

Economic regulation of Heathrow airport: Outcome Based Regulation Mid-Term Review – Initial Proposals

CAP 3073

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About this document

This document sets out our initial proposals following the mid-term review of the H7 Outcome Based Regulation (“OBR”) framework for Heathrow Airport Limited (“HAL”). The OBR framework provides incentives on HAL to maintain and improve the quality of service that it provides to its passengers and airline customers. Chapters 1 to 7 of this document set out:

- the background to the review;
- a summary of key issues and stakeholders’ views on them; and
- our latest analysis and assessment, as well as drafts of the modifications to HAL’s licence (the “Licence”) that would be needed to put these initial proposals into effect.

In addition to our initial proposals for the mid-term review, we also set out a limited number of proposals for minor licence modifications to clarify and update the Licence.

We are asking for responses to these initial proposals and licence modifications by 5pm on Friday 7th February 2025.

Introduction and Summary

Background

1. The H7 Final Decision for HAL's price control confirmed that a mid-term review of the OBR framework (the "Review") would be held during the H7 period. The aim of the Review is to:
 - address certain issues that could not be resolved in time for the Final Proposals and Final Decision¹ on the H7 price control for Heathrow airport (the "Final Decision");
 - understand how the new OBR framework is bedding in; and
 - determine certain specific issues relating to the application of new measures and targets.

2024 Mid-Term Review

2. In April 2024, we wrote to stakeholders explaining the advantages of retaining the same scope for the Review as had been envisaged in the H7 Final Decision. The scope covers:
 - issues that could not be resolved in time for inclusion in the Final Decision;
 - specific issues arising from the application of new measures and targets;
 - changes that are specifically required as a result of new investment projects that have been agreed between HAL and airlines;
 - the appropriate level of granularity for targets such as security queues and asset availability measures;
 - changes to security queue measures and targets necessary to reflect (in a neutral way) the impact of the security transformation programme or the installation of new queue measurement systems;
 - possible changes to the way that asset availability targets are applied; and
 - in a strictly limited number of cases, consideration of possible increases in targets.
3. We noted that by May 2024 the OBR framework would have been in operation for a year, providing insights into how it is working in practice. This would allow the

¹ See CAP2524B H7 Final Decision para 3.38, <https://www.caa.co.uk/publication/download/20189>

Review to address issues for the remainder of H7 as well as helping to inform our approach to the H8 price control review.

4. Our letter in April 2024 also explained the importance of the Review not undermining the structure of the five-yearly price control reviews and not exposing stakeholders to additional risks. The scope for the review set out above is consistent with these objectives.² We said we would adopt a proportionate approach, including in relation to where there is only limited new information available and would seek to ensure that any changes resulting from the review would be consistent with the broader price control decision.
5. We received four responses from stakeholders to the April 2024 letter from:
 - Heathrow Airport Limited (“HAL”);
 - Heathrow Airport Operators Committee and IATA London (Heathrow) Airport Consultative Committee (“AOC/LACC”) - joint response on behalf of the airline community;
 - Heathrow Passenger Forum of the Council for the Independent Scrutiny of Heathrow Airport (“CISHA”); and
 - Heathrow Southern Railway.
6. These responses have been published on the CAA website.³
7. We also commissioned a study by Grant Thornton to analyse and review Heathrow security performance data to inform our consideration of the appropriate level of granularity for targets for security queues and the grouping of control posts at the airport, consistent with the scope for the Review set out above.

Initial proposals

8. Each main aspect of the Review is addressed in the following chapters. We set out a summary of stakeholder responses, with the full responses published alongside this consultation document on the CAA website, followed by our views with further analysis where appropriate. We then set out our initial proposals for the issues raised.
9. We have developed our views and initial proposals based on our duties under the Civil Aviation Act 2012 (“CAA12”) to further the interests of consumers regarding the range, availability, continuity, cost and quality of airport operation services. A

² See the Final Decision at paragraph 3.27.

³ See responses listed under “Mid-Term Review of the Heathrow Airport Outcome Based Regulation scheme”, <https://www.caa.co.uk/commercial-industry/airports/economic-regulation/h7/consultations/final-and-initial-proposals-for-h7-price-control/>

summary of those duties can be found at Appendix A. In doing so, we have also considered the Review guidance set out in the H7 Final Decision, including that:

- the Review should not undermine the structure of five-yearly price control reviews;
- the Review should not expose stakeholders to additional risk;
- where a target appears potentially too low, we would not generally expect to make any adjustment until the next price control review; and
- where changes are proposed as part of this Review for the H7 period (for security queues and asset availability targets granularity, control post groupings, and security queue targets harmonisation) our aim would be to ensure these have neutral impact on the net revenues HAL might expect to earn from bonuses and/or pay out as rebates during the remainder of H7.

10. Where a licence modification may be necessary to address an issue, proposed draft licence modifications to implement our initial proposals are set out in Appendix B.

11. In summary, our initial proposals for the Review are:

- to adopt HAL’s existing carbon measure definition (as published in its Annual Accounts) as the basis for a reputational incentive;
- to set targets of 30-minutes for the Airport Departures Management and 10-minutes for the Airport Arrivals management measures as a reputational incentive;
- to set a 94.0% target for the “An Airport that meets My Needs” measure as reputational incentive;
- that HAL should facilitate and pay for an independent service quality audit of the Measures Targets and Incentives (“MTI”)⁴ scheme in 2025 to provide assurance ahead of the H8 price control period starting in 2027;
- to increase the wi-fi performance target from a Quality of Service Monitor (QSM)⁵ survey score of 4.05 to 4,10;

⁴ The OBR framework includes a scheme of measures, targets and incentives that indicate the progress made towards achieving one or more of the outcomes in the framework linked to the airport operations services that consumers value. See H7 Final Decision at chapter 3 <https://www.caa.co.uk/publication/download/20189>.

⁵ QSM refers to Quality of Service Monitor which is HAL’s passenger survey tool for tracking passenger satisfaction with elements of Heathrow’s operation and service on a scale of 1-5 scale - Extremely Poor (1), Poor (2), Average (3), Good (4), to Excellent (5). See the Licence at Annex 2 <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>.

- to increase the Pre-Conditioned Air availability target from 98 per cent to 99 percent; and
 - to maintain the check-in infrastructure availability target at 98 per cent.
12. We are not proposing changes relating to the granularity of the security queue targets or the groupings of control posts at this time, although we are asking HAL to produce additional information on its daily performance. We are also not proposing any changes relating to new investment projects, security programme changes and the asset availability target methodology as part of this Review.
13. The initial proposals will update the OBR framework for the remainder of the H7 period. In certain instances we note that although we are not making changes as part of this Review, the issues will be considered further as part of the H8 review.
14. In addition to these matters, chapter 8 sets out a number of possible clarifications to HAL’s licence (the “Licence”)⁶, to increase the clarity of the regulatory framework, which is consistent with the interests of consumers. These possible changes and clarifications include:
- updates to the Price Control and Charges for Other Services in Part C; and
 - improvements to MTI scheme references in Schedule 1.

Our updated timeline

15. Our updated timeline for the remainder of the Review is:
- January 2025: publication of Initial Proposals (this document);
 - April/May 2025: Final Proposals and statutory notice of proposed licence modifications; and
 - June/July 2025: Subject to the outcome of the statutory consultation, Final Decision and statutory notice of proposed licence modifications.⁷
16. We anticipate engaging directly with stakeholders during the period of consultation on these Initial Proposals, as well as considering any further responses during the rest of review period. We will also engage with CAA’s Consumer Panel and Sustainability Panel as part of this process.

⁶ See: <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>

⁷ If a licence modification is to be made, it would not come into effect for a minimum of 6 weeks from the date of this notice.

Structure of this document

17. In this document, each chapter covers one of the seven areas of scope set out above for this Review and the issues for clarification in the Licence as follows:
 - chapter 1: Issues highlighted during the H7 review as requiring further assessment;
 - chapter 2: Issues with new measures and targets;
 - chapter 3: Changes for new investment projects;
 - chapter 4: Granularity of targets;
 - chapter 5: Security programme changes;
 - chapter 6: Asset availability targets;
 - chapter 7: The scope for increasing certain targets; and
 - chapter 8: Proposed clarifications to the Licence.
18. Appendix A sets out a summary of our duties under CAA12, Appendix B sets out draft licence modifications to reflect the discussion in chapters 1 to 8, and Appendix C sets out supporting information on airport departures and arrivals performance.

Next Steps

19. We welcome feedback from stakeholders on these Initial Proposals, and the licence modifications we propose could implement them.
20. We will take account of this feedback as we determine our approach to Final Proposals. Please e-mail responses to economicregulation@caa.co.uk by **no later than 5pm on Friday 7th February 2025**.
21. We cannot commit to take into account representations received after this date. We expect to publish the responses we receive on our website as soon as practicable after the period for representations expire. Any material that is regarded as confidential should be clearly marked as such. Please note that we have powers and duties with respect to information under section 59 of CAA12 and the Freedom of Information Act 2000.
22. The Grant Thornton Targets Study report will also be published on the CAA website.

CHAPTER 1

Issues highlighted in the H7 review as requiring further assessment

Introduction

- 1.1 This chapter considers issues that could not be resolved in time for inclusion in the H7 Final Proposals and Final Decision, including:
- the definition of a measure relating to Heathrow’s carbon footprint;
 - setting targets for the measures on airport departures management (measure “R12”) and airport arrivals management (measure “R13”) in the Licence; and
 - setting a target for the “an airport that meets my needs” (measure “R4”).
- 1.2 In the Final Decision, we said that:
- defining a measure relating to Heathrow’s carbon footprint would be a priority for the Review; and
 - we would seek to ensure that the definitions for airport departures and arrivals measures were fit for purpose.
- 1.3 The introduction of the new airport departures management and airport arrivals management measures, and the “an airport that meets my needs” measure did not have baseline data available to inform the setting of targets during the H7 review. We said that in this Review we expected to use the level of actual H7 performance to help set targets for these measures, which all have reputational incentives.

Summary of stakeholders’ views

- 1.4 HAL supported the introduction of a carbon measure with a reputational incentive, noting the increasing importance of this issue to consumers. It suggested that the existing carbon measure reported in its annual accounts could be adopted that has been reported annually since 2019 and which includes Scope 1, 2 and 3 emissions⁸ covering all aspects of airport operations, flights and surface access.

⁸ The Greenhouse Gas (“GHG”) Protocol requires reporting as follows: Scope 1 – all direct GHG emissions from activities at Heathrow Airport under its direct control (such as HAL’s own vehicles, fuel required to heat terminals, etc); Scope 2 – all indirect GHG emissions from the electricity purchased for HAL’s owned and operated activities; and Scope 3 – all other indirect GHG emissions from activities in relation to Heathrow Airport, occurring from sources that HAL do not own or control. See <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>

- 1.5 HAL highlighted that the airport departures management and airport arrivals management measures were impacted by factors outside of its control. It proposed that targets should be set at 38 minutes for departures and 15 minutes for arrivals. This corresponds to the 90th percentile of its current measured performance. HAL argued that this would be both “aspirational” while safeguarding against anomalies outside of its control.
- 1.6 For the “an airport that meets my needs” measure, HAL reiterated its support for this measure and provided a model detailing how planned H7 initiatives would drive performance improvements. The model suggested that an airport-wide target of 93.6% could be achieved by the end of H7 and it also provided individual terminal targets. HAL noted that this approach was consistent with the basis for other H7 MTI targets.
- 1.7 The AOC/LACC questioned the aim of introducing a carbon measure within the OBR framework, which it said should be focused on airport operations. It noted that HAL provides carbon reporting for other reporting requirements and was concerned about the overall scope and the risk of unintended consequences.
- 1.8 The AOC/LACC cited H7 performance to date for the airport departures management and airport arrivals management targets to be set at 24 minutes for departures and 7 minutes for arrivals. It argued this would provide a stretch target and said that the H8 review could consider applying financial incentives.
- 1.9 For the “an airport that meets my needs” measure, the AOC/LACC argued that it, along with similar measures, should have Net Promoter Score targets and suggested a target.
- 1.10 The Heathrow Passenger Forum proposed that a carbon measure should be limited to the areas that HAL can directly impact, rather than the footprint arising from aircraft activity, which it can only influence.
- 1.11 Heathrow Southern Railway called for the carbon footprint of Heathrow’s surface access to form part of the review and noted the carbon benefits of providing new airport rail infrastructure.

Our views

Carbon measure

- 1.12 We continue to consider that improving the sustainability of aviation is an important priority for consumers and that the introduction of a measure of HAL’s carbon performance is a priority for this review. In the context of our duties, publication of this information is important to inform consumers about the airport operation services provided by HAL and important to HAL and other airport stakeholders to inform what might be reasonable steps to manage and mitigate the environmental impact of the airport.

- 1.13 During the H7 review, we did not have a sufficiently detailed proposal for how carbon performance should be defined and measured. HAL has now proposed that its existing carbon reporting used in its Annual Report and Accounts could be used as the basis for a measure within the MTI scheme. This covers Scope 1 and 2 greenhouse gas (“GHG”) emissions for direct and indirect emissions within HAL’s control, and Scope 3 GHG emissions from all other airport activities including those not within HAL’s control including flights and surface access. While Scope 3 emissions are not within HAL’s control, we consider that this measure provides important information on wider emissions.
- 1.14 As with other OBR measures HAL can play an important role in influencing behaviour and coordinating actions across stakeholders at the airport. This aligns with our duty under CAA12 to have regard to the need to secure that HAL can take reasonable measures to reduce, control or mitigate the adverse environmental effects of facilities used by the airport and aircraft using the airport. This extends across Scope 3 emissions including supporting improvements in passenger and staff surface access to and from the airport, business travel undertaken by its staff, operational and construction vehicle and equipment impacts, policies and charges for utilities, and reflecting environmental performance in landing charges.
- 1.15 Our view remains that a reputational measure can be important in identifying the scale of Heathrow Airport’s environmental impact and incentivising actions to address that. Our proposal is that HAL’s existing reporting will be incorporated into the MTI scheme, reporting the Total GHG Emissions of HAL and Heathrow Airport on a Tonnes CO2 equivalent basis. For the remainder of H7, it will be reported on annually as a reputational incentive but without a target. As part of the H8 review, we will engage with HAL and stakeholders to consider whether a target would be appropriate.

Airport Departures and Arrivals Management targets (measures R12 and R13)

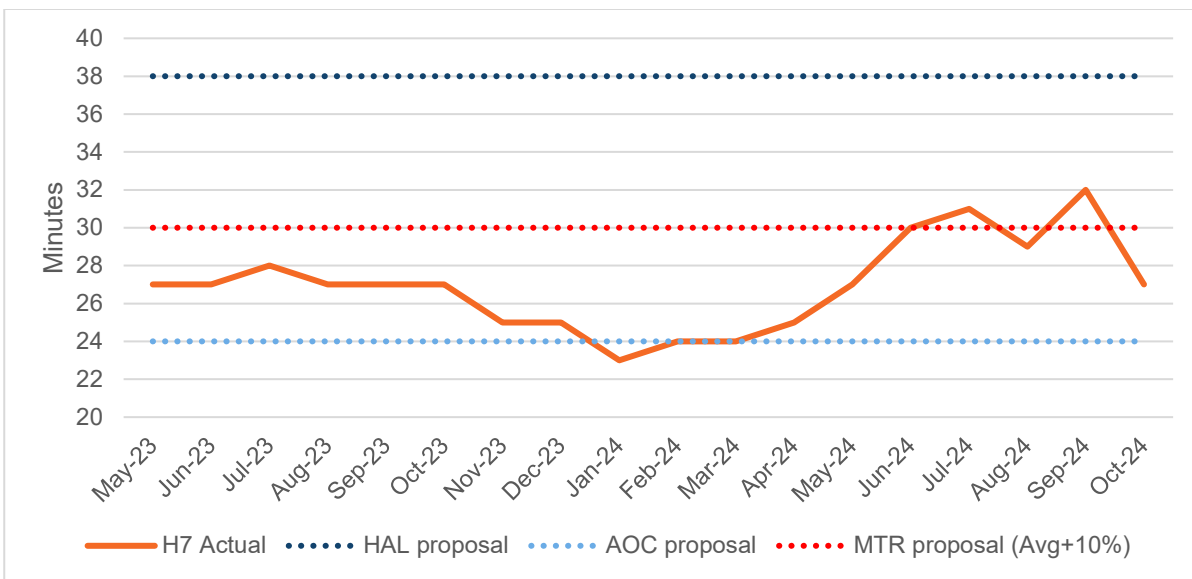
- 1.16 We have reviewed stakeholder comments, considered the broad approaches we took to establishing OBR targets during the H7 review and also considered comparator airport performance levels for these measures using Eurocontrol “taxi-in” and “taxi-out” performance data⁹.
- 1.17 The targets proposed by HAL for these measures do not appear to provide a sufficient challenge in the context of the levels of performance across the H7 period. The average H7 performance from May 2023 to October 2024 is 26.9 minutes for departures and 8.6 minutes for arrivals. HAL’s proposed 38 minutes departures target is 41 per cent greater than the average performance level and 6 minutes more than the highest monthly average to date, of 32 minutes

⁹ See Appendix C

in September 2024. HAL’s proposed arrivals target is 66 per cent greater than the average performance level and 6 minutes more than the highest monthly average to date, of 9 minutes.

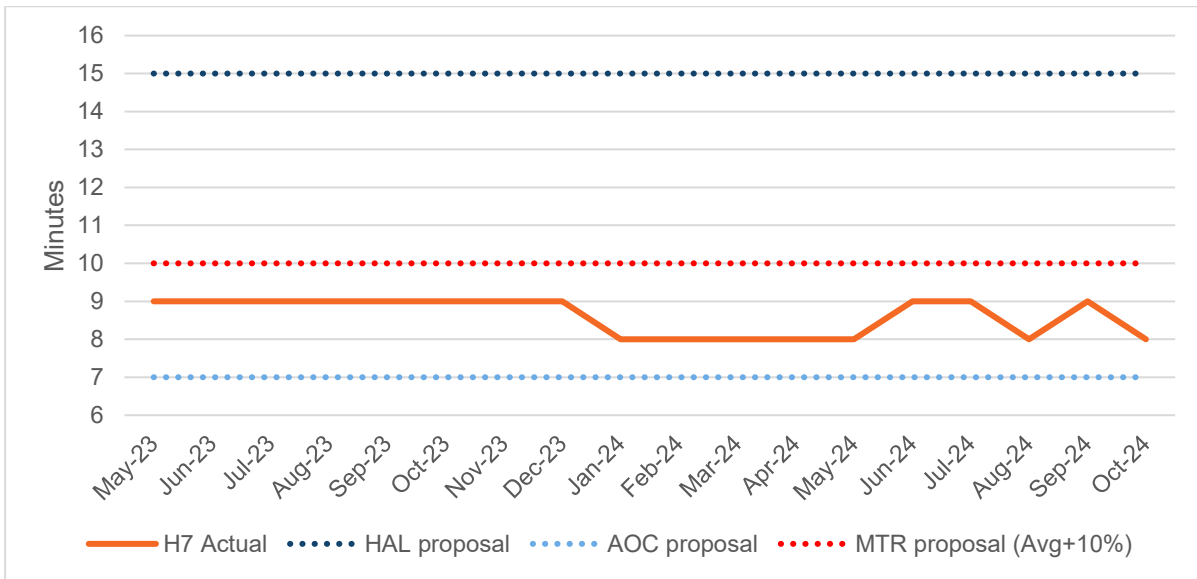
- 1.18 The AOC/LACC proposed departures target is at the top-end of H7 performance to date with 24 minutes only being achieved twice in February and March 2024 and only exceeded by January 2024 performance of 23 minutes. The proposed arrivals target of 7 minutes is not only better than HAL’s H7 performance to date, it has also not been achieved by any major European hub airport since May 2023 and so we do not consider this to be a credible target.
- 1.19 At the H7 price review the OBR targets we set tended to either provide backstop protection for consumers by focusing on levels of service that had been achieved historically or sought to embed recent improvements in service. In setting these targets, we took into account both information in HAL’s business plan and the assessments produced by our consultants (Arcadis) on the robustness of these targets.
- 1.20 HAL’s recent performance in respect of these targets of set out in figures 1.1 and 1.2 below. The recent difficulties with performance suggest that an approach based on strengthening the backstop protection available to consumers is appropriate. Bearing this in mind, our initial assessment is that appropriate targets could be set based on the average level of H7 performance to date adjusted by +10 per cent to account for disruption. H7 performance and proposed targets are shown below in Figures 1.1 and 1.2 below.

Figure 1.1: Airport Departures Management performance and proposed targets



Source: CAA analysis

Figure 1.2: Airport Arrivals Management performance and proposed targets



Source: CAA analysis

1.21 Our review of Eurocontrol’s taxi in and taxi out metrics has highlighted that a different definition is being used for the H7 Airport Departures Management measure¹⁰. MTI measurement begins from the “Start-Up Request time” whereas Eurocontrol’s measure uses the “Actual Off Block Time”. This results in longer times being measured by the MTI measure than the equivalent performance Eurocontrol measure. We are interested in stakeholder views on this difference. We note that the Airport Arrivals Management measure definition is broadly the same as the Eurocontrol taxi-in measure.

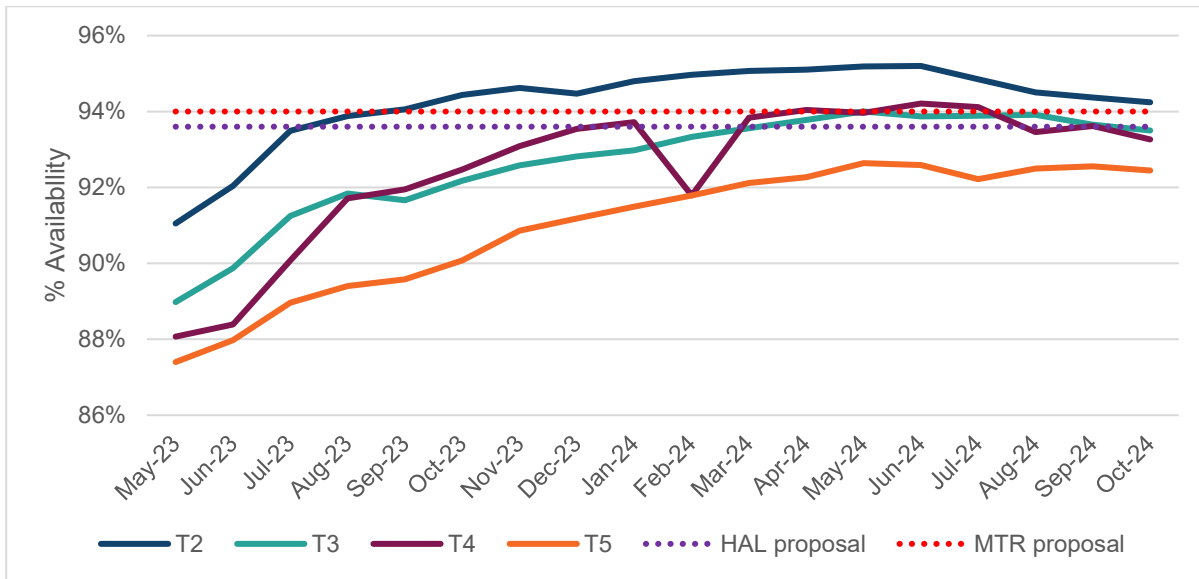
“An Airport that Meets My Needs” target (measure R4)

1.22 Performance reporting to date for this reputational incentive measure has provided a sufficient baseline for setting a target. Measurement is based on the moving annual average percentage of passengers giving favourable answers (either a 4 – Good or 5 – Excellent on a scale of 1 – 5) in response to HAL’s Quality of Service Monitor passenger survey¹¹. Figure 3 below shows all terminals have steadily increased performance levels across the H7 period to date.

¹⁰ See Appendix C and Figures C1 and C2,

¹¹ See para 8.7 and Appendix B para B.6.

Figure 1.3: An Airport that Meets My Needs performance and proposed target



Source: CAA analysis

- 1.23 We consider that a single airport-wide target is appropriate for this measure, in line with our approach for similar QSM Moving Annual Average percentage measures. HAL’s suggested target of 93.6 per cent to be achieved by the end of the H7 period is in line with other reputational incentives and appears to be set at a broadly appropriate level for all terminals to achieve. For simplicity, and on the basis of setting an appropriate target with an element of stretch, we propose to set a target of 94.0 per cent. This approach is broadly consistent with that adopted during the H7 review, where we set a number of targets on the basis of embedding recent improvements in HAL’s performance in the target level.
- 1.24 While the AOC/LACC has reiterated its view that a Net Promoter Score should be applied to this target, and to other measures, we are of the view that it would not be appropriate to introduce a new approach to measurement as part of the Review. These issues would be better addressed at the H8 review.

Initial proposals

- 1.25 Based on our assessment and views set out above, consistent with our statutory duties and the scope of this review, our initial proposals for Area 1 are:
- Carbon measure definition: to adopt the existing HAL carbon reporting as an annual measure with a reputational incentive. The definition of the measure will be the Total GHG Emissions (Scope 1,2 and 3) on a Tonnes CO2 equivalent per year, or a split of these Scope areas on the same reporting basis;

- Airport Departures and Arrivals Management targets: to adopt targets of 30-minutes for departures and 10-minutes for arrivals based on the average H7 performance to date including 10 per cent contingency; and
- An Airport that Meets My Needs target: to set a 94.0 per cent target for all terminals to achieve by the end of H7 including a stretch element.

1.26 Draft proposed licence modifications to reflect these proposals are set out in Appendix B.

CHAPTER 2

Issues with new measures and targets

Introduction

- 2.1 This chapter considers whether there are any specific issues arising from the application of new measures and targets that were introduced at the start of H7. This could include any definitions that have been difficult to apply or measure in practice, or any targets that now appear to be unachievable for reasons outside of HAL's control.
- 2.2 We note that in our H7 decision, we said that if a target now appears to be too low, we would not generally expect to make any adjustment until the next price control review.
- 2.3 This chapter starts by summarising stakeholders views on these matters before going to explain our latest thinking and initial proposals.

Summary of stakeholders' views

- 2.4 HAL did not identify any critical issues since the introduction of new measures and targets but was concerned that the OBR framework included too many input measures and risked missing outcomes that were important to consumers.
- 2.5 It identified three emerging concerns for consideration:
- reputational measures should either have terminal specific targets or be reported as airport-wide measures and targets;
 - Control Post alleviations needed as part of the Security Transformation programme will be discussed with airlines for agreement but may need to be considered by the CAA in the event agreement cannot be reached; and
 - the Runway Operational Resilience measure (formerly the Aerodrome Congestion Term), and its relevance to incentivise HAL to provide and maintain the airfield infrastructure and enable airline operations, could be better achieved through an asset availability-type measure.
- 2.6 The AOC/LACC highlighted two issues related to security queue targets:
- security queue bonus payments are being achieved while exclusions have been in effect for a large number of days in the month as part of the Security Transformation Programme. It argued that it is not fair for consumers to pay bonuses when the actual performance has not met the required standard; and

- HAL’s service level bonus for 2022 should be removed in light of the significant disruption experienced as a result of HAL’s lack of resource in critical functions. The AOC/LACC also highlighted the lack of stretch in security queue bonus targets and argued for alternative bonus targets where all days in the month would need to have no more than two 15-minute time period fails to meet the target.

2.7 The AOC/LACC also:

- called for an annual audit of all measures to give assurance on what basis HAL is reporting its measures and targets, citing examples where there was a lack of clarity on the methods that had been used.
- proposed that the “timely delivery from departures baggage system” reputational incentive should switch to a financial incentive, with the reallocation of financial incentive for the Covid-19 “hygiene safety testing”. Analysis of HAL’s baggage performance in 2023 was presented to show that this baggage target allows for 750,000 bags a year to not make their intended flight. It noted that baggage system cost per terminal were around £500 million per terminal and estimated airline baggage repatriation costs of around £11 million in 2023.

2.8 The Heathrow Passenger Forum asked for an assessment of how the allowed capital and operating costs have been aligned with the H7 service targets. It argued that the final H7 price control would have impacted the level of investments, reducing spend and delaying delivery.

Our views

- 2.9 HAL has said that reputational incentives should either be measured airport-wide or have terminal-specific targets as opposed to individual terminals having an airport-wide target applied to them. However, we maintain our view that the purpose of the MTI scheme is to incentivise a broad baseline of service provision to consumers across the airport. In this context there may be occasions when it is in the best interest of consumers to apply an airport-wide target to each terminal, as this would drive focus and investment in the worst performing terminals.
- 2.10 We note HAL’s position regarding the need to agree Control Post exclusions as part of the Security Transformation Programme and welcome its engagement with stakeholders on these issues.
- 2.11 The Runway Operation Resilience measure is based on the previous Aerodrome Congestion Term and so is largely unchanged from the previous regulatory period. We note HAL’s position on moving towards a more asset-availability type measure, but we consider this would overly focus on the physical provision of infrastructure and reduce the focus on the overall management and co-ordination

of the airfield infrastructure. We do not support a change as part of the Review, but do not rule out reconsidering these matters as part of the H8 review.

- 2.12 We agree with the AOC/LACC's suggestion that there would be a benefit in an audit of the MTI scheme particularly to inform the H8 review. The Licence contains a provision for an audit and, noting that a number of new and updated measures were introduced for H7, conducting an audit before the H8 period could potentially build further confidence in the scheme and level of assurance.
- 2.13 In contrast, we do not support the suggestions made by the AOC/LACC in relation to bonus payments:
- HAL's 2022 service level bonus was based on the licence provision in place at the time and it would not be appropriate to make changes retrospectively;
 - for security bonus payments made where exclusions are in place, the method for calculating rebate and bonus payments and the exclusions process were set at the start of the H7 period and changing these would retrospectively change HAL's balance of risk and reward; and
 - the proposal to switch the "Timely Delivery from Departures Baggage System" from a reputational to a financial metric in H7 would very likely change the level of risk and would be complicated to implement. Furthermore, we do not consider the proposal to increase the target from 98 per cent to 99.9 per cent is reasonable.
- 2.14 Nonetheless, we do consider that baggage performance is a key issue for consumers and recognise that consumers have experienced a number of baggage system outages at Heathrow with significant disruption to them and increased costs and disruption for airlines who are having to re-flight bags. In this context, we note that recent baggage failures, particularly in July 2024, were evident in the overall MTI reporting with Terminal 3 falling below the 98 per cent target.
- 2.15 Bearing this and the impact on consumers of missing bags in mind, baggage will be a key area of focus at the H8 review.
- 2.16 Finally, in relation to the points raised by the Heathrow Passenger Forum, we remain of the view that the CAA's Final Decision made appropriate allowances for capital and operating costs to support the delivery of the targets and service standards specified in the MTI scheme.

Initial proposals

- 2.17 Based on our assessment and views set out above, consistent with our statutory duties and the scope of this review, our initial proposal is that HAL should facilitate

and pay for an independent audit of the MTI scheme as specified in the Licence¹² in the next 12 months. The independent audit will provide assurance on the delivery, operation and measurement methods and processes, ensure the MTI scheme has been fully audited ahead of the H8 period, and form a key input to the H8 review. Further information on the proposed audit is detailed at paragraphs 4.32-4.34 below.

¹² See para D1.5 of the Licence <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>.

CHAPTER 3

Changes for new investment projects

Introduction

- 3.1 This chapter discusses any changes to the MTI scheme that are appropriate as a result of new H7 investment projects.

Summary of stakeholders' views

- 3.2 HAL said that, although delivery of the H7 capital portfolio was progressing, the benefits from new investment projects on MTI's was not yet evident. It did not propose any adjustments for H7 projects.
- 3.3 Similarly, the AOC/LACC noted that, with the delivery of H7 projects only just coming through, it would be more relevant to consider the benefits of completed Q6 projects. It suggested the CAA should undertake an audit of projects that had reached Gateway 8 of the capex governance process (which is a review of project benefit realisation) highlighting that this should be a key consideration for future target setting.

Our views

- 3.4 Neither HAL nor the AOC/LACC have identified any H7 investment projects that require any changes to the MTI scheme. In respect of project benefit realisation, we anticipate that there would be engagement between HAL and stakeholders to inform the HAL's business plan and the MTI scheme as part of the H8 review. We do not propose to take this forward in the Review.

Initial proposals

- 3.5 Based on our assessment and views set out above, consistent with our statutory duties and the scope of this review, we do not propose any changes in relation to these matters as part of the Review. If, during the remainder of the H7 period, HAL and/or the AOC/LACC agree to make changes to the MTI scheme because of a new investment project, they may request we modify the licence at any time in accordance with the procedure in Condition D1.6 of the Licence.

CHAPTER 4

Granularity of targets

Introduction

- 4.1 This chapter addresses the level of granularity for targets such as security queues and asset availability measures, including:
- whether targets should be set on a monthly, daily or other basis;
 - whether targets should be set for individual control posts or groups of control posts; and
 - the possible harmonisation of security queue targets.
- 4.2 In the Final Decision, we said that, if we were to propose any changes that would take effect during H7, our aim would be to ensure that these had a neutral impact on the net revenues that HAL would expect to earn from bonuses and/or pay out as rebates during the remainder of H7¹³.
- 4.3 We commissioned Grant Thornton to conduct a review of the granularity of targets for security queues considering monthly and daily measurement, control posts groupings, and harmonisation of central and transfer search security queue measures. Grant Thornton began its review in July 2024, and engaged with HAL and airlines as part of its work. We are publishing its final report alongside this consultation.

Summary of stakeholders' views

- 4.4 HAL said that a move away from monthly security queue measurement would have negative consequences for efficiency, safety and risk. It said that monthly targets set the right balance between a reliable operation and not exposing it to undue risk. It also said that moving to more granular measurement for asset availability would increase costs without added benefit and said there should be no change to the granularity of these targets.
- 4.5 The AOC/LACC re-stated its position from the H7 review that there would be consumer benefits if daily performance targets were introduced, particularly for security queues and control posts. It summarised analysis commissioned during the H7 review, arguing that the analysis showed that there was no significant correlation between passenger demand on security areas and instances of service performance failures.

¹³ CAP2524B para 3.38 bullet 4 – <https://www.caa.co.uk/publication/download/20189>

- 4.6 In addition, AOC/LACC called for HAL to progress the installation of automated queue measurement technology in security areas concurrently, rather than after the Security Transformation programme has been completed, and re-stated support for the harmonisation of central and transfer security search measures.
- 4.7 The Heathrow Passenger Forum said that variations in HAL security and asset availability performance due to factors beyond its control should be stripped out and it noted the importance of the overall end-to-end experience for passengers.

Grant Thornton report

- 4.8 The scope of the Grant Thornton study covered:
- the impact of assessing the performance of security queue times (covering Central Search, Staff Search, and Transfer Search) on a monthly versus daily basis;
 - the impact of assessing Control Post queuing times for current groups of control posts versus for individual control posts;
 - for each of the above, how targets might be adjusted to reflect any changes, distinguishing between H7 and future control periods; and
 - the impacts of harmonising security queue targets for Central and Transfer Search.
- 4.9 The Terms of Reference including the scope was shared with HAL and the AOC/LACC prior to the study.
- 4.10 The H7 analysis commissioned by the AOC¹⁴ contended that there was no significant correlation between passenger demand and service performance queue time failures in security. This was shared with Grant Thornton for context at the start of the study. This analysis was subsequently shared with HAL which highlighted its view that there was not a direct correlation between demand and service performance as it manages variability in demand through resourcing its activities dynamically. HAL also noted that ensuring that there were no service failures would cost more and that there was a lack of evidence to support an increased frequency in measurements used.
- 4.11 Grant Thornton's analysis, conducted in line with the scope described above, was based on data covering the period from September 2023 to April 2024. It assessed the current level of performance for Central, Transfer and Staff Search based on the existing monthly measurement and targets, as well as for the current groupings of Control Posts. It then assessed what the level of performance would have been against the same targets if measurement was done on a daily basis for

¹⁴ See para 4.5.

Central, Transfer and Staff Search, and if monthly measurement of Control Posts was done on an individual rather than group basis for Control Posts.¹⁵

- 4.12 HAL met existing monthly targets for Central, Transfer and Staff Search for all months, with central and transfer exceeding the lower bonus threshold in most months. Grant Thornton's analysis indicated that changing to a daily target would increase the proportion of time when delay targets are missed three-fold, due to the variability in day-to-day queue times not being smoothed out on a monthly basis. It noted that day-to-day variability was highest for Transfer Search and that harmonising Transfer Search measurement with Central Search would have substantially increased missed targets from 0% to 56% in the study period.
- 4.13 Measuring control posts individually, rather than on the current group basis, would have resulted in the target being missed for six months, slightly higher than the five months missed in the period assessed by Grant Thornton.
- 4.14 Table 4.1 shows Grant Thornton's summary of the impact of daily measurement on the proportion of times when the relevant target is missed, and sets out the alternative daily targets that were equivalent to the existing targets and performance levels in H7.¹⁶
- 4.15 The table shows that on the basis of the current target level:
- the Central Search target would have been missed 8% of the time with a daily measurement target versus 6.5% with a monthly measurement target;
 - the Transfer Search target would have been missed 4.75% of the time with a daily measurement target versus 0% with a monthly measurement target;
 - the Staff Search target would have been missed 9% of the time with a daily measurement target versus 0% with a monthly measurement target;
 - harmonising the Transfer Search target from 95% 10-minute queue target to the Central Search 95% 5-minute queue target would result in the target being missed 56% of the time on a monthly measurement basis; and
 - the Control Posts target would have been missed for 75% of months with individual control post measurement versus 62.5% of months with the group control post measurement.

¹⁵ See Grant Thornton Targets Study slides 5, 14, and 21-22.

¹⁶ See Grant Thornton targets study slide 8.

Table 4.1: Targets Study results for monthly and daily performance targets

Measure	Basis	Target (% of measurements within X minutes)	Proportion of months / day target missed	Change to target level to maintain similar level of performance compliance
Central Search	Monthly	95% of measurements within 5 minutes	6.50%	Not applicable
Central Search	Daily	95% of measurements within 5 minutes	8.00%	94.29% of measurements within 5 minutes
Transfer Search	Monthly	95% of measurements within 10 minutes	0.00%	Not applicable
Transfer Search	Daily	95% of measurements within 10 minutes	4.75%	78.57% of measurements within 10 minutes
Staff Search	Monthly	95% of measurements within 10 minutes	0.00%	Not applicable
Staff Search	Daily	95% of measurements within 10 minutes	9.00%	86.21% of measurements within 10 minutes
Transfer Search harmonised to central search monthly target	Monthly	95% of measurements within 5 minutes	56.52%	Not applicable
Control Posts	Monthly Grouped	95% of measurements within 15 minutes	62.50%	Not applicable
Control Posts	Monthly Individual	95% of measurements within 15 minutes	75.00%	94.1% of measurements within 15 minutes

Source: Grant Thornton Targets Study report pages 7-8.

4.16 Table 4.2 shows Grant Thornton's summary of the mean queuing times (across all time slices in their sample), and the range of mean queue times by month or day for the security search measures and control posts. The mean queue time is the average of the average monthly or daily queuing times. The range is the shortest and longest average monthly or daily queuing times.

Table 4.2: Targets Study results for monthly and daily average queueing times

Measure	Basis	Target (% of measurements within X minutes)	Mean queueing time	Range
Central Search	Monthly	95% of measurements within 5 minutes	58 seconds	41–73 seconds
Central Search	Daily	95% of measurements within 5 minutes	58 seconds	20–121 seconds
Transfer Search	Monthly	95% of measurements within 10 minutes	72 seconds	29–95 seconds
Transfer Search	Daily	95% of measurements within 10 minutes	72 seconds	13–169 seconds
Staff Search	Monthly	95% of measurements within 10 minutes	78 seconds	68–88 seconds
Staff Search	Daily	95% of measurements within 10 minutes	78 seconds	38–137 seconds
Transfer Search harmonised to central search monthly target	Monthly	95% of measurements within 5 minutes	Not applicable	Not applicable
Control Posts	Monthly Grouped	95% of measurements within 15 minutes	204-321 seconds	173-410 seconds
Control Posts	Monthly Individual	95% of measurements within 15 minutes	101-360 seconds	77-424 seconds

Source: Grant Thornton Targets Study report page 8.

- 4.17 Grant Thornton’s report outlines that while a shift to daily targets would create greater visibility of the variability in performance, which could lead to a greater focus by HAL to address poor performing days, this would be conditional on the causes of poor performance being within its reasonable control. It said that there was uncertainty over the scale of potential consumer benefits and implementation costs and noted that an increase in monthly targets could have a similar impact to moving to daily measurement with the current targets.
- 4.18 Grant Thornton also said that there were a high number of “agreed exclusions” which significantly reduced the sample size available for analysis in the study. Data for HAL performance measurement can be excluded where there is agreement between HAL and airlines in line with the specified exclusions set out in the Licence. Exclusions are typically applied while there is ongoing investment and maintenance work or extraordinary operational circumstances that will impact

service performance. Over the period of Grant Thornton's study, wide-ranging exclusions for terminal security areas were agreed by HAL and airlines due to the ongoing investment work for the Next Generation Security programme (also known as the Security Transformation Programme). Grant Thornton suggested that extending the analysis to a larger sample would give greater confidence in the robustness of the results and said that it would also be useful to better understand how exclusions were affecting incentives.

- 4.19 Finally, Grant Thornton noted that its analysis of available data showed different levels of performance versus that published in HAL's performance reporting and suggested that there may be merit in conducting an audit of the performance data.

Our views

- 4.20 Stakeholders' views on the granularity of security queue targets are broadly consistent with the views expressed during the H7 process. While the analysis provided by the AOC did not indicate that there is a significant correlation between demand and performance, we note HAL's comments concerning the potential consequences of a change in the granularity of targets and that these could result in increased operational expenditure.
- 4.21 The Grant Thornton report states that over the sample period "current targets for central and transfer search have been systematically and significantly exceeded". We note that HAL's performance has been consistently within the bonus performance threshold range throughout the H7 period to date, indicating broadly positive outcomes for consumers. The information in Table 4.2 also indicates that average queues on non-exclusion days are relatively low.
- 4.22 We note Grant Thornton's observations that:
- daily targets would result in greater visibility of HAL's performance, and reflect more any variability in performance; but
 - the level of consumer benefit is uncertain, and that operational constraints and the degree to which the causes of poor performance are within HAL's reasonable control are also not clear.
- 4.23 In assessing the average queue times if measurement were done on a daily basis, we note that the range of average daily queue times all sit within the current target level of 5-minutes (300 seconds):
- Central Search average daily queue time range 20 – 121 seconds;
 - Transfer Search average daily queue time range 13 – 69 seconds; and
 - Staff Search average daily queue time range 38 – 137 seconds.

- 4.24 While these are longer than the monthly target measurement ranges, they still sit within the respective MTI queue targets. The same observation also applies to Control Posts when measured on an individual rather than group basis.¹⁷ This could suggest that moving to a daily target may not generate significant consumer benefit.
- 4.25 More widely, the context for this part of the Review has changed from when the H7 decision was made. Our understanding was the Security Transformation Programme would be completed in 2024, but this deadline has now been put back and will continue across the remainder of the H7 period for terminal security search and Control Posts resulting in a level of ongoing disruption for these facilities.
- 4.26 In addition to the Grant Thornton study, we also note the results of the CAA's 2023 Departing Passenger Survey.¹⁸ This annual survey, which resumed in 2023 following a pause due to the Covid pandemic after 2019, surveyed more than 13,000 passengers across Gatwick, Heathrow, Luton, Manchester and Stansted including around 4,000 Heathrow passengers. The survey responses highlighted that:
- 98% of Heathrow passengers were either Very Satisfied, Satisfied or OK with their experience of security screening – better than the 97% average;
 - 3% of Heathrow passengers said queueing was the aspect of security screening they were least satisfied with – better than the 5% average although behind Gatwick at 1%;
 - 69% of Heathrow passengers said their queue wait time was below 10 minutes – better than the 64% average although behind Gatwick at 80%; and
 - of the 31% of Heathrow passengers who said they queued 10 minutes or more, only 7% said they queued more than 15 minutes – better than the 11% average although behind Gatwick at 3%.
- 4.27 Overall, the 2023 CAA Departing Passenger Survey suggests that there does not appear to be significant consumer dissatisfaction with security performance at Heathrow.
- 4.28 We note that, in addition to monthly measurement of security queue performance at Gatwick airport, there is also a further measure covering individual instances (rather than monthly or daily averages) where a single queue is measured at 30

¹⁷ See "Summary of quantitative results" table on slide 8 of the Grant Thornton Targets Study report.

¹⁸ See AVI05 data series at <https://www.gov.uk/government/statistical-data-sets/aviation-statistics-data-tables-avi#air-passenger-experience-of-security-screening--avi05-series>

minutes or more.¹⁹ We would support consideration of such a measure as part of the H8 review.

4.29 We would also expect the issues raised by:

- the AOC on the correlation between demand and performance; and
- HAL on the impact of changes to security measurement on operational expenditure

to be considered during the H8 review. We address the AOC/LACC comments on automated queue measurement in the section below.

Initial Proposals

- 4.30 Based on our assessment and views set out above, consistent with our statutory duties and the scope of this review, we do not propose to alter the granularity of targets for the remainder of H7. While daily targets may strengthen the incentives on HAL in certain circumstances, the benefits of doing this are not clear at this time, with the range of average queue times at a daily level within the current MTI security targets, passengers appearing to be broadly satisfied with security screening at Heathrow, and HAL performance consistently within the bonus performance threshold over H7 to date.
- 4.31 As the Security Transformation Programme continues over the remainder of H7, impacting terminal security areas, amending Control Post measurement to be at an individual rather than group level may introduce additional complexity.
- 4.32 Nonetheless, we continue to have sympathy with airlines' concerns around monthly targets and will consider this issue further during the H8 review, including whether we should introduce an additional metric relating to daily incentives, perhaps along the lines of single queue instances beyond a pre-determined threshold, such as that used at Gatwick airport.
- 4.33 To inform potential changes for the H8 period, HAL should share daily queue time performance data with the CAA for Central Search, Transfer Search, Staff Search by area for each terminal and individual Control Posts queue time performance for the remainder of the H7 period both with and without agreed exclusions applied. Sharing this data will provide greater visibility of performance as the Security Transformation Programme enters its final stages and the benefits of technology and operating practices become evident toward the end of H7 prior to the start of H8. HAL should propose how it will share this data (or alternatively we could use our statutory information gathering powers to require HAL to provide this information).

¹⁹ See <https://www.gatwickairport.com/company/reports/performance-reports.html>

- 4.34 We also note airlines' concerns about HAL's timetable for the introduction of automated queue measurement. HAL and airlines should continue to engage on these matters to see if agreement can be reached on the way forward. Nonetheless, to provide greater assurance to stakeholders on the robustness of its existing data, HAL should facilitate and pay for an independent MTI audit in the next 12 months, which should provide assurance around the security performance and exclusions reporting data and the issues of possible concern noted by Grant Thornton in their report and highlighted in this chapter.
- 4.35 As specified in Condition D1.5 of the Licence²⁰ an independent auditor will be appointed by the CAA and shall report to the CAA. We will engage with HAL on the process for appointing the independent auditor and arrangements for the audit during 2025.
- 4.36 Our view is that it would be beneficial for airlines to be engaged with this process on areas where their insights could be valuable to the independent audit as a whole, and we anticipate discussing this further with the AOC.

²⁰ <https://www.caa.co.uk/media/tmzmc45t/heathrow-licence-01sep2024-final.pdf>

CHAPTER 5

Security programme changes

Introduction

- 5.1 This chapter considers any changes to security queue measures and targets that may be appropriate in the light of the impact of the security transformation programme or the installation of new queue measurement systems. This includes any proposals to rebalance the rebates for different security queue times, where supported by strong evidence and/or broad agreement between HAL and airlines.

Summary of stakeholders' views

- 5.2 HAL does not support modifications to security measures or targets until the Security Transformation programme is finished and a new performance baseline is established. It noted that the timeframe for the programme is marked by uncertainty regarding the actual performance and deployment challenges.
- 5.3 The AOC/LACC said that security queue measurement changes should be implemented in full for the H8 period. It said new equipment should be in place for H8 but the “transformational” elements of the security programme remained unclear and the CAA should require HAL to share this information with airlines.

Our views

- 5.4 We are of the view that changes to security measures and targets are best considered at H8.
- 5.5 Our understanding is that HAL will progress the installation of automated queue measurement systems by the end of the H7 period. We remain of the view that this technology should allow for better measurement and management of this important part of the consumer experience at Heathrow.

Initial proposals

- 5.6 Based on our assessment and views set out above, consistent with our statutory duties and the scope of this review, we do not propose any changes in relation to these matters as part of this Review.
- 5.7 We will continue to engage with HAL on its plans for completion of the Security Transformation Programme and the introduction of automated queue measurement, including as part of our work on the H8 review.

CHAPTER 6

Asset availability targets

Introduction

- 6.1 This chapter considers possible changes to the way that asset availability targets are applied.

Summary of stakeholders' views

- 6.2 HAL said asset availability should continue to be measured on a monthly rather than daily or other basis.
- 6.3 It also explained that it is encountering challenges in meeting the Moving Annual Average pier service target for Terminal 3 as a result of larger aircraft types and a limited supply of suitable stands. It anticipates not being able to achieve the target by January 2025 and said this issue should be considered as part of this Review.
- 6.4 The AOC/LACC said it is comfortable with the current method of applying asset availability measures and did not see a compelling case to investigate alternatives.

Our views

- 6.5 Neither HAL nor the AOC/LACC have expressed support for any changes to the way asset availability targets are applied.
- 6.6 We do not consider the Terminal 3 Pier Service target issue to fall within the scope of the Review as it does not relate to asset availability, nor is it a new measure or target. Nonetheless, we welcome the engagement between HAL and airlines in addressing the proposals to allow remote-stand usage at Terminal 3 in early 2024. Further stakeholder engagement to develop proposals that both address the demand impacts on Terminal 3 pier-served stands and enable airlines to deploy larger aircraft types may also be helpful and if during the remainder of the H7 period HAL and the AOC/LACC agree to make changes to the Terminal 3 Pier Service target, they may request we modify the Licence to deal with these matters, in accordance with the procedure in Conditions D1.6 to D1.8.

Initial Proposals

- 6.7 Bearing the above in mind and our statutory duties and the scope of this Review, we do not propose any changes to the way asset availability targets have been applied.

CHAPTER 7

The scope for increasing certain targets

Introduction

- 7.1 This chapter considers the scope to increase in targets for the following measures (as envisaged in the H7 Final Decision):
- an increase in the wi-fi performance (“F4”) target to from 4.05 to 4.10;
 - an increase in the availability of check-in infrastructure (“F10”) target from 98 per cent to 99 per cent; and
 - an increase in the availability of pre-conditioned air (“F17”) target from 98 per cent to 99 per cent.
- 7.2 The wi-fi, check-in infrastructure and pre-conditioned air (“PCA”) measures are subject to financial incentives.
- 7.3 The Final Decision adopted more cautious targets for these measures due to uncertainty around performance levels during the H7 review²¹, but we retained the option to increase these targets based on experience and actual H7 performance.

Summary of stakeholders’ views

- 7.4 HAL does not support an increase in any of these targets, and explained that:
- “excellent” wi-fi performance should be incentivised through the inclusion of a bonus rather than penalising delivery of a “good” service through rebates. It noted that wi-fi satisfaction score patterns were cyclical, increasing as passengers benefit from improvements and then decreasing as technology changes and consumer experience improves in other transport hubs relative to Heathrow. HAL noted that only Terminal 5 met the Moving Annual Average score of 4.11 in May 2023 and no further investment is planned in H7 so performance on this measure will likely decrease;

²¹ See CAP2365B H7 Final Proposals para 3.78 (check-in infrastructure and PCA) and para 3.81 (wi-fi).

- it does not support an increase in the check-in infrastructure target, noting it paid rebates at the 98 per cent target level and arguing that an increase to a 99 per cent target would increase its financial exposure by nearly 30 times. It said that Heathrow check-in availability measurement was more rigorous than at other airports such as Singapore, Sydney and Paris-CDG, and highlighted the challenging operational model in Terminal 2 where multiple airlines share limited self-service bag drops; and
- it does not support an increase in the PCA availability target as it is impractical to enhance the availability of its existing systems to meet a 99 per cent target. It explained that its older PCA systems are designed for 95 per cent availability and the newest models for 98 per cent availability only, and that ground-handler usage could lead to accelerated wear and tear on the hoses.

7.5 The Heathrow Passenger Forum does not support any increases to targets.

7.6 The AOC/LACC supported increases to the targets, noting that H7 performance levels to date show improving wi-fi performance across the period in excess of the proposed 4.10 target, and PCA performance in excess of 99 per cent and frequently achieving 100 per cent.

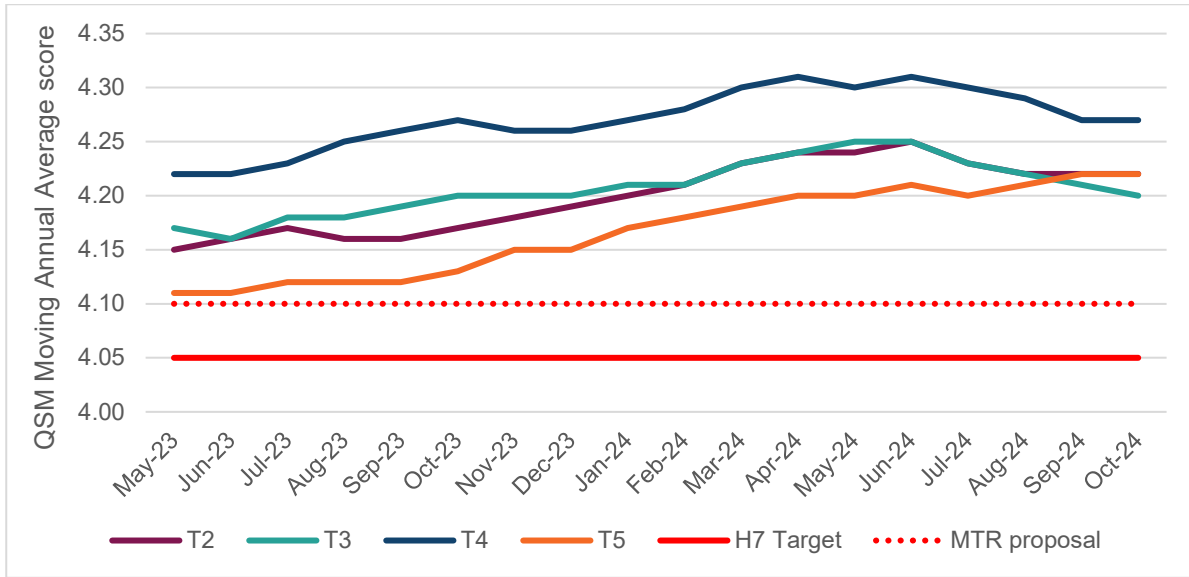
7.7 It also strongly supported an increase for the availability of check-in infrastructure target to 99 per cent, citing the critical impact that failure of this infrastructure could have on the customer experience. The AOC/LACC highlighted that maintaining the target at 98 per cent equates to 10 hours of downtime a month, which it considered was too high, and would cause unnecessary stress and delays to departing flights.

Our views

Wi-fi performance target (measure F4)

7.8 Figure 4 below shows the current 4.05 score target with the proposed higher 4.10 score target and Heathrow's H7 performance by terminal to date.

Figure 7.1: Wi-fi performance and targets



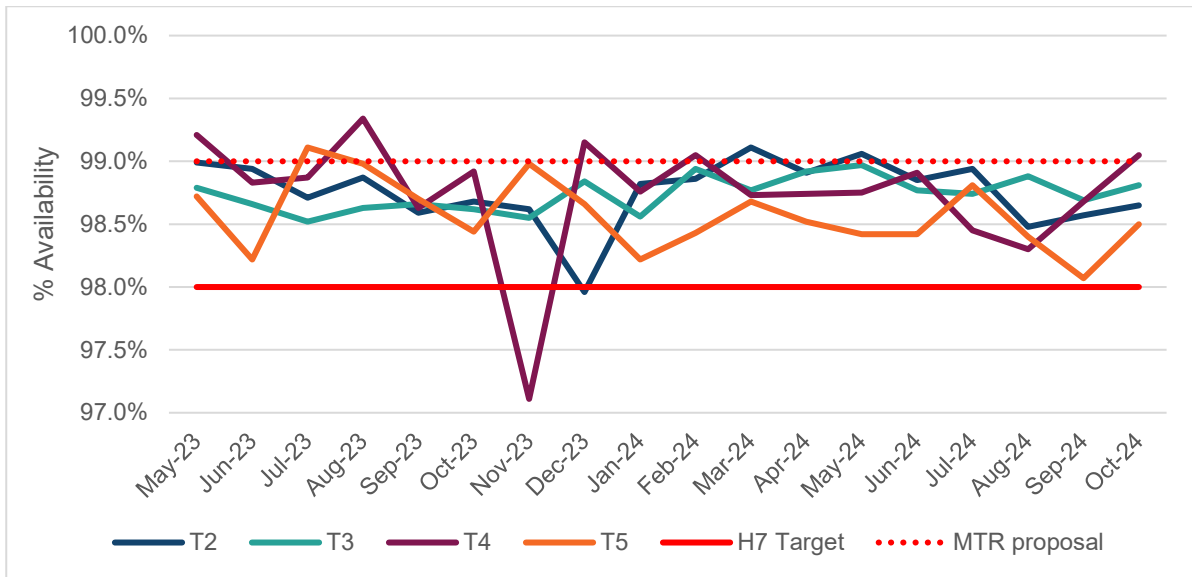
Source: CAA analysis

- 7.9 Since the start of H7, wi-fi performance in all Heathrow terminals has exceeded the proposed higher target level. Performance has improved over the H7 period in all terminals which currently all exceed a performance score of 4.20 with Terminal 4’s score closer to 4.30.
- 7.10 This performance suggests that the cautious target we set at the start of H7 could be increased to 4.10 without substantively increasing the level of risk faced by HAL for this financial incentive. We also note that, as a Moving Annual Average metric, the impacts of substantive changes in performance can take longer to manifest themselves providing a further level of mitigation if short-term performance were to reduce.

Availability of check-in infrastructure target (measure F10)

- 7.11 HAL’s performance over H7 suggests the target for the availability of check-in infrastructure should remain at 98 per cent. Figure 5 below shows the current 98 per cent target with the possible 99 per cent target, alongside H7 performance by terminal to date.

Figure 7.2: Check-in infrastructure availability performance and targets



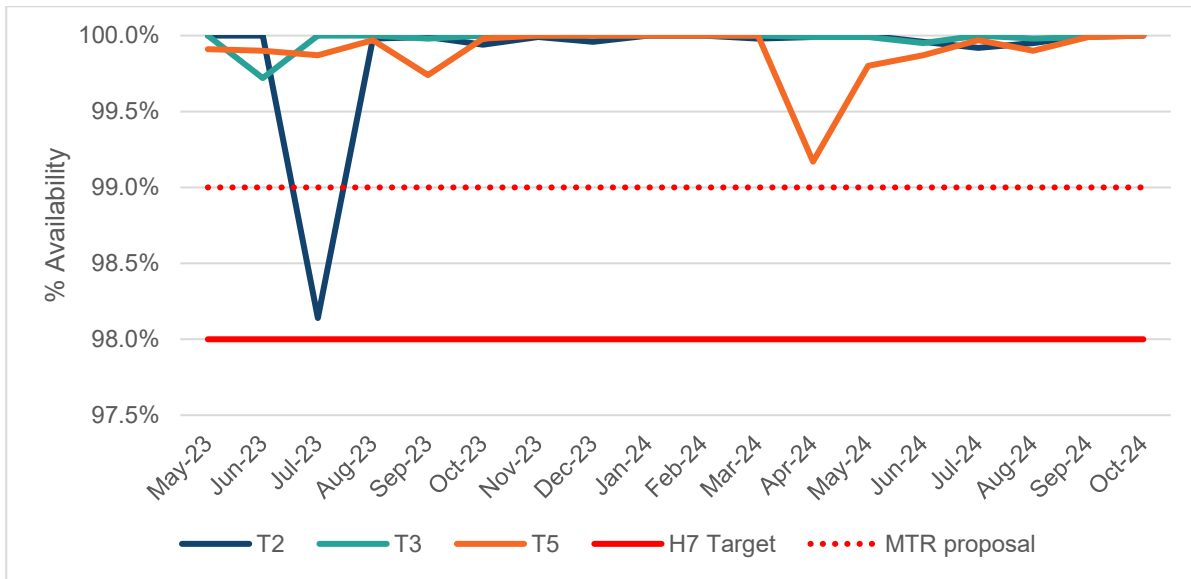
Source: CAA analysis

- 7.12 Since the start of H7, performance for all terminals has been within the range of 98 per cent to 99 per cent. Performance has only exceeded 99 per cent on seven occasions and has fallen below 98 per cent on two occasions (Terminal 4 in November 2023 and Terminal 2 in December 2023).
- 7.13 While recognising the importance of check-in infrastructure to consumers and airlines, the current H7 target appears to be reasonably calibrated. An increased target would increase the level of risk faced by HAL.
- 7.14 We will continue to monitor this measure for the remainder of H7 and review the target level as part of the H8 price control review.

Availability of Pre-Conditioned Air target (measure F17)

- 7.15 Our analysis indicates there is scope to increase the target for the availability of PCA from 98 to 99 per cent. Figure 6 below shows the current 98 per cent target, alongside a 99 per cent target and Heathrow’s H7 performance by terminal to date.

Figure 7.3: Pre-Conditioned Air availability performance and targets



Source: CAA analysis

- 7.16 Since the start of H7, PCA performance in the three Heathrow terminals with this equipment has exceeded 99 per cent except for one occasion in July 2023 for Terminal 2. Performance has exceeded the 99.5 percent except for two occasions and on twenty-four occasions reported performance has been 100%.
- 7.17 This strong and sustained performance suggests the cautious target we set at the start of H7 could be increased without a substantive increase in the level of risk faced by HAL for this financial incentive. We note that had a 99 per cent target been adopted since the start of H7, there would have been only one instance to date where a rebate would have applied.

Initial proposals

- 7.18 Based on our assessment and views set out above, consistent with our statutory duties and the scope of this review, our initial proposals are:
 - wi-fi performance score target: to increase the wi-fi performance target from a QSM score of 4.05 to a QSM score of 4.10; and
 - PCA availability target: to increase the PCA availability target from a 98 per cent target to a 99 per cent.
- 7.19 Draft proposed licence modifications to reflect these proposals are set out in Appendix B.
- 7.20 We do not propose any changes for check-in infrastructure availability as part of the Review and will maintain the target at 98 per cent. We will continue to monitor this measure for the remainder of H7 and review the target level as part of the H8 price control review.

CHAPTER 8

Proposed clarifications to the Licence and other matters

Introduction

- 8.1 In addition to the changes that will be appropriate to implement the Review, we have identified a small number of other areas in the Licence that may benefit from clarifications and updates.
- 8.2 As these are relatively straightforward modifications, we consider that a self-modification process by agreement between HAL and airlines could be suitable mechanism to make these changes. If HAL and airlines do not agree to take the self-modification route, we are minded to include these proposed modifications in the draft notice for Licence modification.
- 8.3 This chapter summarises these clarifications/updates and also details other Licence issues we have separately considered.

Proposed licence modifications

- 8.4 The areas for minor clarification and update are as follows:
- in Condition C1 Price Control: to update a paragraph reference;
 - in Condition C2 Charges for Other Services: to update a paragraph reference;
 - in the MTI scheme in Schedule 1: to
 - (i) improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7);
 - (ii) clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (measure R6);
 - (iii) clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (measure R8);
 - (iv) improve the presentation of Pier-served stand usage (measure F18) and Passenger injuries (measure R15); and
 - (v) to update three paragraph references.

In Condition C1 Price Control: to update a paragraph reference

- 8.5 Condition C1.13 should refer to Condition C1.12 instead of Condition C1.9. We propose that we correct this paragraph reference.

In Condition C2 Charges for Other Services: to update a paragraph reference

8.6 Condition C2.10 should refer to Condition C2.12(a) instead of Condition D2.12(a). We propose that we correct this paragraph reference.

MTI scheme: to improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7)

8.7 In the MTI scheme, we adopt QSM survey results to estimate HAL’s performance in certain measures. In the Q5 and Q6 regulatory periods, we used the moving annual average QSM score weighted by monthly passenger numbers and have specified the calculation in the Metrics part (section 3) in Schedule 1 of the Licence.

8.8 For H7, in four newly introduced reputational measures, we adopted a different calculation using the QSM score to estimate performance. The alternative definition is the moving annual average percentage of passengers giving favourable responses (that is, a score of 4 or 5 on a scale of 1-5). We have included this alternative definition in Table 4 of Schedule 1 of the Licence but have not specified how the metric should be calculated.

8.9 These two different ways of calculation ((i) the moving annual average QSM score weighted by monthly passenger numbers (MAA QSM score) and (ii) the moving annual average percentage of passengers giving favourable responses (MAA QSM percentage)), are used in the following MTI measures:

Table 8.1 MTI measures that adopt MAA QSM score and MAA percentage for measuring performance

Moving annual average QSM score weighted by monthly passenger numbers (MAA QSM score)		Moving annual average percentage of passengers giving favourable responses (MAA QSM percentage)	
F1	Cleanliness	R2	Customer effort (ease)
F2	Wayfinding	R3	Enjoy my time at the airport
F3	Helpfulness/attitude of security staff	R4	Airport that meets my needs
F4	Wi-Fi performance	R5	Feel safe and secure
R1	Overall satisfaction		
R7	Helpfulness/attitude of airport staff		

8.10 We propose that we clarify the two different ways of using the QSM survey results in the following way:

- updating the list of measures for which the MAA QSM score apply;

- distinguishing between MAA QSM score and MAA QSM percentage by clarifying their respective definitions; and
- adding the calculation of the MAA QSM percentage in the Metrics section.

MTI scheme: to clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (measure R6)

- 8.11 For the Ease of access to the airport (Measure R6), we adopt the moving annual average Surface Access Customer Satisfaction Survey score weighted by monthly passenger numbers (“MAA SACS score”) to measure performance.
- 8.12 In the light of the clarifications proposed for MAA QSM score, we consider it appropriate to update the definition of MAA SACS score, to achieve consistency between MAA QSM score and MAA SACS score.

MTI scheme: to clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (measure R8)

- 8.13 For Passengers with reduced mobility (“PRM”) – overall satisfaction (Measure R8), we adopt the moving annual average Special Assistance Quality of Service Monitor score weighted by monthly passenger numbers (“MAA SpA QSM score”) to measure performance.
- 8.14 In the light of the clarifications proposed for MAA QSM score, we consider it appropriate to update the definition of MAA SpA QSM score, to achieve consistency between MAA QSM score and MAA SpA QSM score.

MTI scheme: to improve presentation of Pier-served stand usage (Measure F18) and Passenger injuries (measure R15)

- 8.15 For Pier-served stand usage (Measure F18) and Passenger injuries (Measure R15), there are square brackets in the definition of the metrics. Those square brackets have only a single term in them, and therefore are not necessary. To make them consistent with other metrics, we propose that we remove these square brackets.

MTI scheme: to update three paragraph references

- 8.16 We propose that we correct the paragraph references below:
- paragraph 3.29 of Schedule 1 should refer to paragraph 3.31 to 3.33 instead of paragraph 3.33 to 3.35;
 - paragraph 6.5(d) of Schedule 1 should refer to paragraph 3.4 instead of paragraph 3.6; and
 - paragraph 6.13(d)(i) of Schedule 1 should refer to paragraph 3.4 instead of paragraph 3.6.

Other Licence matters

- 8.17 Further to the clarifications proposed here there are two other Licence issues that we have recently considered.
- 8.18 We have agreed to a self-modification of the Licence put forward by HAL and the AOC, which updates the definition of Specified Facilities in Condition C2.12. Under the list of Specified Facilities, Hold Baggage Screening will be included in the renamed Baggage System and Screening and no longer be a separate item. This update took effect on 1 January 2025 and will be reflected in the latest version of the Licence.
- 8.19 Separately, British Airways has discussed with us a question around whether the definition of the “k” factor in Condition C1.24 is sufficiently clear to deliver its intended purpose in relation to truing up the interim price control for 2023. We consider that the price control condition overall is clear enough to have delivered the effect intended and, as HAL has now set its charges for 2025 on the basis of what we consider to be the correct interpretation of the definition of “k”, we do not propose at this stage to make any change to that Condition.

Initial proposals

- 8.20 Draft proposed licence modifications to reflect these proposals are set out in Appendix B.

APPENDIX A

Our Duties

- A1. The CAA is an independent economic regulator. Our duties in relation to the economic regulation of airport operation services (AOS) are set out in the Civil Aviation Act 2012 (“CAA12”).
- A2. CAA12 gives the CAA a general (‘primary’) duty to carry out its functions under CAA12 in a manner which it considers will further the interests of users of air transport services regarding the range, availability, continuity, cost and quality of AOS.
- A3. CAA12 defines users of air transport services as present and future passengers and those with a right in property carried by the service (i.e. cargo owners). We often refer to these users by using the shorthand of ‘consumers’.
- A4. The CAA must also carry out its functions, where appropriate, in a manner that will promote competition in the provision of AOS.
- A5. In discharging this primary duty, the CAA must also have regard to a range of other matters specified in CAA12. These include:
- the need to secure that each licensee is able to finance its licensed activities;
 - the need to secure that all reasonable demands for AOS are met;
 - the need to promote economy and efficiency on the part of licensees in the provision of AOS;
 - the need to secure that the licensee is able to take reasonable measures to reduce, control and/or mitigate adverse environmental effects;
 - any guidance issued by the Secretary of State or international obligation on the UK notified by the Secretary of State; and
 - the Better Regulation principles.
- A6. CAA12 also sets out the circumstances in which we can regulate airport operators through an economic licence. In particular, airport operators must be subject to economic regulation where they fulfil the market power test as set out in CAA12. Airport operators that do not fulfil the test are not subject to economic regulation. As a result of the market power determinations we completed in 2014, the airport operators of both Heathrow and Gatwick airports are subject to economic regulation.

- A7. We are only required to update these determinations if we are requested to do so and there has been a material change in circumstances since the most recent determination. We may also undertake a market power determination whenever we consider it appropriate to do so.

APPENDIX B

Modifications proposed to the Licence: draft text

Introduction

- B1. This appendix sets out draft text of the modifications to the Licence that we consider would be necessary to:
- Implement the initial proposals of the OBR mid-term review as set out in chapters 1 and 7. These proposed modifications are marked in blue; and
 - provide clarification of our policy as set out in chapter 8. These proposed modifications are marked in green.
- B2. The list of proposed modifications, arranged broadly in the order they appear in the Licence, are presented below:

	Effect of modification	Licence condition	Colour
1	To update a paragraph reference in the Price Control condition	Condition C1.13	Purple
2	To update a paragraph reference in the Charges for Other Services condition	Condition C2.10	Purple
3	To improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7)	Paragraphs 3.3 to 3.6, Table 1 and Table 4 of Schedule 1	Purple
4	To clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (measure R6)	Paragraphs 3.7, 3.8 and Table 5 of Schedule 1	Purple
5	To clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (measure R8)	Paragraphs 3.9, 3.10 and Table 5 of Schedule 1	Purple
6	To update paragraph references in Schedule 1	Paragraph 3.29, 6.5(d) and 6.13(d)(i) of Schedule 1	Purple
7	to improve presentation of Pier-served stand usage (measure F18) and Passenger injuries (measure R15)	Paragraphs 3.31 and 3.40 of Schedule 1	Purple
8	To specify a target for Airport departures management (measure R12)	Paragraph 3.37, Table 5 and Table 8 of Schedule 1	Blue
9	To specify a target for Airport arrivals management (measure R13)	Paragraph 3.38, Table 5 and Table 8 of Schedule 1	Blue

	Effect of modification	Licence condition	Colour
10	To introduce a carbon measure (Measure R17)	Paragraphs 3.30, 3.41, 7.2(b), Table 5 and Table 8 of Schedule 1	Blue
11	To raise the target for wi-fi performance (Measure F4)	Table 1 of Schedule 1	Blue
12	To raise the target for PCA availability (Measure F17)	Table 1 of Schedule 1	Blue
13	To specify a target for An Airport that Meets My Needs (Measure R4)	Table 4 and Table 8 of Schedule 1	Blue

Proposed licence modifications

1. To update a paragraph reference in the Price Control condition

B3. We propose that we modify Condition C1.13 in the manner set out below:

C1.13 Except where the CAA has given consent in writing, the Licensee may make an application under Condition ~~C1.12~~^{C1.9} only during the following periods:

2. To update a paragraph reference in the Charges for Other Services condition

B4. We propose that we modify Condition C2.10 in the manner set out below:

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)~~^{D2.12(a)}.

3. To improve presentation of 10 QSM metrics (measures F1 to F4, R1 to R5, R7)

B5. We propose that we modify paragraphs 3.3 to 3.6, Table 1 and Table 4 of Schedule 1 in the manner set out below:

Quality of Service Monitor (QSM) survey – moving annual average score

3.3 The Licensee shall use the results of the Quality of Service Monitor (QSM) survey – moving annual average score ~~survey based metrics specified in Annex 2 to this Schedule to provide the basis for 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
R1	Overall satisfaction	R7	Helpfulness/attitude of airport staff

~~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.~~

~~3.63.4~~ The Licensee shall measure performance using, for the latest available month, ~~monthly~~ moving annual averages score weighted by the moving annual average ~~monthly~~ number of passengers in the relevant terminal, using the following formulae:

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

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

- (b) For a newly opened or reopened passenger terminal, for the first 12 months after air transport services for the carriage of passengers commence (or recommence) at that terminal, or for a passenger

terminal where the Licensee has conducted the QSM surveys for a period of 12 months or less, the Licensee shall calculate performance for measure i in month j in terminal a as follows:

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

where:

- (i) $\pi_{j,a}$ is the number of passengers in month j in terminal a;
- (ii) Monthly survey results_{i,j,a} is the performance of measure i in month j in terminal a;
- (iii) m is a counter of the 12 months ending in month j;
- (iv) μ is a counter of months so that:
 1. the 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; ~~and 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.

Quality of Service Monitor (QSM) survey – moving annual average percentage of favourable responses

3.5 The Licensee shall use the results of the Quality of Service Monitor (QSM) survey – moving annual average percentage of favourable responses to provide the basis for its performance for the following measures:

R2	Customer effort (ease)	R4	Airport that meets my needs
R3	Enjoy my time at the airport	R5	Feel safe and secure

3.6 The Licensee shall measure performance using, for the latest available month, moving annual average of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) in the relevant terminal, using the following formulae:

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

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=12} \text{Favourable Responses}_{i,j-m+1,a}}{\sum_{m=1}^{m=12} \text{Total Responses}_{i,j-m+1,a}}$$

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

$$\text{Performance}_{i,j,a} = \frac{\sum_{m=1}^{m=\mu} \text{FavourableResponses}_{i,j-m+1,a}}{\sum_{m=1}^{m=\mu} \text{TotalResponses}_{i,j-m+1,a}}$$

where:

- (i) FavourableResponses_{i,j,a} is the number of favourable answers (that is, a score of 4 or 5 on a scale of 1-5) for measure i in month j in terminal a;
- (ii) TotalResponses_{i,j,a} is the number of answers for 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; and
 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.

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

I	Financial measures	Metrics
F1	Cleanliness	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
F2	Wayfinding	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
F3	Helpfulness / attitude of security staff	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
F4	Wi-Fi performance	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month

Table 4: Reputational measures (Terminal) – metrics and targets

I	Reputational measures	Metric
R1	Overall satisfaction	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month
R2	Customer effort (ease)	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers rating the journey was easy or very easy, for the latest available month-weighted by monthly passenger numbers
R3	Enjoy my time at the airport	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers rating the journey was enjoyable or very enjoyable, for the latest available month-weighted by monthly passenger numbers
R4	Airport that meets my needs	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers agreeing with the statement, for the latest available month-weighted by monthly passenger numbers
R5	Feel safe and secure	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers agreeing with the statement, for the latest available month-weighted by monthly passenger numbers
R7	Helpfulness / attitude of airport staff	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month

4. To clarify the definition of the Surface Access Customer Satisfaction Survey (SACS) metric (Measure R6)

B6. We propose that we modify paragraphs 3.7, 3.8 and Table 5 of Schedule 1 in the manner set out below:

Surface Access Customer Satisfaction Survey (SACS) – moving annual average score

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 performance reporting against the target for Measure measure R6 Ease (ease of access to the airport).

3.8 The Licensee shall measure performance using, for the latest available quarter, quarterly moving annual averages score weighted by the moving annual average 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:

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

- (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:

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

where:

- (i) π_r is the number of passengers in quarter r;
- (ii) Quarterly survey results_r is the performance of 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.

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

I	Reputational measures	Metric
R6	Ease of access to the airport	Moving annual average of Surface Access Customer Satisfaction Survey (SACS) scores weighted by the moving annual average number of among passengers arriving at the Airport by surface transport, for the latest available access each quarter

5. To clarify the definition of the Special Assistance Quality of Service Monitor (SpA QSM) metric (Measure R8)

B7. We propose that we modify paragraphs 3.9, 3.10 and Table 5 of Schedule 1 in the manner set out below:

Special Assistance Quality of Service Monitor (SpA QSM) survey – moving annual average score

- 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 performance reporting against the target for Measure measure R8 Passengers (passengers with reduced mobility (PRM) – overall satisfaction).
- 3.10 The Licensee shall measure performance using, for the latest available month, monthly moving annual averages score weighted by the moving

annual average number of passengers using the Special Assistance Service service for passengers with reduced mobility n 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:

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

- (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:

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

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; and so that
 3. the twelfth month in which SpA QSM surveys are carried out = 12.

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

I	Reputational measures	Metric
R8	Passengers with reduced mobility (PRM) – overall satisfaction	Moving annual average of Special Assistance Quality of Service Monitor (SpA QSM) scores weighted by the moving annual average number of passengers using collected amongst users of the Special Assistance Service at the Airport, for the latest available month

6. To update paragraph references in Schedule 1

- B8. We propose that we modify paragraph 3.29, 6.5(d) and 6.13(d)(i) of Schedule 1 in the manner set out below:

- 3.29 The Licensee shall use the metrics set out in paragraphs ~~3.313-33~~ to ~~3.333-35~~ to measure its performance against targets for the following measures subject to financial incentives:
- 6.5(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 ~~3.43-6~~.
- 6.13(d)(i) for bonus measure $bm = F1$ Cleanliness or $F2$ Wayfinding, the Licensee shall measure its performance using the formulae set out in paragraph ~~3.43-6~~ of this Schedule; and

7. To improve presentation of Pier-served stand usage (Measure F18) and Passenger injuries (Measure R15)

B9. We propose that we modify paragraphs 3.31 and 3.40 of Schedule 1 in the manner set out below:

F18 Pier-served stand usage

3.31 The Licensee shall collect data for pier-served stand usage from its operational systems ~~for measure F18 in Table 1~~. The Licensee shall calculate ~~its performance for this measure~~ in month j in terminal a in accordance with the following formula:

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

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.

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 in accordance with the following formula ~~by~~:

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

where:

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

8. To specify a target for Airport departures management (Measure R12)

B10. We propose that we modify paragraphs 3.37, Table 5 and Table 8 of Schedule 1 in the manner set out below:

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. ~~For each month, the 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 time~~ of an aircraft, ~~and calculate performance in accordance with the following formula:~~

$$\text{Performance}_j = \frac{\text{ActualStartRequestTime}_j - \text{ActualTakeOffTime}_j}{\text{DepartingPaxFlights}_j}$$

where:

- (a) ActualStartRequestTime_j is the Actual Start Request Time in month j;
- (b) ActualTakeOffTime_j is the Actual Take-Off Time in month j; and
- (c) DepartingPaxFlights_j is the total number of passenger flights departing Heathrow Airport in month j.

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

I	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
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	30.0 minutes No target

Table 8: Publication requirements

I	Reputational measures	Frequency	Terminal	Website
R12	Airport departures management	Monthly		Performance Target

9. To specify a target for Airport arrivals management (Measure R13)

B11. We propose that we modify paragraphs 3.38, Table 5 and Table 8 of Schedule 1 in the manner set out below:

R13 Airport arrivals management

3.37 The Licensee shall collect data for airport arrivals management from its operational systems ~~to calculate performance~~ for measure R13 in Table 5. ~~For each month, the 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, ~~and calculate performance in accordance with the following formula:~~

$$\text{Performance}_j = \frac{\text{TouchingDownTime}_j - \text{ChocksToWheelsTime}_j}{\text{ArrivingPaxFlights}_j}$$

where:

- (a) ~~TouchingDownTime_j~~ is the time when the wheels of an aircraft touching down on a runway in month j;
- (b) ~~ChocksToWheelsTime_j~~ is the time when roll-retarding chocks being placed against the aircraft wheels after the aircraft’s brakes have been applied on stands in month j; and
- (c) ~~ArrivingPaxFlights_j~~ is the total number of passenger flights arriving at Heathrow Airport in month j.

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

I	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
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	10.0 minutes No target

Table 8: Publication requirements

I	Reputational measures	Frequency	Terminal	Website
R13	Airport arrivals management	Monthly		Performance Target

10. To introduce a carbon measure (Measure R17)

B12. We propose that we modify paragraphs 3.30, 3.41, 7.2(b), Table 5 and Table 8 of Schedule 1 in the manner set out below:

3.30 The Licensee shall use the metrics set out in paragraphs 3.34 to ~~3.41~~^{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
R14	% of UK population within 3 hours (and one interchange) of Heathrow by public transport
R15	Passenger injuries
R17	Carbon emissions

R17 Carbon emissions

3.41 The Licensee shall collect data on carbon emissions^{footnote} for R17 in Table 5 and calculate performance in accordance with the following formula:

$$\text{Performance}_t = \text{TotalCarbonEmissions1}_t + \text{TotalCarbonEmissions2}_t + \text{TotalCarbonEmissions3}_t$$

where:

- (a) TotalCarbonEmissions1_t is the Total Carbon Emissions (Scope 1) in Regulatory Year t as Tonnes CO₂ equivalent per year;
- (b) TotalCarbonEmissions2_t is the Total Carbon Emissions (Scope 2) in Regulatory Year t as Tonnes CO₂ equivalent per year; and
- (c) TotalCarbonEmissions3_t is the Total Carbon Emissions (Scope 3) in Regulatory Year t as Tonnes CO₂ equivalent per year.

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

- (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.
 - (v) R14 Percentage of UK population within 3 hours (and one interchange) of Heathrow by public transport; ~~and~~

- (vi) R15 Passenger injuries; and
- (vii) R17 Carbon emissions.

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

I	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
R17	Carbon emissions	Total carbon emissions (sum of Scope 1, Scope 2 and Scope 3 ^{footnote}) in Regulatory Year t as Tonnes CO2 equivalent per year	Unrestricted	No target

^{footnote} See the Greenhouse Gas (GHG) Scope reporting categories specified in Chapter 4 of The Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard for Scope 1 Direct GHG emissions, Scope 2 Indirect GHG emissions from purchased and consumers electricity, and Scope 3 All other Indirect GHG emissions (<https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf> and <https://ghgprotocol.org/corporate-standard-frequently-asked-questions#question%20one>).

Table 8: Publication requirements

I	Reputational measures	Frequency	Terminal	Website
R17	Carbon emissions	Annually	Performance	Performance

11. To raise the target for wi-fi performance (Measure F4)

B13. We propose that we modify Table 1 of Schedule 1 in the manner set out below:

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

I	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
F4	Wi-Fi performance	Moving annual average QSM survey scores weighted by the moving annual average monthly passenger numbers of passengers, for the latest available month	Unrestricted	4.10 4.05

12. To raise the target for PCA availability (Measure F17)

B14. We propose that we modify Table 1 of Schedule 1 in the manner set out below:

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

I	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
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	99% 98%

13. To specify a target for An Airport that Meets My Needs (Measure R4)

B15. We propose that we modify Table 4 and Table 8 of Schedule 1 in the manner set out below:

Table 4: Reputational measures (Terminal) – metrics and targets

I	Reputational measures	Metric	Time of day to measure performance	Target _{i,j}
R4	Airport that meets my needs	Moving annual average QSM survey percentage of favourable responses (that is, a score of 4 or 5 on a scale of 1-5) passengers agreeing with the statement, for the latest available month-weighted by monthly passenger numbers	Unrestricted	94% No target

Table 8: Publication requirements

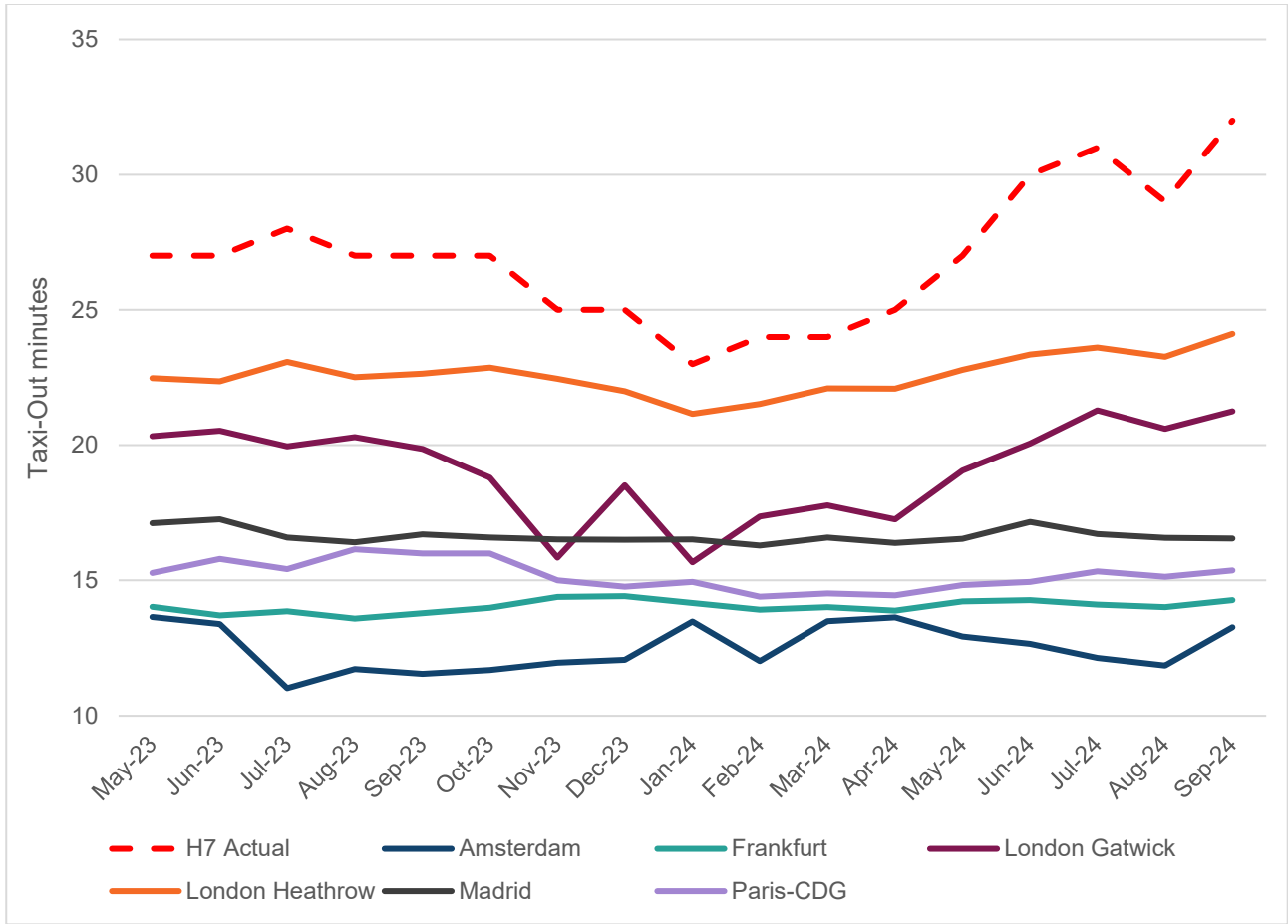
I	Reputational measures	Frequency	Terminal	Website
R4	Airport that meets my needs	Monthly	Performance Target	Performance Target

APPENDIX C

Supporting information

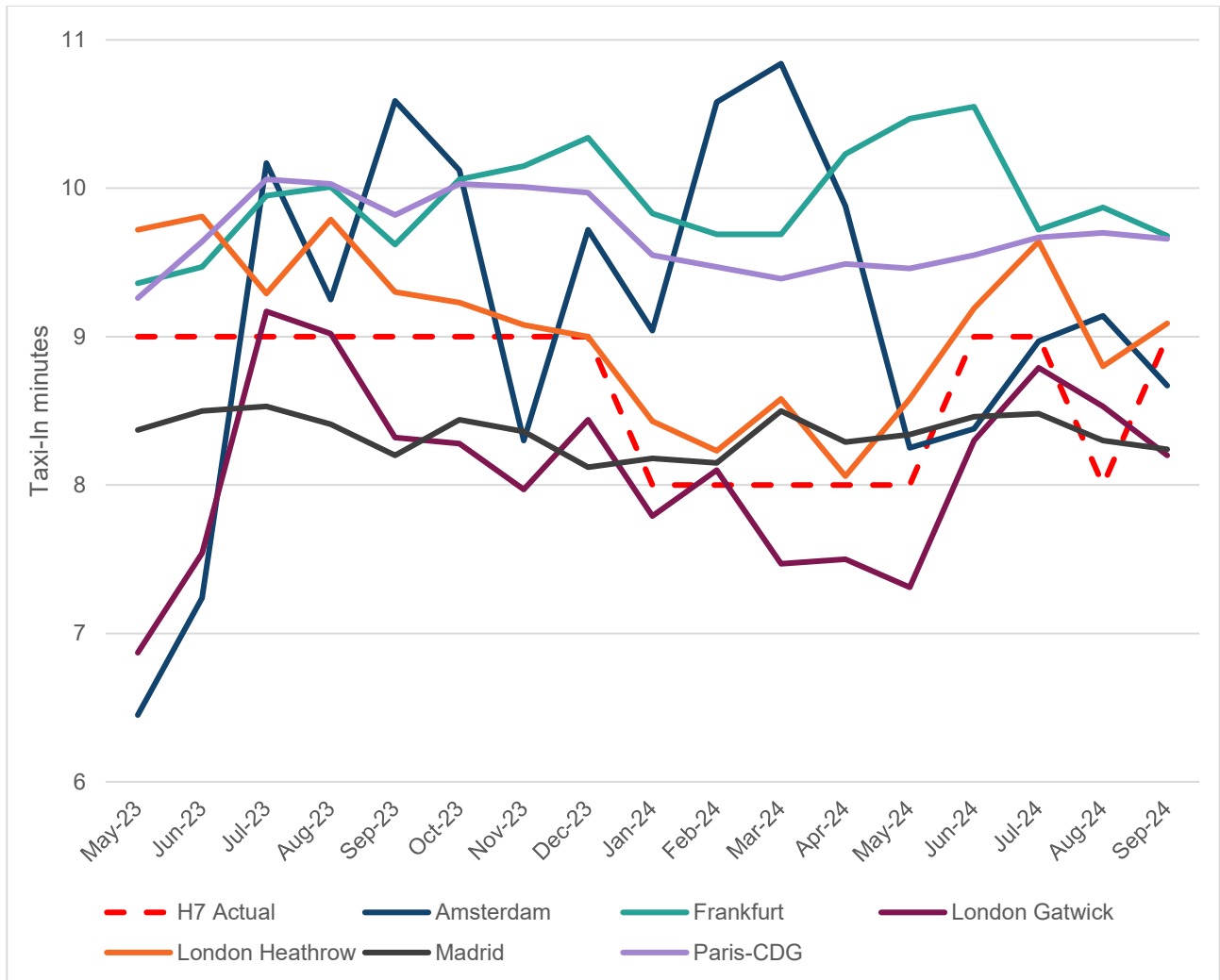
- C1. This appendix sets out additional supporting information related to our analysis of the Airport Departures Management and Airport Arrivals Management measures.
- C2. Figure C1 and Figure C2 below show the performance corresponding to the H7 period for the equivalent Eurocontrol Taxi-Out and Taxi-In measures for a sample of comparator airports including London Heathrow and also shows the performance in H7 to date (the red dashed line).
- C3. Comparator airports include Amsterdam, Frankfurt, London Gatwick, Madrid and Paris Charles De Gaulle.
- C4. H7 performance to date for the equivalent MTI scheme measure is also shown as the red dashed line on each figure. The difference between the Eurocontrol reporting for Taxi-Out times for London Heathrow and the MTI reporting is due to the starting point for measurement being different. The Eurocontrol measurement starts with the Aircraft Off-Block Time whereas the MTI scheme measurement starts with the Start-Up Request Time which precedes Aircraft Off-Block Time, and so systematically results in longer times being recorded.

Figure C1: Eurocontrol Average Taxi-Out Times



Source: CAA analysis of Eurocontrol and HAL data

Figure C2: Eurocontrol Average Taxi-In Times



Source: CAA analysis of Eurocontrol and HAL data