

APPENDIX C

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

Introduction

- C1 This Appendix constitutes a notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision 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 decisions set out in this Final Decision for HAL's H7 Price Control.
- C2 The modifications we have decided to make are set out below and are set out in "tracked change" format compared to the version of the Licence which will be in force at the date from which the modifications are to have effect, that is, the Licence as it will be modified following the CAA's decision to implement an interim price cap for HAL for 2023.¹ However, as the modifications we propose to make to Schedule 1 of the Licence are to replace it in its entirety, this notice presents Schedule 1 as a "clean" version of that schedule.
- C3 The reasons for, and effects of, the modifications set out in this notice are set out in other chapters of this Final Decision.
- C4 Those other chapters also set out:
- how we have taken account of representations made by stakeholders; and
 - reasons for the changes we have made to the drafting of the Licence since the Final Proposals.
- C5 Those other chapters form part of this notice.

What the modifications cover

- C6 Key areas that are addressed in this Final Decision include our decisions on:
- the projections of costs, revenues, allowed returns and passenger numbers and how we have used these to make this Final Decision for the H7 price cap on airport charges;
 - the approach to incentivising efficient capital expenditure and service quality;

¹ Economic regulation of Heathrow Airport Limited: setting an interim price cap for 2023, CAP2515:
www.caa.co.uk/CAP2515.

- dealing with the high degree of uncertainty created by the impact of the covid-19 pandemic;
- 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 The chapters of this Final Decision also give our reasons for the modifications that we have decided to make and how we have taken account of representations made in response to the notice we published proposing licence modifications that accompanied the Final Proposals.

C8 Not all of the decisions we have made require extensive licence modifications. For example, the projections of costs, revenues, allowed returns and passenger numbers are reflected in the calculation of the H7 price control, with details of the decisions and assumptions that have led to that price cap set out in this Final Decision. Other changes, such as the move to OBR, require extensive modifications to the Licence to set 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.

Effective date for the modifications

C9 These modifications come into effect on 1 May 2023.

Section 1. Modifications to Conditions of the Licence

Modifications to Condition A3.1

C10 We have decided to modify Condition A3.1 to include new defined terms at subparagraphs (f) and (h) 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 individual Regulatory Years are relevant, this has been made clear in the proposed modifications to the relevant conditions. Further discussion of this is set out in chapter 14 (Implementing through the Licence).

C11 We have also decided to update the definition of groundhandling to take account of changes to legislation.

C12 These changes are set out in red below.

A3.1 In this Licence:

- (a) airport charges has the meaning assigned to it by regulation 3(1) of the Airport Charges Regulations 2011 (2011 No.2491);
- (b) the CAA means the Civil Aviation Authority;
- (c) the Act means the Civil Aviation Act 2012;
- (d) airlines means providers of air transport services;
- (e) the AOC means Heathrow Airline Operators Committee, a company limited by guarantee representing all airlines at the Airport. Agreement of the AOC shall be decided according to the AOC's governance arrangements;
- (f) ~~NOT USED~~ H7 means the period of the price control set by the CAA in relation to the five Regulatory Years ending on 31 December 2026;
- (g) the Regulatory Year means the twelve month period beginning on 1 January and ending on 31 December; and
- (h) groundhandling has the meaning assigned to it by regulation 2(1) of the Airports (Groundhandling) Regulations 1997 (1997 No.2389).

Modifications to the price control conditions

- C13 We have decided that it is not in the interests of consumers for the interim price cap applicable to 2023 to be replaced and, so, Conditions C1.1 to C1.3 which set out that interim price cap in the Licence have not been modified. We have, therefore, renumbered the modifications set out in Appendix C to the Final Proposals in this notice to take account of the retention of the existing Conditions C1.1 to C1.3 and made the necessary consequential amendments to the rest of the conditions set out in this notice to reflect this decision.
- C14 We have decided to delete the existing Condition C1.4. The reason for this modification is that this condition needs to be replaced by the new conditions set out below to implement the H7 price control. Relevant definitions are now to be found in the new Condition C1.25.
- C15 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 proposing to make to Condition C.

Insert New Condition C1.4

- C16 Condition C1.4 sets the price cap for 2024, from which the price cap for subsequent years will be derived.

C17 The level of the price cap has been calculated to give effect to this Final Decision. Details of the CAA’s calculations underlying the level of this price cap are set out throughout this Final Decision. Chapter 13 (Calculating the price cap and financeability) sets out our approach and the assumptions we have made for our decisions on the level and profile of the price cap for the H7 price control and gives the reasons underlying the difference in the value of X_{2024} in Condition C1.4(d) from that set out in the equivalent provision in Appendix C to the Final Proposals.

C18 Condition C1.4 differs from the equivalent provision proposed in Appendix C to the Final Proposals because it does not include the TRS mechanism. This is because we have used actual passenger numbers for 2022 in taking this Final Decision and so that mechanism is not relevant.

C1.4 When the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Year 2024, it shall fix those charges at the levels best calculated to secure that, in that Regulatory Year, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the maximum revenue yield per passenger, which shall be calculated as follows:

$$M_{2024} = Y_{2023} \times (1 + \text{CPI}_{2024} + X_{2024} + B_{2022}) + \frac{AC_{2024}}{Q_{2024}} - \frac{T_{2024}}{Q_{2024}} + \frac{TDO_{2024}}{Q_{2024}} - AK_{2024} - K_{2024}$$

where:

- (a) M_{2024} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2024 expressed in pounds sterling;
- (b) Y_{2023} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2023, as defined in Condition C1.6(a);
- (c) CPI_{2024} is the percentage change between:
 - (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2024; and
 - (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year 2023;
- (d) $X_{2024} = -20.07\%$;
- (e) B_{2022} is the bonus factor in Regulatory Year 2024, based on the

Licensee's service quality performance in Regulatory Year 2022, as defined in Condition C1.9;

- (f) AC_{2024} is the Licensee's allowed capex adjustment in the Regulatory Year 2024, as defined in Condition C1.10 to C1.15;
- (g) Q_{2024} is the number of passengers using the Airport in the Regulatory Year 2024;
- (h) T_{2024} is the capital trigger factor in the Regulatory Year 2024, as defined in Condition C1.16 to C1.17;
- (i) TDO_{2024} is the terminal drop-off charge factor in Regulatory Year 2024, as defined in Condition C1.18 to C1.19;
- (j) AK_{2024} is the additional correction factor for Regulatory Year 2024, as defined in Condition C1.22 to C1.23; and
- (k) K_{2024} is the correction factor in Regulatory Year 2024, as defined in Condition C1.24.

Insert New Condition C1.5

- C19 This condition provides the mechanism by which the price cap is updated for the remaining years of the H7 price control (Regulatory Years 2025 to 2026).
- C20 This mechanism has been developed to give effect to this Final Decision. Chapter 13 (Calculating the price cap and financeability) sets out our approach and the assumptions we have made in making this Final Decision for the level and profile of the price cap for the H7 price control and gives the reasons underlying the difference in the value of X_t in Condition C1.5(d) from that set out in the equivalent provision in Appendix C to the Final Proposals.
- C21 This condition includes a term for the traffic risk sharing mechanism as it will be applicable from this Relevant Year.

C1.5 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 2025 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:

$$M_t = Y_{t-1} \times (1 + CPI_t + X_t + B_{t-2}) + \frac{AC_t}{Q_t} - \frac{T_t}{Q_t} + \frac{TDO_t}{Q_t} + \frac{TRS_t}{Q_t} - AK_t - K_t$$

where:

- (a) M_t is the maximum revenue yield per passenger using the Airport in Regulatory Year t expressed in pounds sterling;
- (b) Y_{t-1} is the average revenue yield per passenger in Regulatory Year $t - 1$, as defined in Condition C1.6;
- (c) CPI_t is the percentage change between:
 - (i) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year t ; and
 - (ii) the average value of the Office for National Statistics monthly D7BT Consumer Price Index over Regulatory Year $t - 1$;
- (d) $X_t = 0$;
- (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 C1.9;
- (f) AC_t is the Licensee's allowed capex adjustment in the Regulatory Year t , as defined in Condition C1.10 to C1.15;
- (g) Q_t is the number of passengers using the Airport in the Regulatory Year t ;
- (h) T_t is the capital trigger factor in the Regulatory Year t , as defined in Condition C1.16 to C1.17;
- (i) TDO_t is the terminal drop-off charge factor in Regulatory Year t , as defined in Condition C1.18 to C1.19;
- (j) TRS_t is the traffic risk sharing factor in Regulatory Year t , as defined in Condition C1.20 to C1.21;
- (k) AK_t is the additional correction factor for Regulatory Year t , as defined in Condition C1.22 to C1.23; and
- (l) K_t is the correction factor in Regulatory Year t , as defined in Condition C1.24.

Insert New Condition C1.6

- C22 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 Conditions C1.4 and C1.5.
- C23 The definition of Y_{2023} differs from the equivalent figure set out in Appendix C to the Final Proposals to reflect the retention of the interim price cap for this year and the definition of X reflects the changes discussed above.

Average revenue yield per passenger Y_{t-1}

- C1.6 Y_{t-1} is the average revenue yield per passenger in Regulatory Year $t - 1$ calculated in accordance with the following formula:

$$Y_{t-1} = Y_{t-2} \times (1 + \text{CPI}_{t-1} + X_t) + S_{t-1}$$

where:

- (a) $Y_{2023} = £31.570 + S_{2023}$;
- (b) CPI_{t-1} is the percentage change between:
- (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 $t - 2$;
- (c) X_t has the same value as in Condition C1.5(d), except that in respect of Regulatory Year 2024, X_{2024} has the same value as in Condition C1.4(d); and
- (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 C1.7 to C1.8.

Insert New Conditions C1.7 and C1.8

- C24 The effect of these conditions is to calculate the value of S_{t-1} for the purposes of the formula in Condition C1.6 to allow for the recovery of allowable security and/or health and safety costs. This reinstates a long-standing mechanism in the Q6 price control, expanding it from security costs alone to include health and safety costs. The deadband figure is discussed in chapter 14 (Implementing through the Licence).

Allowable security and/or health and safety cost per passenger S_{t-1}

C1.7 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:

- (a) above a cumulative £22.12m "deadband" figure; or
- (b) below a cumulative -£22.12m "deadband" figure

C1.8 S_{t-1} is calculated in accordance with Table C.1 below:

Table C.1: Calculation of S_{t-1}

For each relevant Regulatory Year $t - 1$	
If EC is a positive number, then:	If EC is a negative number, then:
if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = 0.9 \times C_{t-1}$	if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = 0.9 \times C_{t-1}$
OR: if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} < £22.12m$ then: $S_{t-1} = 0.9 \times \frac{(EC_{t-1} - £22.12m)}{TimeFactor \times Q_{t-1}}$	OR: if: $ EC_{t-1} > £22.12m$ and $ EC_{t-2} < £22.12m$ then: $S_{t-1} = 0.9 \times \frac{(EC_{t-1} + £22.12m)}{TimeFactor \times Q_{t-1}}$
OR: if: $ EC_{t-1} < £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = -0.9 \times \frac{(EC_{t-2} - £22.12m)}{TimeFactor \times Q_{t-1}}$	OR: if: $ EC_{t-1} < £22.12m$ and $ EC_{t-2} > £22.12m$ then: $S_{t-1} = -0.9 \times \frac{(EC_{t-2} + £22.12m)}{TimeFactor \times Q_{t-1}}$
Otherwise: $S_{t-1} = 0$	Otherwise: $S_{t-1} = 0$

where:

- (a) Q_{t-1} is the number of passengers using the Airport in Regulatory Year $t - 1$;
- (b) TimeFactor is a time variable, which is defined in Table C.2 below:

Table C.2: TimeFactor

Regulatory Year t	2022	2023	2024	2025	2026
TimeFactor	5	4	3	2	1

- (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 $t - 2$;
- (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:

Table C.3: Calculation of annualised allowable security and/or health and safety costs (EC_t)

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	$3 \times C_{2024} \times Q_{2024}$	$3 \times C_{2024} \times Q_{2024}$	$3 \times C_{2024} \times Q_{2024}$
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

where:

- (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 C1.5(g).

Insert New Condition C1.9

- C25 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.
- C26 The reasons for the implementation of the OBR scheme are set out in chapter 3 (Outcome based regulation).
- C27 This condition has been slightly redrafted for clarity and to refer to Condition D1 which incorporates the OBR scheme into the Licence.

Bonus factor B_{t-2}

C1.9 B_{t-2} is the bonus factor based on performance achieved in respect of the specified elements k and bonus measures bm of the Licensee's service quality performance as each such term is defined in Condition D1. The bonus factor shall be calculated in accordance with Schedule 1 of this Licence.

Insert New Conditions C1.10 to C1.15

- C28 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.
- C29 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 and the changes from those set out in Appendix C to the Final Proposals are set out in chapter 6 (Assessment of capital expenditure). The reasons for the change to the value of RWACC in Condition C1.10(c) are set out in chapter 9 (Weighted average cost of capital).
- C30 The reasons for and effect of the capex adjustment mechanism referred to in Conditions C1.11 to C1.15 are set out in chapter 7 (Capex incentives). Small changes have been made to Condition C1.15(b) from the draft set out in Appendix C to the Final Proposals for clarity.

Allowed capex adjustment AC_t

C1.10 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 Regulatory Year	Adjustment for revenue requirement in Regulatory Year		
	2024	2025	2026
2022	$\frac{P_{2024}}{P_{2022}} \times d_{2022}$	$\frac{P_{2025}}{P_{2022}} \times d_{2022}$	$\frac{P_{2026}}{P_{2022}} \times d_{2022}$
2023	$\frac{P_{2024}}{P_{2023}} \times d_{2023}$	$\frac{P_{2025}}{P_{2023}} \times d_{2023}$	$\frac{P_{2026}}{P_{2023}} \times d_{2023}$
2024	$0.5 \times d_{2024}$	$\frac{P_{2025}}{P_{2024}} \times d_{2024}$	$\frac{P_{2026}}{P_{2024}} \times d_{2024}$
2025	0	$0.5 \times d_{2025}$	$\frac{P_{2026}}{P_{2025}} \times d_{2025}$
2026	0	0	$0.5 \times d_{2026}$
	Sum Rows × RWACC	Sum Rows × RWACC	Sum Rows × RWACC

where:

- (a) P_t is the average value of the Office for National Statistics monthly CHAW Retail Price Index over Regulatory Year t;
- (b) d_t is the allowed capex adjustment in Regulatory Year t as defined in Condition C1.11; and
- (c) RWACC is the pre-tax RPI-real weighted average cost of capital which shall have a value of 4.04%.

C1.11 For the purposes of Condition C1.10, 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:

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

where:

- (a) IC_t is the total capex incurred by the Licensee in Regulatory Year t in

- accordance with the governance arrangements;
- (b) AV_t is the available capex allowance in Regulatory Year t in 2018 RPI-real prices; and is given by
 - (i) £339.643 million for 2022;
 - (ii) £509.400 million for 2023;
 - (iii) £625.871 million for 2024;
 - (iv) £902.086 million for 2025; and
 - (v) £850.509 million for 2026.
 - (c) P_t bears the same meaning as in Condition C1.10(a);
 - (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;
 - (e) $AddC_t$ is additional capex allowance for Regulatory Year t determined by the CAA through the Capex Adjustment Mechanism in accordance with Condition C1.12. It shall have the value zero unless otherwise directed by the CAA in accordance with that condition; and
 - (f) $InfAddC_t$ is the inflation adjustment applicable to $AddC_t$ for Regulatory Year t as set out in Condition C1.15(b)(i).

C1.12 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 C1.11. 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:

- (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
- (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:

$$\sum_{t=2022}^{t=2026} AV_t$$

where AV_t shall bear the meaning given to that term in Condition C1.14.

C1.13 Except where the CAA has given consent in writing, the Licensee may make an application under Condition C1.9 only during the following periods:

- (a) 1 February 2024 to 31 March 2024; and/or
- (b) 1 February 2025 to 31 March 2025

C1.14 For the purposes of Condition C1.12, the Licensee must support any application with comprehensive evidence setting out:

- (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 C1.14(d).

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.

C1.15 Where the Licensee has made an application under Condition C1.12, the CAA will:

- (a) before making a direction under Condition C1.15(b), publish on its website:
 - (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 in accordance with this Condition has ended, make a decision to direct on:
- (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 interests of consumers, and the Regulatory Years to which any such adjustment and/or inflation adjustment relate;
 - (ii) rejecting the Licensee's application; or
 - (iii) requesting more information from the Licensee.

Insert New Conditions C1.16 and C1.17

- C31 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.
- C32 The reasons for inserting these conditions are set out in chapter 7 (Capex incentives).
- C33 These conditions have been amended from the equivalent provision in Appendix C to the Final Proposals so that the drafting of Conditions C1.16 and C1.17 preserves the use of triggers agreed before either the new capex governance arrangements come into effect or the end of 2023, whichever is the earlier as discussed in chapter 7 (Capex incentives).

Trigger factor T_t

C1.16 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. For the purposes of T_t , a "relevant project" is any project to which triggers apply which passed through Gateway 3:

- (a) in accordance with the governance arrangements applicable to it at that time; and

- (b) prior to the either the governance arrangements being modified as a result of guidance issued during 2023 in accordance with Condition F or 31 December 2023, whichever is the earlier.

T_t shall be calculated as follows:

$$T_t = \sum_i TM_{it} TF_{it}$$

where for any specific trigger i:

- (a) TF_{it} is the number of months between the milestone month and either:
- (i) for capex projects completed later than the milestone month, the earlier of the project completion date or the end of Regulatory Year 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.

in either case, TF_{it} shall bear a maximum value of 12.

- (b) TM_{it} is the trigger payment associated with each trigger in Regulatory Year t and is defined as:

$$TM_{it} = MTP_i \times \frac{P_t}{P_{2018}}$$

where:

- (i) MTP_i is the monthly trigger payment which is defined for each relevant project;
- (ii) P_t bears the same meaning as in Condition C1.10(a); and
- (iii) P_{2018} bears the same meaning as in Condition C1.11(d).

C1.17 The triggers, milestone month and monthly trigger payments shall bear the same meaning as set out in the Capital Investment Triggers Handbook applicable to the relevant project at the time when the triggers were set and may be modified in accordance with the modification processes set out in that handbook.

Insert New Conditions C1.18 and C1.19

- C34 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.
- C35 The reasons for this condition are set out in chapter 5 (Commercial revenues) and have been slightly amended for clarity and to reflect the decisions set out in that chapter.

Terminal drop-off charge TDO_t

C1.18 TDO_t is the Terminal drop-off charge factor that:

- (a) implements risk sharing; and
- (b) provides protection to the Licensee from the risk that a change to legislation that substantially alters the basis upon which the CAA makes its forecasts on revenue from Terminal drop-off charges in Regulatory Year t.

C1.19 TDO_t shall be calculated in accordance with Table C.5 below.

Table C.5: Calculation of the Terminal drop-off charge

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

where:

- (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
 $w_t = 0$ otherwise;
- (b) $OTDO_t$ is the outturn revenue collected by the Licensee from Terminal drop-off charges in Regulatory Year t; and
- (c) $FTDO_t$ is CAA’s forecast of the revenue that the Licensee is expected to 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.

Insert New Conditions C1.20 and C1.21

- C36 The effect of these conditions is to calculate the value of TRS_t for the purposes of the formula in Condition C1.5.
- C37 The reasons for these conditions are set out in chapter 2 (Regulatory framework). These conditions have been amended since the drafting set out in Appendix C to the Final Proposals to reflect the retention of the interim price control for 2023 and the use of actual passenger numbers for 2022 in setting the H7 price control.

Traffic risk sharing adjustment TRS_t

C1.20 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 C1.21. It shall be calculated in accordance with Table C.6 below.

Table C.6: Traffic Risk Sharing Adjustment

Adjustment for outturn in	Regulatory Year	
	2025	2026
Regulatory Year 2023	$\frac{ARS_{2023}}{10} \times \frac{P_{2025}}{P_{2023}} \times (1 + RWACC)^2$	$\frac{ARS_{2023}}{10} \times \frac{P_{2026}}{P_{2023}} \times (1 + RWACC)^3$
Regulatory Year 2024	0	$\frac{ARS_{2024}}{10} \times \frac{P_{2026}}{P_{2024}} \times (1 + RWACC)^2$
TRS_t	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 C1.21;
- (b) P_t bears the same meaning as in Condition C1.10(a); and
- (c) RWACC bears the same meaning as in Condition C1.10(c).

C1.21 For the purposes of Condition C1.20, 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:

$$\text{For } t = 2023: \quad MY_{2023} = \text{£}31.570$$

$$\text{For } t = 2024: \quad MY_t = MY_{t-1} \times (1 + CPI_{2024} + X_{2024})$$

$$\text{For } t > 2024: \quad MY_t = MY_{t-1} \times (1 + CPI_t + X_t)$$

where:

1. CPI_t bears the same meaning as in Condition C1.5(c); and
2. X_t has the same value as in Condition C1.5(d), except that in respect of Regulatory Year 2024, X_{2024} has the same value as in Condition C1.4(d)

- (ii) Q_t bears the same meaning as in Condition C1.5(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 C1.21(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 passenger
2023	73,008,769
2024	78,890,705
2025	80,653,561
2026	81,318,198

Insert New Conditions C1.22 and C1.23

- C38 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.
- C39 The reasons for this are set out in chapter 14 (Implementing through the Licence).

Additional correction factor AK_t

C1.22 AK_t is the additional correction factor to be made in Regulatory Year t to return in full during Regulatory Years 2024 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:

$$AK_t = \frac{1}{Q_t} \times \left[wR_{2020,t} \times (R_{2020} - Q_{2020} \times M_{2020}) \times \frac{P_t}{P_{2020}} \times (1 + RWACC)^{t-2020} \right. \\ \left. + wR_{2021,t} \times (R_{2021} - Q_{2021} \times M_{2021}) \times \frac{P_t}{P_{2021}} \times (1 + RWACC)^{t-2021} \right]$$

where:

- (a) Q_t bears the same meaning as in Condition C1.5(g);
- (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:

$$\sum_{t=2024}^{t=2026} wR2020_t = 1$$

$$0 \leq wR2020_{2024} \leq 1$$

$$0 \leq wR2020_{2025} \leq 1$$

$$0 \leq wR2020_{2026} \leq 1$$

- (i) The Licensee shall publish the value of $wR2020_t$ in the annual consultation for setting charges for Regulatory Year t .
- (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:

$$\sum_{t=2024}^{t=2026} wR2021_t = 1$$

$$0 \leq wR2021_{2024} \leq 1$$

$$0 \leq wR2021_{2025} \leq 1$$

$$0 \leq wR2021_{2026} \leq 1$$

- (i) The Licensee shall publish the value of $wR2021_t$ in the annual consultation for setting charges for Regulatory Year t .
- (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;
- (e) M_t bears the same meaning as in Condition C1.5(b);
- (f) P_t bears the same meaning as in Condition C1.10(a);

- (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;
- (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
- (i) RWACC bears the same meaning as in Condition C1.10(c).

C1.23 For the purposes of Condition C1.22, 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.

Insert New Condition C1.24

- C40 The effect of this condition is to calculate the value of K_t for the purposes of the formulae in Conditions C1.1 and C1.2 and correct the maximum allowed yield for over- or under-recovery of revenues in previous Regulatory Years.
- C41 This condition has been amended since the drafting set out in Appendix C to the Final Proposals to reflect the retention of the interim price control for 2023.

Correction factor K_t

C1.24 K_t is the correction factor (whether positive or negative value) to be made in Regulatory Year t , which is calculated as follows:

$$K_t = \frac{1}{Q_t} \times (R_{t-2} - Q_{t-2} \times M_{t-2}) \times \left(1 + \frac{I_{t-2}}{100}\right)^2$$

where:

- (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, except that in respect of Regulatory Year 2022, M_{2022} it shall bear the value £30.19;

- (d) I_{t-2} is the appropriate interest rate for Regulatory Year $t - 2$, which is equal to:
- (i) the specified rate plus 3% where K_t is positive; or
 - (ii) the specified rate where K_t is negative.

Insert New Condition C1.25

C42 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 this Final Decision. Where appropriate, they have been updated and clarified from the definitions used in the Q6 price control.

Definitions

C1.25 In this Condition C1:

- (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 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;
- (d) **capex project** is any project that is being taken forward in accordance with the governance arrangements;

- (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);
- (f) A passenger using the Airport is a passenger who
 - (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;
- (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;
- (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;
- (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 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.

Modifications to Condition C2: Charges for other services

C43 We have decided to modify Condition C2 to implement the policy set out in chapter 8 (Other regulated charges) of this Final Decision. The reasons for and effects of the modifications to this condition are set out in chapter 8 (Other regulated charges).

C44 Of these, the effect of the modifications to:

- amended Condition C2.1 is to clarify it;
- insert new Conditions C2.2 and C2.3 is to enable the CAA to require HAL to amend its approach to cost allocation for ORCs;
- new Condition C2.4 is to facilitate an independent review of HAL’s ORC cost allocation methodology. Condition C2.4 differs from the equivalent provision proposed in Appendix C to the Final Proposals as it has been amended to provide for greater CAA and stakeholder involvement in the appointment of the independent reviewer;
- amended Condition C2.5 is to clarify and enhance the expectations of cost and revenue transparency on HAL in relation to ORCs and it has been amended by the addition of wording to clarify that its effects are not retrospective;
- amended Condition C2.6 is to clarify and enhance the expectations of pricing transparency on HAL in relation to ORCs;
- amended Condition C2.7 is to clarify and enhance further 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;
- to delete the existing Condition C2.5 which is now covered by the amended Condition C2.8 the effect of which is to clarify further the expectations of transparency on HAL in relation to changes in ORC revenues from year to year;
- insert new Conditions C2.9 to C2.11 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. If there is no agreement, but the CAA considers that changes are needed it will follow the licence modification procedure under section 22 CAA12, which affords the right of appeal;
- amended Condition C2.12 is to update and clarify the list of “Specified Facilities” covered by ORCs, specify the governance arrangements that apply and define users of Specified Facilities in order to clarify other obligations in Condition C2.

These changes are set out in red below.

- 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.~~
- 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.
- 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.
- 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 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 following consultation with the CAA and users of Specified Facilities, 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.
- 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. This obligation only applies in respect of those elements of the Specified Facilities which formed part of the Specified Facilities in the preceding Regulatory Year.

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”):

- (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
- (b) ~~setting out including~~ the assumptions and relevant cost information

~~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.~~

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:

- (a) the reasons for using an alternative methodology and/or approach to charging; and
- (b) the methodology and principles that the Licensee has used to set those ~~on the basis of which the~~ charges ~~have been set~~

~~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.~~

~~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.

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.

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.

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).

C2.11 Modifications can be made to the list of Specified Facilities in this Condition C2 under Condition C2.9 at any time.

Definitions

C2.712 In this Condition C2

- (a) the Specified Facilities are:
 - (i) ~~check-in desks~~[NOT USED];
 - (ii) baggage handling systems;
 - (iii) Hold Baggage Screening;
 - (iv) services for Passengers with reduced mobility (PRMs);
 - (v) staff car parking;

- (vi) staff ~~identity ID~~ cards;
 - (vii) fixed electrical ground power;
 - (viii) pre-conditioned air;
 - (ix) airside licences;
 - (x) waste, recycling and refuse collection;
 - (xi) taxi feeder park;
 - (xii) ~~heating and~~ utility services (including electricity, ~~gas~~, water and sewerage); ~~and~~
 - (xiii) ~~HAL~~ the Licensee's contribution to the funding of the AOC
 - (xiv) ~~facilities for bus and coach operators; (m) common IT infrastructure; and~~
- (b) **the governance arrangements** means the arrangements set out in the ORC Protocol published as required in accordance with Condition F1.1(a); and
- (c) users of the Specified Facilities are
- (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.

Modifications to Condition C3: Procurement of capital projects

- C45 We have decided to make modifications to Condition C3.7 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.
- C46 These changes are set out in red below.
- 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.

Modifications to Condition D1: Service Quality

- C47 We have decided to rename and make modifications to Condition D1 to:
- support the changeover to OBR and the modifications we have decided to make to insert the new Schedule 1 to the Licence;
 - clarify the “self modification” procedure for amending the Statement of service quality Measures, Targets and Incentives to be inserted as the new Schedule 1;
 - 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 use the licence modification procedure under section 22 CAA12, which affords the right of appeal.
- C48 We have decided to implement these modifications for the reasons set out in chapter 3 (Outcome Based Regulation). The effect of these modifications is to update the Licence to refer to the new Schedule 1 to the Licence.
- C49 These changes are set out in red below.

D1 Service quality measures, targets, incentives ~~standards, rebates, bonuses and publication~~

- 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.
- D1.2 The Statement ~~set out at~~ Schedule 1 ~~of~~ this Licence ~~includes its Annexes and~~, subject to the following provisions of this Condition, is a condition of this Licence.
- 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.
- D1.4 The Licensee shall publish relevant information about ~~service quality its~~ performance in accordance with the requirements specified in the Statement.

- 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.
- 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**.
- ~~D1.7 Where the Licensee and the AOC cannot reach agreement, either party may request that the CAA determines the modification.~~
- ~~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.~~
- D1.97 The modifications that can be made under Conditions D1.6 **and D1.8** are any modifications to **Schedule 4 the Statement** except:
- (a) ~~any modifications to the elements listed in the ‘Element’ columns of Table 1a to Table 6 and Table 10a to Table 10e;~~
 - (a) any modifications ~~to the table of bonuses (Table 8) and~~ to the calculation of the bonus factor set out in the Statement; and
 - (b) any modifications to Table **79**.
- D1.108 Modifications can be made to the Statement under Conditions D1.6 **and D1.8** at any time.

Definitions

~~D1.11 In this Condition D1 the QSM has the meaning set out in the Statement.~~

Modifications to Condition D2.14 and D2.16: Operational Resilience

C50 We have decided to make modifications to Condition D2.14 and the reasons for and effect of these modifications are:

- to clarify the obligation on HAL since there is extensive judicial authority on the meaning of “all reasonable endeavours” as discussed in chapter 14 (Implementing through the Licence); and

- to reflect changes in law, to ensure consistent terminology throughout the Licence and provide clarity on relevant parties.

C51 These changes are set out in red below.

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**.

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 Airport including airlines, **providers suppliers** of groundhandling services, the provider of aerodrome air navigation services, fuel and energy suppliers and the UK **Border Force**.

Modifications to Condition E1: Regulatory accounting requirements

C52 We have decided to make a clarification to Condition E1.5.

C53 These modifications are set out in red below.

E1.5 The Licensee shall:

- (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;

- (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
- (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.

Modifications to Condition E2: Financial Resilience

- C54 We have decided to modify and renumber the obligations in Condition E2 to:
- clarify the obligation in Condition E2.1 and ensure internal consistency within the Licence;
 - split the certificates that the Licence requires into separate certificates for each of (i) financial and (ii) operational resources;
 - recognise this splitting of the certificates in subsequent conditions 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;
 - include 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;
 - clarify the nature of the undertaking that HAL must obtain from the Covenantor and include a new requirement to ensure new directors are aware of that undertaking; and
 - implement consequential and numbering changes and clarify the identity of the party from whom HAL must obtain an undertaking.
- C55 The reasons for the modifications to the financial resilience and ring fencing conditions in the Licence are set out in Appendix F (Financial resilience and ring fencing) of the Final Decision.
- C56 These modifications are set out in red below.

~~Certificate of adequacy of resources~~

- 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.**

Certificate for the CAA in relation to financial resources

- E2.2 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:

(a) **Financial Resources Certificate 1**

“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):

- (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

sufficient financial and other resources and financial and operational facilities to

- (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

for a period of two years from the date of this certificate.”

(b) **Financial Resources Certificate 2**

“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):

- (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,

sufficient financial ~~and other~~ resources and financial ~~and operational~~ facilities to:

- (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

for a period of two years from the date of this certificate.”

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...”

(c) **Financial Resources Certificate 3**

“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:

- (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

for a period of two years from the date of this certificate.”

Certificate for the CAA in relation to operational resources

E2.3 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:

(a) Operational Resources Certificate 1

“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:

- (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

for a period of two years from the date of this certificate.”

(b) Operational Resources Certificate 2

“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:

- (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

for a period of two years from the date of this certificate.”

However, they would like to draw attention to the following factors which may cast doubt on the expectation set out above...”

(c) Operational Resources Certificate 3

“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:

- (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

for a period of two years from the date of this certificate.”

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.

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.

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.

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:

- (a) the Licensee's financial position or ability to continue to trade; or
- (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,

~~(c)~~ the Licensee shall inform the CAA within 3 working days.

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.

Restriction on activities

E2.69 The Licensee shall not, and shall procure that its subsidiary undertakings shall not, conduct any business or carry on any activity other than:

- (a) the Permitted Business; and/or
- (b) any other business or activity for which the CAA has given its written consent for the purposes of this Condition, such consent not to be unreasonably withheld or delayed.

Ultimate holding company undertakings

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:

- (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;

- (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
- (c) promptly upon request by the CAA (specifying the information required) provide to the 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.

~~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.

~~E2.912~~ The Licensee shall:

- (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.

~~E2.13~~ 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.

Change to banking ringfence

~~E2.104~~ The Licensee shall not amend, vary, supplement or modify or concur in the amendment, variation, supplementation or modification of any of the finance documents in respect of credit rating requirements (whether in each case in the form of a written instrument, agreement or document or

otherwise) (a “Variation”) unless it has given prior written notice thereof to the CAA. The Licensee shall, as soon as reasonably practicable:

- (a) notify the CAA of the possibility of any such Variation; and
- (b) provide a summary of the executed change.

E2.145 The provisions of Condition E2.10 shall not apply to any administrative or procedural Variation.

Definitions

E2.126 In this cCondition E2:

- (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) **a linked company** means any company within the Licensee’s Group where the financial position of that company or its inability to continue to trade would have an adverse effect on the Licensee’s financial position or ability to continue to trade;
- (c) **Permitted Business** means:
 - (i) any and all business undertaken by the Licensee and its subsidiary undertakings as at 1 April 2014;
 - (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
 - (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.

Modifications to Condition F1: Consultation and Governance

- C57 We have decided to rename, modify and renumber the obligations in Condition F1 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 to agree governance arrangements with airlines and must consult non-airline users on changes to its charges under that Condition;
 - introduce the obligation to notify airlines about significant changes to the terminal drop-off charge for the reasons set out in chapter 5 (Commercial revenues);
 - require a more formal consultation and response structure so that the standard expected of HAL is more transparent and appropriate to enable HAL to comply;
 - clarify the ability to refer matters to the CAA for determination and for the CAA to make a determination;
 - update the obligations and make consequential amendments.
- C58 The reasons for and effects of these these modifications are discussed further in chapter 14 (Implementing through the Licence).
- C59 Condition F1.2(c) has been amended from the version set out in Appendix C to the Final Proposals.
- C60 Condition F1.4 has been amended since the drafting set out in Appendix C to the Final Proposals to clarify that the consultations published alongside this Final Decision are relevant for the purposes of compliance with that condition.
- C61 These modifications are set out in red below.

Part F Consultation and Governance conditions

F1.1 The Licensee shall ~~ensure that~~:

- (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:

- (i) the Licensee's ~~its~~ proposals for future investment in the short, medium and long term that have the potential to affect those Relevant Parties;
 - (ii) the Licensee's ~~its~~ proposals for the development and delivery of key capital projects identified in its future investment proposals in Condition F1.1(a)(i);
 - (iii) the Licensee's ~~its~~ charges that are subject to Condition C2 in relation to users of Specified Facilities in Condition C2.12(c)(i); and
 - (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:
- ~~(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

- (e) so that those parties have sufficient information to take an informed view of the proposed changes. ~~and~~
- ~~(d) the views of the relevant parties are taken into account in deciding on the future development of the proposals.~~
- 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:
- (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 changes to the revisions originally proposed as a result of such representations.
- 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.~~
- 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.
- 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 (whether or not such consultation commenced prior to this condition coming into effect).
- F1.56 In compliance with Condition F1.23, the Licensee may ~~publish~~ use any protocol, handbook or other arrangement that meets the requirements of Condition F1.1(a) ~~and was 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.
- F1.67 The Licensee shall, in consultation with ~~r~~Relevant ~~p~~Parties, 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.~~

F1.78 Where the Licensee cannot reach agreement with the ~~r~~Relevant ~~p~~Parties 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.

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~~

Modifications to replace Schedule 1 to implement OBR

- C62 We have decided to modify the Licence by deleting the existing Schedule 1.
- C63 Chapter 3 (Outcome Based Regulation) of this Final Decision sets out the reasons for and effect of the modifications that we have decided to make to implement OBR together with the reasons for the changes we have made to the drafting of Schedule 1 which should be read together with this Appendix.
- C64 This schedule contains a number of changes from the text set out in Appendix C to Final Proposals. The major changes are discussed in chapter 4 (Outcomes Based Regulation) and particular changes are set out in the following table.

Change from text in Appendix C to the Final Proposals	Reason for the difference
Paragraph 3.3, List 1 and List 2	Changes to reflect the removal of “R8 Ease of understanding of Covid-19 safety information” from the QSM together and renumbering of QSM measures.
Paragraph 3.6 (iv)	Changes to clarify the definition of μ .
Paragraph 3.9	Consequential amendments for renumbering of measures.
Paragraph 3.10	Changes to clarify that the SpA QSM measure is by terminal. Consequential amendments for renumbering of measures. Changes to clarify the definition of μ .
Paragraph 3.15	Clarification of queueing time metrics.
Paragraph 3.23	Clarification that formula applies to staffed immigration desks.
Paragraphs 3.30, 3.34, 3.35, 3.36, 3.37, 3.38, 3.39, 3.40.	Consequential amendments for renumbering of measures.
Paragraph 3.36	Clarification of departure flight punctuality.
Paragraph 4.6	Consequential amendments for renumbering of measures.
Paragraph 5.5	Amendments to replace “Relevant Year” with “Regulatory Year” as this is a defined term in the Licence.
Paragraphs 6.2 to 6.9	Insertion of new paragraphs to preserve the effect of the operation of the Service Quality Rebates and Bonuses scheme for the period from until 30 April 2023. Subsequent paragraphs renumbered accordingly.
Paragraphs 6.10	Updated reference from Table 6 to Table 6b to reflect the insertion of new Table 6a

Change from text in Appendix C to the Final Proposals	Reason for the difference
Paragraph 6.12	Removed text to reflect the removal of the calculation of B_{2020} and B_{2021} which are no longer defined in this Licence
Paragraphs 6.13 to 6.14	Updated reference from Table 6 to Table 6b to reflect the insertion of new Table 6a
Paragraph 7.2	Consequential amendments for renumbering of measures.
Paragraph 8.1	Insertion of reference to new Table 6a for bonus calculations up to April 2023 and consequential amendments.
Table 4	Consequential amendments for renumbering of measures. Amendments for deletion of measure on covid-19 information and for clarification of metrics for immigration queue times. New footnote to clarify publication expectations.
Table 5	Consequential amendments for renumbering of measures. New footnote to clarify publication expectations.
Table 6a	New Table 6a for bonus calculations up to April 2023.
Table 6b	Renaming of table to reflect insertion of Table 6a.
Table 7	Revised table for greater clarity and to reflect that B_{2020} and B_{2021} are no longer defined in this Licence.
Table 8	Revised table removing deleted measures and consequential amendments.
Annex 2	Deletion of unnecessary word "rounding" Deletion of paragraph A2.16 for updating measures. Consequential amendments for renumbering of measures.

These text of the new Schedule 1 is set out in full below.

Schedule 1 Statement of Measures, Targets and Incentives

1. 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	R4	Airport that meets my needs
R2	Customer effort (ease)	R5	Feel safe and secure
R3	Enjoy my time at the airport	R7	Helpfulness/attitude of airport staff

List 2

Surface Access Customer Satisfaction Survey (SACS)		Special Assistance Quality of Service Monitor (SpA QSM)	
R6	Ease of access to the airport	R8	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:

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

- (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:

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

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 first full month in which air transport services for the carriage of passengers are provided at terminal a or the first full month in which QSM surveys are carried out = 1;
 2. the second full month in which air transport services for the carriage of passengers are provided at terminal a or the second full month in which QSM surveys are carried out = 2, and each subsequent month shall be identified accordingly; so that

3. the twelfth full month in which air transport services for the carriage of passengers are provided at terminal a or the twelfth full month in which QSM surveys are carried out = 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 R8 (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 in each terminal by 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 per terminal in month j ;
- (ii) Monthly survey results _{i,j} is the performance of measure R8 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 first full month in which SpA QSM surveys are carried out = 1;
 2. the second full month in which SpA QSM surveys are carried out = 2, and each subsequent month shall be identified accordingly; so that
 3. the twelfth month in which SpA QSM surveys are carried out = 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)	
R16a	Immigration queue times for non-EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes that are less than 45 minutes)
R16b	Immigration queue times for EEA passengers using staffed gates (percentage of queuing times measured once every 15 minutes 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 a staffed immigration desk; and
 - (b) E is the time that the same passenger leaves the queue maze to approach a staffed immigration desk.
- 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:

$$Availability_{i,j,a} = 100 \times \left(1 - \frac{\sum_{e=1}^{e=n_{i,a}} TU_{b,j,a}}{n_{i,a} \times Time_j} \right)$$

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	
R9	Timely delivery from departures baggage system
R10	Baggage misconnect rate
R11	Departures flight punctuality
R12	Airport departures management
R13	Airport arrivals management

Reputationally incentivised measures in the other metrics group	
R14	% of UK population within 3 hours (and one interchange) of Heathrow by public transport
R15	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) $\text{PierPax}_{j,a}$ is the number of arriving and departing passengers accessing a pier served stand in month j in terminal a ;
- (b) $\text{TotalPax}_{j,a}$ 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.

R9 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 R9 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.

R10 Baggage misconnect rate

3.35 The Licensee shall collect data for the baggage misconnect rate from its operational systems to calculate performance for measure R10 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'.

R11 Departures flight punctuality

3.36 The Licensee shall collect data for departures flight punctuality from its operational systems to calculate performance for measure R11 in Table 5. The Licensee shall calculate performance for this measure for each month by recording the proportion of scheduled passenger flights whose actual time of operation is less than or equal

to their scheduled time of operation plus 15 minutes, where the actual and scheduled times of operation are measured as chocks on/off.

R12 Airport departures management

3.37 The Licensee shall collect data for airport departures management 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 average time taken (across all departing passenger flights) between the Actual Start Request Time and the Actual Take-Off time of an aircraft.

R13 Airport arrivals management

3.38 The Licensee shall collect data for airport arrivals 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 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.

R14 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 R14 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 .

R15 Passenger injuries

3.40 The Licensee shall collect data for passenger injuries from its operational systems to calculate performance for measure R15 in Table 5. The Licensee shall calculate the performance of this measure in month j by:

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

where:

- (a) InjuredPax_j is the number of passenger injuries reported to HAL's operational systems (excluding ill health) in month j ;
- (b) $\pi_{j,a}$ 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) $\text{Performance}_{i,j,a}$ is the recorded performance of measure i in month j in terminal a ; and
- (b) $\text{Target}_{i,j,a}$ 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 , $\text{Performance}_{i,j,a}$ and $\text{Target}_{i,j,a}$ 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
R8	Passengers with reduced mobility (PRM) – overall satisfaction
R11	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) Performance_{i,r} is the recorded performance of measure i in quarter r; and
- (b) Target_{i,r} is the relevant target of measure i in quarter r.

4.8 For any measure i, Performance_{i,r} and 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 Regulatory 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 Regulatory 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) 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:

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

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) $R_{i,j}RY$ 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 $R_{i,j}RY$ 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) 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;
- (e) $R_{i,j}RY$ 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 $R_{i,j}RY$ for the first six service failures of measure i in Regulatory Year t as specified in Table 1 of this Schedule; and
- (f) $x_{i,j,a} = 0$ 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.
- (g) $i = F1$ to $F7$, $F9$ to $F18$, $F20$ as specified in Table 1 of this Schedule.

Rebate_{CP,t}

- 5.8 The Licensee shall calculate $\text{Rebate}_{CP,t}$ 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 $\text{Rebate}_{CP,t}$ across all months for Regulatory Year t and shall calculate it as follows:

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

where:

- (a) ANNMAX_{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) $R_{CP,jRY}$ is a proportion of ANNMAX_{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 $R_{CP,jRY}$ for the first six service failures in Regulatory Year t as specified in Table 2 of this Schedule; and
- (c) $x_{CP,j} = 0$ if $\text{Target}_{CP,j}$ in month j is met as defined in paragraph 4.4; or
 $= 1$ otherwise.

Rebate_{ROR,t}

- 5.10 The Licensee shall calculate $\text{Rebate}_{ROR,t}$ 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 $\text{Rebate}_{ROR,t}$ as follows:

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

where:

- (a) $\text{Rebate}_{ARR,t} = \sum_{\text{All material events}} V_{ARR,d}$ 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) $\text{MAXRebate}_{\text{ROR}}$ 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 $(\text{Rebate}_{\text{ARR},t} + \text{Rebate}_{\text{DEP},t})$ incurred in the relevant Regulatory Year t, the amount payable shall be inflated to outturn prices by the formula:

$$(\text{Rebate}_{\text{ARR},t} + \text{Rebate}_{\text{DEP},t}) = (\text{Rebate}_{\text{ARR},2020} + \text{Rebate}_{\text{DEP},2020}) \times \frac{\text{CPIIndex}_t}{\text{CPIIndex}_{2020}}$$

where:

- (a) $\text{Rebate}_{\text{ROR},2020}$ 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 (Up to April 2023)

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 6a 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 B_t shall be calculated as follows:

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

where:

- (a) B_t is the total aggregate percentage bonus rebate payable for Regulatory Year t ; and
- (b) $\text{BNS}(\text{T2})_{k,j}$, $\text{BNS}(\text{T3})_{k,j}$, $\text{BNS}(\text{T4})_{k,j}$, $\text{BNS}(\text{T5})_{k,j}$ are the amounts of bonuses earned as a percentage of Airport Charges in month j based on the Licensee's performance of specified element k in Terminal 2, Terminal 3, Terminal 4 and Terminal 5. These bonuses shall be calculated using the formulae set out in paragraphs 6.5 and 6.6.

6.5 For each month j and specified element k :

$$\text{BNS}(\text{T2})_{k,j} = \frac{1}{12} \times \text{MB}_k \times \frac{\text{Min}[\text{UPL}_k, \text{MP}(\text{T2})_{k,j}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T3})_{k,j} = \frac{1}{12} \times \text{MB}_k \times \frac{\text{Min}[\text{UPL}_k, \text{MP}(\text{T3})_{k,j}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T4})_{k,j} = \frac{1}{12} \times \text{MB}_k \times \frac{\text{Min}[\text{UPL}_k, \text{MP}(\text{T4})_{k,j}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

$$\text{BNS}(\text{T5})_{k,j} = \frac{1}{12} \times \text{MB}_k \times \frac{\text{Min}[\text{UPL}_k, \text{MP}(\text{T5})_{k,j}] - \text{LPL}_k}{\text{UPL}_k - \text{LPL}_k}$$

where:

- (a) MB_k is the maximum percentage of Airport Charges recoverable by the Licensee as bonuses for its performance of specified element k in the relevant Regulatory Year as specified in Table 6a of this Schedule;
- (b) UPL_k is the upper performance limit for specified element k used in the calculation of bonuses. It has the values assigned to it in Table 6a of this Schedule;
- (c) LPL_k is the lower performance limit for specified element k used in the calculation of bonuses. It has the values assigned to it in Table 6a of this Schedule;
- (d) $MP(T2)_{k,j}$, $MP(T3)_{k,j}$, $MP(T4)_{k,j}$ and $MP(T5)_{k,j}$ are the moving annual average monthly performance for specified element k in month j weighted by monthly passenger numbers in Terminal 2, Terminal 3, Terminal 4 and Terminal 5, respectively. It is calculated using the formulae set out in paragraph 3.6.

6.6 The Licensee shall conduct the QSM survey in accordance with the approach specified in paragraph A2.2 in Annex 2 of this Schedule. No bonuses shall be payable for a specified element if the relevant questions for that element are not included in the QSM survey for that particular month.

6.7 The QSM question for specified element $k = 1$ Departure lounge seating availability is given by:

- (a) A simple average of the QSM scores for the question on seating:
 - (i) [for departing passengers] “Now, thinking about the departures lounge, how do you rate the ease of finding a seat?”

6.8 The QSM questions for specified element $k = 4$ Flight information are given by:

- (a) A simple average of the QSM scores for the three flight information questions:
 - (i) [for departing passengers] “Flight information (screens and boards only) – how do you rate the ease of finding?”
 - (ii) [for departing passengers] “Flight information (screens and boards only) – how do you rate the ease of reading?”
 - (iii) [for departing passengers] “Flight information (screens and boards only) – how do you rate the ease of understanding the information?”

6.9 The QSM questions for specified element k = 2 Cleanliness and for specified element k = 3 Wayfinding are set out in Annex 2 of this Schedule.

Calculation (from May 2023 onwards)

6.10 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 6b of this Schedule.

6.11 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.

6.12 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:

- (a) B_t is the total aggregate percentage bonus rebate payable for Regulatory Year t; and
- (b) $\text{BNS}(\text{T2})_{bm,j}$, $\text{BNS}(\text{T3})_{bm,j}$, $\text{BNS}(\text{T4})_{bm,j}$, $\text{BNS}(\text{T5})_{bm,j}$ 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 6.13 and 6.14.

6.13 For each month j and bonus measures bm = F1 (Cleanliness), F2 (Wayfinding) or F6 (Security queue time – Transfer Search):

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

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

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

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

where:

- (a) 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 6b 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 6b 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 6b 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, 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.

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

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

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

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

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

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 6b 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 6b 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 to it assigned in Table 6b 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 $Target_{j,2}$, $Target_{j,3}$, $Target_{j,4}$ and $Target_{j,5}$ 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) | R8 | Passengers with reduced mobility (PRM) – overall satisfaction; |
| (xiii) | R9 | Timely delivery from departures baggage system; |
| (xiv) | R11 | Departures flight punctuality; and |
| (xv) | R16a & R16b | Immigration queue times. |
- (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) | R10 | Baggage misconnect rate; |
| (iii) | R12 | Airport Departures Management; |
| (iv) | R13 | Airport Arrivals Management; |
| (v) | R14 | Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport; and |
| (vi) | R15 | 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 6a Bonus calculation up to April 2023;
- (g) Table 6b Bonus calculation from May 2023 onwards;
- (h) Table 7 Periods of bonuses earned to be taken into account when setting M_t as specified in Condition C1; and
- (i) 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

i	Financial measures	Metrics	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

i	Financial measures	Metrics	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
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
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

i	Financial measures	Metrics	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
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	Metrics	Time of day to measure performance	Target _i	ANNMAX _{CP} (%)	$R_{CP,jRY} (\%) = \text{ANNMAX}_{CP} (\%) \div 6$
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 _{RO} (%)	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} ²
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
R9	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%
R16a	Immigration queue times	Percentage of queuing times measured once every 15 minutes for non-EEA passengers using staffed immigration desks that are less than 45 minutes	0500-2230	95%
R16b		Percentage of queuing times measured once every 15 minutes for EEA passengers using staffed immigration desks that are less than 25 minutes	0500-2230	95%

² For measures R1 to R5, R7 and R16 this target is for Regulatory Year 2026 and in earlier Regulatory Years the Licensee shall publish its performance in a way that shows its progress towards achieving this target by Regulatory Year 2026.

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

i	Reputational measures	Metric	Time of day to measure performance	Target _{i,j} ³
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
R8	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
R10	Baggage misconnect rate	Average of the number of bags per 1000 passengers, which miss their originally intended departing passenger flight.	Unrestricted	No target
R11	Departures flight punctuality	Average proportion of scheduled passenger flights taking off within 15 minutes of the scheduled departure time	Unrestricted	80.5%
R12	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
R13	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
R14	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
R15	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

³ This target is for Regulatory Year 2026 and in earlier Regulatory Years the Licensee shall publish its performance in a way that shows its progress towards achieving this target by Regulatory Year 2026.

Table 6a: Bonus calculation up to April 2023

k	Specified element	Metric	Lower performance limit LPL_k	Upper performance limit UPL_k	Maximum bonus MB_k
1	Departure lounge seating availability	Moving annual average QSM scores (as defined in this licence in the form it was in during the period up to April 2013) weighted by monthly passenger numbers in the relevant terminal	4.10	4.50	0.36%
2	Cleanliness		4.20	4.50	0.36%
3	Way-finding		4.20	4.50	0.36%
4	Flight information		4.40	4.70	0.36%

Table 6b: Bonus calculation from May 2023 onwards

bm	Bonus measure	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

Bonuses earned in Regulatory Year	are included in
2020	the overall H7 allowed revenues and profiled across H7
2021	the maximum revenue yield per passenger for Regulatory Year 2023
2022	the maximum revenue yield per passenger for Regulatory Year 2024 M_{2024} through the bonus term B_{2022}
2023	the maximum revenue yield per passenger for Regulatory Year 2025 M_{2025} through the bonus term B_{2023}
2024	the maximum revenue yield per passenger for Regulatory Year 2026 M_{2026} through the bonus term B_{2024}

Table 8: Publication requirements

i	Measures	Frequency	Terminal	Website	Regulatory accounts
F1	Cleanliness	Monthly	Performance Target Rebates (estimated) Bonuses (estimated)	Performance Target Rebates (estimated) Bonuses (estimated)	Rebates (audited) Bonuses (audited)
F2	Wayfinding				
F3	Helpfulness / attitude of security staff	Monthly	Performance Target Rebates (estimated)	Performance Target Rebates (estimated)	Rebates (audited)
F4	Wi-Fi performance				
F5a	Security queue time – Central search	Monthly	Performance Target Rebates (estimated) Bonuses (estimated)	Performance Target Rebates (estimated) Bonuses (estimated)	Rebates (audited) Bonuses (audited)
F5b					
F6	Security queue time – Transfer search	Monthly			
F7	Security queue time – Staff search	Monthly			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				

i	Measures	Frequency	Terminal	Website	Regulatory accounts
F15	Availability of fixed electrical ground power	Monthly		Performance Target Rebates (estimated)	Rebates (audited)
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	Performance Target Rebates (estimated)	Performance Target Rebates (estimated)	Rebates (audited)
F20b					
R1	Overall satisfaction	Monthly	Performance Target	Performance Target	
R2	Customer effort (ease)				
R3	Enjoy my time at the airport				
R4	Airport that meets my needs	Monthly	Performance	Performance	
R5	Feel safe and secure	Monthly	Performance Target	Performance Target	
R6	Ease of access to the airport	Quarterly		Performance Target	
R7	Helpfulness/attitude of airport staff	Monthly		Performance Target	
R8	Passengers with reduced mobility (PRM) – overall satisfaction	Monthly	Performance Target	Performance Target	
R9	Timely delivery from departures baggage system	Monthly	Performance Target	Performance Target	
R10	Baggage misconnect rate	Monthly	Performance	Performance	

i	Measures	Frequency	Terminal	Website	Regulatory accounts
R11	Departures flight punctuality	Monthly	Performance Target	Performance Target	
R12	Airport departures management	Monthly		Performance	
R13	Airport arrivals management				
R14	% of UK population within 3 hours (and one interchange) of the Airport by public transport	Annually		Performance Target	
R15	Passenger injuries	Monthly		Performance	
R16a	Immigration queue times	Monthly	Performance Target	Performance Target	
R16b					

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 ($R_{i,jRY}$ and $R_{CP,jRY}$) 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.”

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).”

R8 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 Directive⁴); 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;

⁴ 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).

- (g) closure of aircraft manoeuvring areas;
- (h) runway or taxiway lighting system failures;
- (i) failure of other critical equipment such as fire tenders; or
- (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 local⁵) is applied which is less than the declared runway scheduling 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;

⁵ ATFM restrictions are air traffic flow movement restrictions imposed through the Central Flow Management Unit of Eurocontrol. Local restrictions are of a temporary duration and originate from the Tower watch supervisor.

- (c) 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) 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.

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) $\text{Expected } DEP_s$ is the number of **Expected Departure Movements** in the **Relevant Measurement Period** s as determined in paragraphs A4.13 to A4.16;
- (d) $\text{Actual } DEP_s$ 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.