



Airport charges structure - engagement session

Brian Woodhead

20 January 2015

Heathrow
Making every journey better

Engagement session agenda

- | | | |
|--|----------------|---------------|
| 1) Welcome | Brian Woodhead | 14:00 – 14:10 |
| <i>a) Introductions</i> | | |
| <i>b) Objectives and why we are reviewing the structure of charges</i> | | |
| <i>c) Purpose of engagement sessions</i> | | |
| 2) Summary of 1 st engagement session | Manish Madhas | 14:10 – 14:20 |
| 3) Summary of airline responses | Andy Garner | 14:20 – 14:50 |
| 4) Discussion topics | Andy Garner | 14:50 – 15:50 |
| 5) Next steps | Brian Woodhead | 15:50 – 16:00 |

Reminder of the purpose of reviewing the structure of charges

- Ensure charges are aligned to Heathrow and the airline community's shared vision:

“UK’s direct connection to the world and Europe's hub of choice by making every journey better”

- Consider whether the charges have the right balance of incentives
- Reflect airport constraints and capacity

Engagement sessions will help inform Heathrow's consultation proposal



How this session fits into the overall process to review the structure of charges

The process to review the structure of charges is made up of two phases

1 2 engagement sessions – will help inform Heathrow’s proposal for consultation

a  1st engagement session (27 Nov 2014)

and

 Environmental session (12 Jan 2015)

b  2nd engagement session today

2 Formal consultation process

April 2015 to July 2015

Feed into Heathrow’s annual price consultation – start in August 2015
(any structural changes implemented on 1 January 2016)

Objectives for the structural review



Summary of last engagement session

- 1) Heathrow presented:
 - a) Changes made at the last structural review in 2010
 - b) Airport charges benchmarking
 - c) Considerations
 - d) Objectives for the structural review

- 2) Discussion themes:
 - a) Environmental charges (noise/emissions)
 - b) Passenger (destination)/parking charges (free periods)
 - c) Cost related charges (higher passenger related charges)

- 3) Heathrow requested airline feedback by 18 December 2014:
 - a) View's on Heathrow's stated objectives
 - b) Whether you consider the stated objectives help meet Heathrow's shared vision
 - c) Any charging options you consider can help meet Heathrow's objectives (with rationale for any proposed option)

- 4) Heathrow received nine responses

Summary of airline feedback

UK's direct connection to the world and Europe's hub of choice by making every journey better

Support passenger growth

Lower short haul charge

Lower long haul charge

Cost based charges - passenger destination

Higher passenger related charge

Reflect dwell times and airport facilities

Re-introduce domestic and Irish charge

Improve environmental performance

Charges do not create an incentive

Remove emission charges

Weight based noise chapters

Charges based on actual noise

Single noise chapter – Chapter 4

Active noise abatement/ noise mitigation

Efficient use of the airport

Parking should be weight based

Parking should be aircraft size based

Increase free parking period

Parking should reflect number of boarding bridge use

Hub status

Airlines bring non ticketed transfer passengers

Transfer charge should be abolished

Other general responses

Charges should be cost related

Follow ICAO principles

No peak/off peak charges

More strategic objectives

NATS charge should be based on landings/weight

Mixed views on incentives

Discussion points:

Support passenger growth

Heathrow's vision

UK's direct connection to the world and Europe's hub of choice by making every journey better



How can the structure of airport charges help achieve Heathrow's vision?

Support passenger growth

Q1: How could the structure of charges incentivise more passenger numbers/
load factors

Discussion points:

Improve environmental performance



Q2: How do noise/emission charges influence airline decisions on which airport to use it's best in class aircraft

Discussion points:

efficient use of airport



Q3: How could the structure of charges support on time performance

Discussion points:

Hub status



Q4: What would further influence transfer passenger growth

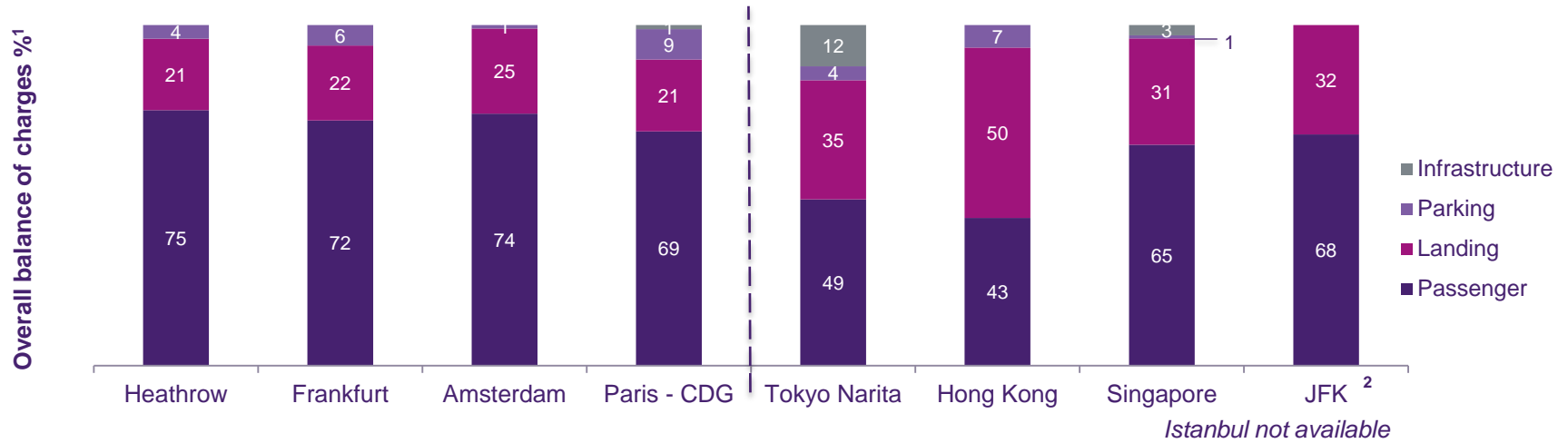
Next steps

- This is the final step in the engagement phase before the formal consultation
- Airlines can send further information to Heathrow
 - Request any feedback no later than 10 February 2015
- Airlines can request 1:1 bilateral sessions before the consultation process
- Formal consultation on structure of charges will begin in April 2015 and decision announced in July 2015
- Annual consultation to set the level of charges will commence in August 2015 and decision announced in October 2015
- Any new changes in structure and price level will be introduced on 1 January 2016
- Heathrow will circulate slides and draft minutes from this session

Appendix

Airport charges benchmarking

1



2

Type of charges³

| | Passenger | | Landing | | | Parking |
|-----|-------------------------|---|---------------------|--|-----------|---|
| | Transfer | Destinations | Basis | Noise | Emissions | Weight/Time |
| LHR | 25% discount | Europe RoW | Movement | • 6 noise chapters | Yes | <ul style="list-style-type: none"> WB – 90 mins free NB – 30 mins free, Thereafter 15 mins |
| AMS | ~58% discount | Single charge | Weight | • 4 categories | None | 6 hours free and then 24 hour charge |
| FRA | ~50% discount from Int. | Domestic (inc. EU) Non EU International | Weight/ Movement | <ul style="list-style-type: none"> Mass related charge per 1,000kg (min. charge) applied to landing and take off 16 categories | Yes | <ul style="list-style-type: none"> Time and stand |
| MAD | ~30% discount | Europe Other (40% higher) | Weight | • 4 categories | None | Formula based on time & weight (cap for the first 24 hrs) |
| CDG | 40% discount | Schengen area EU International | Weight/ Movement | • Noise level coefficient | None | Weight/time/type of parking area |
| IST | - | Domestic International | Weight | • Based on number of landings and weight | None | Weight – 24 hours (first 2 hours free if less than 2 hours total parking) |

1) Amsterdam and Frankfurt passenger charge includes security charges

2) Tokyo, Hong Kong, Singapore and JFK (includes terminal navigation @ 6.8%) – Source, LeighFisher 2013 Review of Airport Charges

3) Airport websites and LeighFisher 2013 Review of Airport Charges

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