}	Maximum bonus MB_{bm}	Monthly bonus = $MB_{bm} \div 12$
F1	Cleanliness	Moving annual average QSM scores weighted by monthly passenger numbers		Unrestricted	4.35	4.65	0.36%	0.0300%
F2	Wayfinding	Moving annual average QSM scores weighted by monthly passenger numbers		Unrestricted	4.40	4.70	0.36%	0.0300%
F5a	Security queue time – Central search	Percentage of queue times measured once every 15 minutes that are less than 5 minutes	Targets for Helpfulness / attitude of security staff must be met in the same month	05:00 to 22:30	97%	99%	0.54%	0.0450%
F6	Security queue time – Transfer search	Percentage of queue times measured once every 15 minutes that are less than 10 minutes		05:00 to 22:30	97%	99%	0.18%	0.0150%

Table 7 Periods of bonuses earned to be taken into account when setting M_t as specified in Condition C1

To set the maximum revenue yield per passenger M_t	M_t representing the period	Take account bonuses earned in B_{t-2}	B_{t-2} representing the period
M_{2022}	Regulatory Year 2022	B_{2020}	Regulatory Year 2020
M_{2023}	Regulatory Year 2023	B_{2021}	Regulatory Year 2021
M_{2024}	Regulatory Year 2024	B_{2022}	Regulatory Year 2022
M_{2025}	Regulatory Year 2025	B_{2023}	Regulatory Year 2023
M_{2026}	Regulatory Year 2026	B_{2024}	Regulatory Year 2024

Table 8 Publication requirements (1)

i	Measures	Frequency	Terminal	Website	Regulatory accounts
F1	Cleanliness	Monthly	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) • Bonuses (estimated) 	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) • Bonuses (estimated) 	<ul style="list-style-type: none"> • Rebates (audited) • Bonuses (audited)
F2	Wayfinding				
F3	Helpfulness / attitude of security staff	Monthly	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) 	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) 	<ul style="list-style-type: none"> • Rebates (audited)
F4	Wi-Fi performance				
F5a	Security queue time – Central search	Monthly	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) • Bonuses (estimated) 	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) • Bonuses (estimated) 	<ul style="list-style-type: none"> • Rebates (audited) • Bonuses (audited)
F5b					
F6	Security queue time – Transfer search	Monthly	<ul style="list-style-type: none"> • Bonuses (estimated) 	<ul style="list-style-type: none"> • Bonuses (estimated) 	
F7	Security queue time – Staff search	Monthly		<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) 	<ul style="list-style-type: none"> • Rebates (audited)
F8	Control posts vehicle queuing time				
F9	Availability of lifts, escalators and travelators				
F10	Availability of check-in infrastructure				
F11	Availability of arrivals baggage carousels				
F12a	Availability of Terminal 5 track transit system				
F12b					
F13	Availability of stands				
F14	Availability of jetties				
F15	Availability of fixed electrical ground power				
F16	Availability of stand entry guidance				
F17	Availability of pre-conditioned air				
F18	Pier served stand usage				
F19	Runway operational resilience				
F20a	Hygiene safety testing	Monthly	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) 	<ul style="list-style-type: none"> • Performance • Target • Rebates (estimated) 	<ul style="list-style-type: none"> • Rebates (audited)
F20b					

Table 8 Publication requirements (2)

i	Measures	Frequency	Terminal	Website	Regulatory accounts	
R1	Overall satisfaction	Monthly	<ul style="list-style-type: none"> • Performance • Target 	<ul style="list-style-type: none"> • Performance • Target 		
R2	Customer effort (ease)	Monthly				
R3	Enjoy my time at the airport	Monthly				
R4	Airport that meets my needs	Monthly	<ul style="list-style-type: none"> • Performance 	<ul style="list-style-type: none"> • Performance 		
R5	Feel safe and secure	Monthly	<ul style="list-style-type: none"> • Performance • Target 	<ul style="list-style-type: none"> • Performance • Target 		
R6	Ease of access to the airport	Quarterly		<ul style="list-style-type: none"> • Performance • Target 		
R7	Helpfulness/attitude of airport staff	Monthly		<ul style="list-style-type: none"> • Performance • Target 		
R8	Ease of understanding Heathrow's Covid-19 safety information	Monthly	<ul style="list-style-type: none"> • Performance 	<ul style="list-style-type: none"> • Performance 		
R9	Passengers with reduced mobility (PRM) – overall satisfaction	Monthly	<ul style="list-style-type: none"> • Performance • Target 	<ul style="list-style-type: none"> • Performance • Target 		
R10	Timely delivery from departures baggage system					
R11	Baggage misconnect rate	Monthly	<ul style="list-style-type: none"> • Performance 	<ul style="list-style-type: none"> • Performance 		
R12	Departures flight punctuality	Monthly	<ul style="list-style-type: none"> • Performance • Target 	<ul style="list-style-type: none"> • Performance • Target 		
R13	Airport departures management	Monthly		<ul style="list-style-type: none"> • Performance 		
R14	Airport arrivals management					
R15	% of UK population within 3 hours (and one interchange) of the Airport by public transport	Annually		<ul style="list-style-type: none"> • Performance • Target 		
R16	Passenger injuries	Monthly		<ul style="list-style-type: none"> • Performance 		
R17a	Immigration queue times	Monthly	<ul style="list-style-type: none"> • Performance • Target 	<ul style="list-style-type: none"> • Performance • Target 		
R17b						

Annex 1 General Matters

Rounding

- A1.1 For the purposes of this Schedule, the Licensee shall calculate and report of all performance and targets to two decimal places and, in the case of percentages, to two decimal places of a percentage point.
- A1.2 In Tables 1 to Table 2 of this Schedule, the Licensee shall measure the maximum rebates as a percentage of Airport Charges for the relevant Regulatory Year ($ANNMAX_i$ and $ANNMAX_{CP}$) to two decimal places, and the Licensee shall measure the maximum monthly rebates as a percentage of Airport Charges ($R_{i,j}RY$ and $R_{CP,j}RY$) to four decimal places. In Table 3 of this Schedule, the Licensee shall measure the amounts of rebates ($v_{ARR_d} + v_{DEP_d}$) in thousands to two decimal places. In Table 6 of this Schedule, the Licensee shall measure the maximum bonuses as a percentage of Airport Charges (MB_{bm}) to two decimal places.

Definitions

- A1.3 In this Schedule:
- (a) Airport Charges has the meaning as in Regulation 3(1) of the Airport Charges Regulations 2011 (2011 No. 2491);
 - (b) Relevant Parties means airlines that have paid Airport Charges in the relevant month in respect of air transport services for the carriage by air of passengers;
 - (c) Terminal excludes general aviation facilities and facilities for the handling of cargo;
 - (d) A relevant deadband period is:
 - (i) 1 November to 30 November;
 - (ii) 1 January to 31 January;
 - (iii) 1 February to 28 February (29 February in a leap year); and
 - (iv) 1 March to 14 days before Easter Sunday.
 - (e) Dates that fall outside of the periods as defined in paragraph A.1.3(d) shall not be regarded as falling in a deadband period.

Annex 2 Survey questions

A2.1 This Annex sets out the surveys, metrics and survey questions that define relevant measures specified in section 3(a) of this Schedule.

Quality of Service Monitor (QSM)

A2.2 The Licensee shall conduct the QSM using the following approach:

- (a) the QSM shall be based on the results of survey interviews with not less than one interview amongst 2,000 passengers (departing and arriving interviews combined) in each Regulatory Year at the Airport;
- (b) the interviews obtained shall reflect the expected profile of passengers travelling through the airport weighted such that they are representative of:
 - (i) country of destination for departing interviews; and
 - (ii) country of origin for arriving interviews;
- (c) in instances where the country total traffic is high, the sample may be sub-weighted by individual airport destinations;
- (d) the QSM scores shall be calculated through a weighted average of the individual scores, weighted by actual traffic statistics for the month;
- (e) departing passengers shall be interviewed at the gate or gate area immediately prior to boarding the aircraft, and/or other locations as agreed by the Licensee and AOC in accordance with the governance arrangements required under Condition F1(a)(iv) and approved by the CAA;
- (f) arriving passengers shall be interviewed on the arrivals concourse just before leaving the terminal building, and/or other locations as agreed by the Licensee and AOC in accordance with the governance arrangements required under Condition F1(a)(iv) and approved by the CAA;
- (g) selection of passengers to take part in the survey shall be random and unbiased with respect to demographic characteristics; and
- (h) during the course of a month, interviewing shall be conducted in each terminal on a selection of mornings and afternoons, weekdays and weekend days.

A2.3 In respect of the relevant measures for measuring performance and calculating rebates and bonuses where applicable, the interviewing procedures specified in paragraph A2.4 to A2.16 shall apply.

Introduction

A2.4 To invite passengers to take part in the QSM survey:

- (a) [for arriving and departing passengers] “I am now going to ask you a series of questions which require you to rate your answers on the same rating scale”. A showcard must then be displayed with the following responses on it: Extremely poor (1), Poor (2), Average (3), Good (4), Excellent (5).

F1 Cleanliness

A2.5 A weighted average of the QSM scores for five cleanliness questions, weighted by the number of passengers using each type of facility:

- (a) [for arriving and departing passengers] “How would you rate the cleanliness of the toilets?”
- (b) [for departing passengers] “How would you rate the cleanliness of the check-in area?”
- (c) [for departing passengers] “Still thinking about the departure lounge, how would you rate it for cleanliness?”
- (d) [for arriving passengers] “How would you rate the cleanliness of the arrivals hall (where we are now)?”

F2 Wayfinding

A2.6 A weighted average of the QSM scores for the three way-finding questions, weighted by the number of passengers using each form of wayfinding:

- (a) [for departing passengers] “How would you rate the ease of finding your way around this terminal?”
- (b) [for connecting passengers] “Have you been between terminals today? How would you rate the ease of finding your way?”
- (c) [for arriving passengers] “How would you rate the ease of finding your way around this terminal?”

F3 Helpfulness/attitude of security staff

A2.7 A simple average of the QSM scores for the security staff helpfulness / attitude question:

- (a) [for departing passengers] “Thinking about the security staff, how would you rate the following:
Helpfulness/attitude of security staff?”

F4 Wi-fi performance

A2.8 A simple average of the QSM scores for the second question below:

- (a) [for departing and arriving passengers, to filter out non-Wi-fi users] “Which of the following did you use or visit: Wi-Fi?”
- (b) [for departing and arriving passengers who answered ‘yes’ in (a)] “How would you rate the Wi-Fi service in the terminal?”

R1 Overall satisfaction

A2.9 A simple average of the QSM scores for the overall satisfaction question below:

- (a) [for arriving and departing passengers] “We would now like to focus on your experience of Heathrow as a whole. How would you rate your overall experience in this Terminal today?”

R2 Customer effort (ease)

A2.10 A simple average of the percentage of passengers saying their journey through the Airport was easy or very easy in the question below:

- (a) [for arriving and departing passengers] “On a scale of 1 to 5, where 1 is not at all easy and 5 is very easy, how easy was your journey through Heathrow?”

R3 Enjoy my time at the airport

A2.11 A simple average of the percentage of passengers saying their journey through the Airport was enjoyable or very enjoyable in the question below:

- (a) [for departing passengers] “On a scale of 1 to 5, where 1 is not at all enjoyable and 5 is very enjoyable, how enjoyable was your time at Heathrow?”

R4 Airport that meets my needs

A2.12 A simple average of the percentage of passengers agreeing with the statement that the Airport meets their needs through the question below:

- (a) [for departing passengers] “Thinking about your overall experience today – on a scale of 1 to 5 where 1=strongly disagree and 5=strongly agree, to what extent did Heathrow meet your needs?”

R5 Feel safe and secure

A2.13 A simple average of the percentage of passengers agreeing with the statement that they felt safe and secure at the Airport:

- (a) [for arriving and departing passengers] “On a scale of 1 to 5, where 1=strongly disagree and 5=strongly agree, to what extent do you agree with the following statements? During your time in the airport
I felt safe and secure.”

R7 Helpfulness/attitude of airport staff

A2.14 A simple average of the QSM scores for the Helpfulness/attitude of airport staff question below:

- (a) [for arriving and departing passengers] “Now thinking about all staff you have met or seen during your time at Heathrow so far today, whether you’ve interacted with them or not, how would you rate the following?
Helpfulness/attitude of all staff at the airport.”

R8 Ease of understanding of Covid-19 safety information

A2.16 A simple average of the percentage of passengers agreeing with the statement that they felt safe and secure at the Airport in the question below:

- (a) [for arriving and departing passengers] “On a scale of 1 to 5, where 1=strongly disagree and 5=strongly agree, to what extent do you agree with the following statements?
During your time in the airport:
Information about Covid-19 safety measures at the Airport was clear and easy to understand”

Surface Access Customer Satisfaction Survey

A2.17 The Licensee shall conduct the Surface Access Customer Satisfaction (SACS) Survey using the following approach:

- (a) the SACS Survey shall be based on the results of survey interviews with not less than 10,000 direct departing passengers each year at the Airport;
- (b) the interviews obtained shall reflect the expected profile of direct departing passengers travelling through the Airport representative of:
- (i) country of destination for interviews;
- (c) the ease of getting to the Airport score shall be calculated through the average of the individual ratings;
- (d) departing passengers shall be interviewed at the gate or gate area immediately prior to boarding the aircraft, and/or other locations as agreed by the Licensee and AOC in accordance with the governance arrangements required under Condition F1(a)(iv) and approved by the CAA;

- (e) selection of passengers to take part in the survey shall be random and unbiased with respect to demographic characteristics; and
- (f) during the course of a month, interviewing shall be conducted in each terminal on a selection of mornings / afternoons and weekdays / weekend days.

A2.18 In respect of the relevant measure for measuring performance, the interviewing procedures specified in paragraph A2.19 and A2.20 shall apply.

Introduction

A2.19 To invite passengers to take part in the SACS survey:

- (a) [for departing passengers] “I am now going to ask you a series of questions which require you to rate your answers on the same rating scale”. The showcard is then displayed with the following responses on it: Extremely poor (1), Poor (2), Average (3), Good (4), Excellent (5).”

R6 Ease of access to the airport

A2.20 [Drivers] “Ease of finding your way to the airport from home / work / other starting point”

[Taxi and public transport] = “Ease of getting to the airport from home / work / hotel / other starting point”.

Special Assistance Quality of Service Monitor (SpA QSM)

A2.21 The SpA QSM shall be conducted by the Licensee using the following approach:

- (a) actively advertise and promote the satisfaction survey to passengers that use the Special Assistance Service at the Airport;
- (b) collect the email addresses of users of the Special Assistance Service that are willing to participate in the survey;
- (c) email individuals willing to participate post-travel to encourage them to complete the survey;
- (d) the selection of users of the Special Assistance Service approached to take part in the survey shall be random and unbiased with respect to demographic characteristics; and
- (e) during the course of a month, users of the Special Assistance Service shall be approached in each terminal on a selection of mornings / afternoons and weekdays / weekend days.

A2.22 In respect of the relevant measure for measuring performance, the interviewing procedures specified in paragraph A2.23 and A2.24 shall apply.

Introduction

A2.23 To invite users of the Special Assistance Service to take part in the SpA QSM survey:

- (a) [for arriving and departing passengers] “I am now going to ask you a series of questions which require you to rate your answers on the same rating scale”. The showcard is then displayed with the following responses on it: Extremely poor (1), Poor (2), Average (3), Good (4), Excellent (5).”

R9 Passengers with reduced mobility (PRM): Overall Satisfaction

A2.24 A simple average of the SpA QSM scores for the overall satisfaction question below:

- (a) [for arriving and departing passengers] “How would you rate your overall experience of the Passenger Assistance Service at Heathrow airport?”

Annex 3 Exclusions

- A3.1 This Annex sets out the Exclusions specified in paragraph 3.29 of this Schedule.
- A3.2 Exclusions are allowed in limited circumstances, such as:
- (a) specific stands, jetties and fixed electrical ground power to accommodate annual and five yearly statutory inspections, where this work is done in consultation with the AOC, and the period specified in advance, the exclusion not to be more than two days over any relevant Regulatory Year for any particular asset. If works extend beyond any notified period, then any additional downtime shall count against the serviceability target;
 - (b) specific passenger-sensitive equipment (lifts, escalators, travelators) or arrivals baggage carousels to accommodate planned maintenance, where the work is done in consultation with the AOC, the period is specified in advance, the work falls in a deadband period as defined in paragraphs A1.3(d) and A1.3(e) of Annex 1 and the exclusion is not more than 30 days over any relevant Regulatory Year for any particular asset. If works extend beyond a notified period, then any additional downtime shall count against the serviceability target.
 - (c) security queues for central search, transfer search and staff search for two hours following evacuations in the relevant terminal(s), and control post search for two hours following evacuations in the relevant control post(s);
 - (d) closure of passenger-sensitive equipment (lifts, escalators, travelators) in areas immediately adjacent to security queues where it is considered by the Licensee that their continued use is likely to lead to unacceptable health and safety risks due to increased congestion;
 - (e) stands taken out of service to accommodate high security flights;
 - (f) closure of stands to ensure passenger safety during evacuation, emergency or safety incidents and relevant passenger-sensitive equipment subject to the AOC agreeing after the event that such equipment was in the immediate vicinity of the stands or the incident;
 - (g) downtime where equipment is automatically shut down by fire alarm activation and the fire alarm activation is not due to a system fault with the fire alarm;
 - (h) passenger-sensitive equipment (lifts, escalators, travelators) where downtime is due to the activation of an emergency stop button or break glass, limited to equipment where there is back indication of serviceability and limited to 10 minutes for each occurrence in the case of false alarms;

- (i) downtime to accommodate fire risk-assessed deep cleans where an assessment of the condition of the equipment has shown that a deep clean is needed to ensure a safe operation can be maintained and to reduce the risk of fire;
- (j) equipment downtime due to damage of, or misuse of, baggage carousels, jetties, stand equipment (such as lighting) or fixed electrical ground power units likely to have been caused by airlines or their agents or to passenger-sensitive equipment (lifts, escalators, travelators) where an airline or airline agent has accepted responsibility or where the AOC agrees with the Licensee in writing that the likelihood is that the damage has been caused by an airline or its agent;
- (k) downtime where a fault has been reported by airlines or their agents, but, when the engineers attend the site, no fault is found and the equipment is working;
- (l) equipment or stands taken out of service whilst a major investment project is undertaken in the vicinity where this is done in consultation with users and the timing of work has been determined after consultation with the AOC, and the period specified in advance. If work extends beyond this period, then the additional downtime shall count against the serviceability target;
- (m) equipment or stands taken out of service for replacement or major refurbishment work, when the timing of work has been determined after consultation with the AOC, and the period specified in advance. If work extends beyond this period, then the additional downtime shall count against the serviceability target;
- (n) during trials of new security processes or equipment. The scope and terms of exclusion shall be for predetermined periods that have been agreed by the Licensee and the AOC;
- (o) during major operational disruption events which have a major impact on security staff resource, passenger volumes or off-schedule activity. The applicability and duration of the exclusion in respect of these events shall be as agreed with the AOC, where such agreement can be made retrospectively; and
- (p) Equipment downtime for check-in desk infrastructure and systems likely to have been caused by airlines or their agents where an airline or airline agent has accepted responsibility, or where the AOC agrees with the Licensee in writing that the likelihood is that the downtime has been caused by an airline or its agent.

- A3.3 Where, for the purposes of paragraph A3.2, the Licensee is required to agree a matter with the AOC, it shall do so in accordance with the governance arrangements as required under Condition F1.1(a)(iv).
- A3.4 Where the Licensee cannot reach agreement with the AOC under paragraph A3.2(o),
- (a) the Licensee may request a determination from the CAA on the applicability and duration of the exclusion; and
 - (b) the CAA may, following a reasonable period of consultation with the AOC, make such determination as it considers is reasonable:
 - (i) whether an exclusion applies in respect of the events that are the subject matter of the request;
 - (ii) if it decides that an exclusion applies, the duration of that exclusion; and
 - (iii) any other matter that the CAA considers appropriate in relation to the Licensee's request.

Annex 4 Runway operational resilience

A4.1 This Annex sets out further detail on the runway operational resilience measure as specified in paragraph 3.32, section 5 and Table 3 of this Schedule.

Basis of rebates

A4.2 $\text{Rebate}_{\text{ROR}}$ shall be calculated across all the air transport services for the carriage of passengers at the airport and the same rebates as a percentage of the relevant charges shall be paid to the Relevant Parties using all the terminals at the Airport.

A4.3 Except as set out in paragraph A4.17, a rebate shall be payable in respect of departures or arrivals where a **Material Event** has occurred and which was caused primarily by a failure on the part of the Licensee or of the provider of aerodrome air traffic services or their respective agents or contractors (where 'agents' exclude bodies carrying out activities specified in the annex of the EU Groundhandling Directive²); and this has generated a **Material Operational Impact** as defined in paragraph A4.7.

Definitions of terms

Material Events

A4.4 For the purposes of paragraph A4.3, a **Material Event** is one or more of the following:

- (a) radar or other critical air traffic control equipment or systems failure;
- (b) tower staff shortages;
- (c) tower industrial action;
- (d) industrial action by the Licensee's operational staff;
- (e) closure of runways;
- (f) closure of rapid exit taxiways, rapid access taxiways, and other runway exit or access taxiways or both;
- (g) closure of aircraft manoeuvring areas;
- (h) runway or taxiway lighting system failures;
- (i) failure of other critical equipment such as fire tenders; or

² Council Directive 96/67/EC of 15 October 1996 on access to the groundhandling market at Community airports (Official Journal L 272 25/10/1996 p 0036-0045).

- (j) where bad weather has been forecast and has materialised and the **Relevant Bad Weather Equipment** as set out in paragraph A4.6 is not available or has not been deployed.

A4.5 The Licensee shall not be liable to pay rebates for disruption due to bad weather unless one or more of the factors above apply.

Relevant Bad Weather Equipment

A4.6 For the purposes of the definition of Material Event in paragraph A4.4, **Relevant Bad Weather Equipment** is defined as:

- (a) Low visibility procedures:
 - (i) Instrument Landing System (ILS), Instrumented Runway Visual Range (IRVR) system, Surface Movement Radar (SMR), Microwave Landing System (MLS) (where installed) and Advanced Surface Movement Guidance and Control System (ASMGCS) (where installed); and
 - (ii) operational availability of lighting and signage systems to enable Category 2/3 operations to continue.
- (b) Ice
 - (i) airfield (that is, the runways, taxiways and manoeuvring area) and aircraft stands anti-/de-icing equipment and media (as specified to the AOC); and
 - (ii) operational availability and deployment of trained staff to operate the equipment.
- (c) Snow
 - (i) runway and taxiway snow clearance equipment (as specified to the AOC by the requirements of paragraph A4.18); and
 - (ii) operational availability and deployment of trained staff to operate the equipment.

Material Operational Impact

A4.7 For the purposes of paragraph A4.3, a **Material Operational Impact** is defined as:

- (a) For arrivals:
 - (i) a flow rate restriction (Air Transport Flow Management (ATFM) or local³) is applied which is less than the declared runway scheduling

³ ATFM restrictions are air traffic flow movement restrictions imposed through the Central Flow Management

limit; and

- (ii) the cumulative number of actual movements is less than the cumulative reference number of movements by at least four movements for any **Relevant Measurement Period** during the period before the flow rate restriction is removed.
- (b) For departures:
- (i) the cumulative number of actual movements is less than the cumulative reference number of movements by at least four movements for any **Relevant Measurement Period** during the period of the material effect.

Maximum Cumulative Arrival Movements Deferred

A4.8 For the purposes of Table 3 of Schedule 1, **Maximum Cumulative Arrival Movements Deferred** is the maximum number of cumulative arrival movements deferred at any of the **Relevant Measurement Periods** for the particular **Material Event**, calculated as follows:

$$= A_d \times \sum_{s=1}^{s=\theta} (\text{Expected } ARR_s - \text{Actual } ARR_s)$$

where

- (a) s denotes any **Relevant Measurement Period** relating to the particular **Material Event**;
- (b) θ denotes the **Relevant Measurement Period** relating to that particular **Material Event** at which $\text{Expected } ARR_s - \text{Actual } ARR_s$ reached its maximum;
- (c) $\text{Expected } ARR_s$ is the number of **Expected Arrival Movements** in the **Relevant Measurement Period** s as determined in accordance with paragraphs A4.13 to A4.16;
- (d) $\text{Actual } ARR_s$ is the number of actual arrivals in the **Relevant Measurement Period** s ; and
- (e) A_d is the **Proportion of Responsibility** for the d^{th} **Material Event** attributed to the Licensee or the provider of aerodrome air traffic services or their respective agents or contractors.

Unit of Eurocontrol. Local restrictions are of a temporary duration and originate from the Tower watch supervisor.

Maximum Cumulative Departure Movements Deferred

A4.9 **Maximum Cumulative Departure Movements Deferred** is the maximum number of cumulative departure movements deferred at any of the **Relevant Measurement Periods** for the particular **Material Event**, calculated as follows:

$$= A_d \times \sum_{s=1}^{s=\theta} (\text{Expected DEP}_s - \text{Actual DEP}_s)$$

where:

- (a) s denotes any **Relevant Measurement Period** relating to the particular **Material Event**;
- (b) θ denotes the **Relevant Measurement Period** relating to that particular **Material Event** at which $\text{Expected DEP}_s - \text{Actual DEP}_s$ reached its maximum;
- (c) Expected DEP_s is the number of **Expected Departure Movements** in the **Relevant Measurement Period** s as determined in paragraphs A4.13 to A4.16;
- (d) Actual DEP_s is the number of actual departures in the **Relevant Measurement Period** s ; and
- (e) A_d is the **Proportion of Responsibility** for the d^{th} **Material Event** attributed to the Licensee or the provider of aerodrome air traffic services or their respective agents or contractors.

Relevant Measurement Period

A4.10 For the purposes of this Annex, the **Relevant Measurement Period** is defined as any period beginning with the **Clock-Face Hour** preceding the commencement of the **Material Event** and ending no later than the next **Clock-Face Hour** after the **Material Event** ends.

Clock-Face Hour

A4.11 For the purposes of this Annex, a **Clock-Face Hour** is the period of 60 minutes which for any relevant hour hh , starts with $hh:00:00$ and ends at $hh:59:59$.

Proportion of Responsibility

A4.12 Where the Licensee reasonably considers that a **Material Event** with a **Material Operational Impact** has been made more severe by contributory causes beyond the control of the Licensee or its agents, it shall estimate the proportion of the effect which it considers to have been due to the **Material Event** as set out in paragraph A4.4. The Licensee shall provide evidence to support its consideration of such contributory causes.

Expected Arrival Movements and Expected Departure Movements

- A4.13 For the purposes of this Annex, **Expected Arrival Movements** and **Expected Departure Movements** shall be estimates made by the Licensee retrospectively by hour for each **Material Event** and made available to users on the Licensee's extranet site or in a manner agreed with users, as soon as practicable after the **Material Event** to which it relates.
- A4.14 The Licensee shall use its best endeavours to calculate the **Expected Arrival Movements** and **Expected Departure Movements** to reflect the relevant movements in each hour in the absence of any **Material Event** or **Material Operational Impact**.
- A4.15 These calculations shall have regard to the actual arrival or departure movements during the relevant hour and day in the weeks preceding the relevant hour where there were no **Material Events** or other significant factors which affected arrivals or departure rates. These calculations may be supplemented by a consideration of other relevant factors which the Licensee regards as appropriate in order to make best estimates.
- A4.16 The Licensee shall set out the basis of its calculations with the estimates.

Exceptions

- A4.17 The unavailability of facilities shall not require the rebates to be payable:
- (a) where the **Material Event** is due to runways, taxiways, other aircraft manoeuvring areas, or associated airfield lighting being taken out of service while a major investment project is undertaken in the vicinity and where this is done in consultation with users and the timing of work has been determined after consultation with the AOC, and the period specified in advance. If work extends beyond this period, then rebates shall be payable if the work causes **Material Events** as defined in paragraph A4.4; or
 - (b) where the **Material Event** is due to runways, taxiways, other aircraft manoeuvring areas, or associated airfield lighting being taken out of service for replacement or major refurbishment work or tower related works and when the timing of work has been determined after consultation with the AOC, and the period specified in advance. If work extends beyond this period, then rebates shall be payable if the work causes **Material Events** as defined in paragraph A4.4.

Data collection and communication

A4.18 The Licensee shall:

- (a) provide to the AOC prior to each winter season a list of the anti-icing or de-icing equipment and media and runway and taxiway snow clearance equipment in commission at the airport;
- (b) compile a log of all the events at the Airport which it considers could have a potentially material effect on operations at the Airport (the 'Super-Log'). This shall include ATFM and local restrictions imposed on operations at the Airport along with Material Events relating to departures (which may not necessarily have been linked to an ATFM or local restriction). The Licensee may also include other events where it considers that this materially adds to the value of the Super-Log as a complete record;
- (c) report to Relevant Parties the new events that have been recorded each week as soon as practicable after the end of the relevant week on its extranet site or in such other format as may be agreed by the Licensee and Relevant Parties; and
- (d) report to Relevant Parties as soon as practicable after the relevant week the calculations of the maximum number of movements deferred for each **Material Event** set out in paragraph A4.4 and the assumptions supporting the expected level of arrivals or departures in each hour during the course of the **Material Event** and any estimate of the **Proportion of Responsibility** as set out in paragraph A4.12.