

11 October 2017

Dear Colleague,

Notice on amendment to consultation proposal on 2018 Airport Charges

At the Heathrow commercial airline conference earlier this year, we set out our ambition to work with our airline customers to optimise Heathrow's scarce capacity through incentivising additional passengers to use the airport. We work to achieve this in a number of ways – investing in the right facilities, delivering operational improvement and through balanced and careful consideration of the charges that affect passenger choices.

One of the areas we wanted to explore further is how we can support our joint growth ambitions through airport charges. Through an informal engagement session in July we explored options to achieve these ambitions and airline feedback from that meeting informed our 2018 Airport Charges consultation proposal published on 4 August 2017. I would like to thank you for your participation in the 2018 Airport Charges consultation process. Following the consultation meeting on 19 September 2017 we requested that the airline community formally respond to the consultation proposal by 29 September 2017. We have now had an opportunity to assess the responses provided and we thank you for your comments on the proposal.

After careful consideration and reflecting on customer feedback, this notice informs you of an amendment to the original consultation proposal.

Revised Proposal

The amended proposal maintains the objective to further reduce the EU departing passenger charge to incentivise growth which benefits all airlines and will help to keep charges close to current levels going forward. The key driver for this proposal is to increase load factors for European destinations thereby making more efficient use of a scarce resource, namely Heathrow slots.

However, a number of respondents raised concerns on the proposed approximate 27% increase in environmental landing charges. The increased environmental charges recovered the revenue shortfall from the proposed additional £5 EU passenger discount and the increased transfer discount from 25% to 30%. However, whilst respondents acknowledged the importance of the environmental objectives, some commented that a more effective approach to support passenger growth was to take a different approach to the pricing proposal.

In response, Heathrow proposes that the revenue shortfall from the proposed additional £5 EU passenger discount is recovered through both environmental charges and the Non-EU departing

passenger charge. We also propose to retain the existing transfer passenger discount at 25%. Overall this would reduce the increase in environmental landing charges by 20% compared to our original proposal, to only approximately +7%.

The effective Departing Passenger charges in the revised proposal, which are passed on to the consumer through the airline's Passenger Service Charge, reduces by an average of 25% for short haul passengers (£5.41), and increases by 8% (£3.44) for non-EU passengers, compared to current charges. The additional £5 discount supports airlines to stimulate demand through price and it is a reasonable expectation that EU passengers will likely be more responsive to this change in the Passenger Service Charge, given higher proportion of the overall ticket price.

The amended proposal continues to meet Heathrow's objectives to incentivise the quietest and cleanest aircraft to operate at Heathrow, supports regional connectivity and incentivises passenger growth through the reduction in EU Departing Passenger Charges.

Heathrow considers that this proposal best meets the objectives set out in the initial consultation document and takes account of feedback during the consultation process. All other components of the consultation proposal remain in effect including Heathrow's proposal to recover the 2018 maximum allowable yield which has reduced in real terms every year since 2014.

Appendix 1 sets out the revised airport charges tariff proposal.

Next steps

We continue to offer bi-lateral meetings and welcome responses to the amended proposal from the airline community by **20 October 2017** to consider before announcing our final decision.

We will set out the final decision, considering any further feedback, on **31 October 2017**.

We are grateful for your engagement during the consultation and the feedback on our proposals, which we have carefully considered when amending our proposal. If you would like further information, please contact me directly or Simon Eastburn at airline_relations@heathrow.com.

Yours faithfully



Ross Baker
Chief Commercial Officer

APPENDIX 1

Proposed Airport Charges Tariffs effective 1 January 2018

	Revised 2018 £ GBP
Charges on Landing	
Peak	
Chapter 3	8,831.66
Chapter 4 High	2,523.33
Chapter 4 Base	2,271.00
Chapter 14 High	1,766.33
Chapter 14 Base	1,261.67
Chapter 14 Low	757.00
Super Night Peak	
Chapter 3	22,079.15
Chapter 4 High	6,308.33
Chapter 4 Base	5,677.50
Chapter 14 High	4,415.83
Chapter 14 Base	3,154.18
Chapter 14 Low	1,892.50
Emissions charge	15.96
Charges on Departing Passengers	
Origin and Destination	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	13.72
European charge with single discount <i>(with EU load factor discount)</i>	18.72
Other	44.34
Transfer and Transit	
European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i>	10.29
European charge with single discount <i>(with EU load factor discount)</i>	14.04
Other	33.26
Remote Stand Rebate	-4.00
Minimum charge - UK destinations	761.40
Minimum charge - Other destinations	1,378.08
Charges on aircraft parking	
Narrow bodied	22.13
Wide bodied	53.11