Heathrow Airport Limited

PCR Trading Statement to Table 6-3 Variance Analysis

Year ended 31 March 2010

Heathrow
Making every journey better.

Introduction

This report provides users with explanations of variances between actual performance and the CAA forecast for activities identified as 'Specified Activities' within Table 6-3 of the 'Economic Regulation of Heathrow and Gatwick Airports 2008-2013', CAA decision dated 11th March 2008 for the year ending 31st March 2010. The CAA forecast for Specified Activities lists the revenue that is forecast to be generated by Heathrow Airport (ie. third party revenue) for the fifth quinquennium (Q5). This forecast is based on certain assumptions and any derivation from this forecast is required to be explained and justified to users and the CAA.
The specified activities are:

- Check-in desks
- Common Use Self Service Machines (CUSS)
- Baggage Systems
- Other Desks Licences
- Staff Car Parking
- Airside Licences
- Water and Sewerage
- Heating and Ventilation
- Electricity
- Fixed Electrical Ground Power (FEGP)
- Security Documentation
- Bus and Coach Services

The variance analysis has been made against third party elements of the 'PCR Trading Statements for the period 1st April 2009 to 31st March 2010'.

This paper includes Table 6-3 for Q5 and an update showing this table uplifted to nominal prices using RPI for 2009/10 from The Office for National Statistics (ONS), and Oxford Economic Forecast (OEF) for future years. The RPI uplift is applied to provide a consistent comparison between CAA forecast and actuals in nominal prices (ie. current year prices). The actuals used for the comparison have been extracted from the trading statements (third party element). These variances are explained on the following sheets.

As charges for Passengers with Restricted Mobility (PRMs) were not included in the Q5 Settlement they have not been analysed in this report.

	Breakdown Table 6.3 in 07/08p					Breakdown Table 6.3 in Outturn				
RPI						2.97%	0.46%	2.40%	2.12%	2.75%
Index						1.030	1.034	1.059	1.082	1.111
Baggage, Check-in & CUSS	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**89.081**	**86.720**	**87.721**	**87.361**	**89.472**	**91.727**	**89.703**	**92.916**	**94.497**	**99.441**
Direct Cost	82.3	79.1	79.4	78.3	79.8	84.703	81.852	84.092	84.728	88.669
Annuity	0	0	0	0	0	-	-	-	-	-
Allocated Costs	6.8	7.6	8.3	9.0	9.7	7.024	7.851	8.824	9.769	10.772
Total costs	**89.081**	**86.720**	**87.721**	**87.361**	**89.472**	**91.727**	**89.703**	**92.916**	**94.497**	**99.441**
Staff Car Parking	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**19.510**	**19.570**	**19.550**	**19.530**	**19.500**	**20.089**	**20.243**	**20.708**	**21.125**	**21.673**
Direct Costs	7.853	7.871	7.857	7.843	7.826	8.086	8.142	8.323	8.484	8.698
Annuity	7.453	7.480	7.476	7.472	7.464	7.674	7.737	7.918	8.082	8.295
Allocated Costs	4.204	4.219	4.217	4.215	4.210	4.329	4.364	4.467	4.559	4.679
Total costs	**19.510**	**19.570**	**19.550**	**19.530**	**19.500**	**20.089**	**20.243**	**20.708**	**21.125**	**21.673**
Airside Licences	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**0.780**	**0.780**	**0.780**	**0.780**	**0.780**	**0.803**	**0.807**	**0.826**	**0.844**	**0.867**
Direct Costs	0.378	0.378	0.378	0.378	0.378	0.390	0.391	0.401	0.409	0.421
Annuity	0.041	0.041	0.041	0.041	0.041	0.042	0.042	0.043	0.044	0.045
Allocated Costs	0.361	0.361	0.361	0.361	0.361	0.371	0.373	0.382	0.390	0.401
Total costs	**0.780**	**0.780**	**0.780**	**0.780**	**0.780**	**0.803**	**0.807**	**0.826**	**0.844**	**0.867**
Electricity	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**29.490**	**28.750**	**28.420**	**27.920**	**28.970**	**30.366**	**29.739**	**30.103**	**30.200**	**32.198**
Direct Costs	22.212	21.478	21.375	20.957	21.754	22.871	22.217	22.641	22.669	24.178
Annuity	4.771	4.764	4.618	4.565	4.727	4.913	4.928	4.891	4.938	5.254
Allocated Costs	2.510	2.507	2.430	2.402	2.487	2.585	2.593	2.574	2.598	2.764
Total costs	**29.493**	**28.749**	**28.422**	**27.925**	**28.968**	**30.369**	**29.737**	**30.106**	**30.206**	**32.196**
Fixed Electrical Ground Power	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**7.180**	**7.160**	**7.120**	**7.090**	**7.060**	**7.393**	**7.406**	**7.542**	**7.669**	**7.847**
Direct Costs	3.094	3.085	3.055	3.042	3.038	3.186	3.191	3.236	3.290	3.376
Annuity	2.078	2.072	2.089	2.079	2.054	2.140	2.143	2.213	2.249	2.283
Allocated Costs	2.008	2.003	1.977	1.969	1.968	2.067	2.072	2.094	2.130	2.188
Total costs	**7.180**	**7.160**	**7.120**	**7.090**	**7.060**	**7.393**	**7.406**	**7.542**	**7.669**	**7.847**
Heating and Ventilation	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**0.980**	**0.950**	**0.930**	**0.910**	**0.890**	**1.009**	**0.983**	**0.985**	**0.984**	**0.989**
Direct Costs	0.702	0.681	0.666	0.652	0.638	0.723	0.704	0.706	0.705	0.709
Annuity	0.565	0.548	0.536	0.525	0.513	0.582	0.567	0.568	0.568	0.571
Allocated Costs	0.299	0.290	0.284	0.278	0.272	0.308	0.300	0.301	0.300	0.302
Total costs	**1.567**	**1.519**	**1.487**	**1.455**	**1.423**	**1.613**	**1.571**	**1.575**	**1.574**	**1.581**
Water & Sewerage	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**0.950**	**0.930**	**0.930**	**0.930**	**0.930**	**0.978**	**0.962**	**0.985**	**1.006**	**1.034**
Direct Costs	0.598	0.597	0.600	0.605	0.610	0.616	0.617	0.635	0.654	0.678
Annuity	0.163	0.156	0.152	0.149	0.146	0.167	0.161	0.161	0.161	0.162
Allocated Costs	0.189	0.181	0.176	0.173	0.170	0.195	0.187	0.187	0.187	0.189
Total costs	**0.950**	**0.934**	**0.928**	**0.927**	**0.926**	**0.978**	**0.966**	**0.983**	**1.002**	**1.029**
Security ID	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**2.730**	**2.750**	**2.780**	**2.800**	**2.730**	**2.811**	**2.845**	**2.945**	**3.029**	**3.034**
Direct Costs	1.327	1.337	1.351	1.361	1.327	1.366	1.383	1.431	1.472	1.475
Annuity	0.079	0.080	0.081	0.081	0.079	0.081	0.082	0.085	0.088	0.088
Allocated Costs	1.324	1.334	1.348	1.358	1.324	1.363	1.379	1.428	1.469	1.472
Total costs	**2.730**	**2.750**	**2.780**	**2.800**	**2.730**	**2.811**	**2.845**	**2.945**	**3.029**	**3.034**
Bus and Coach	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**	**08/09**	**09/10**	**10/11**	**11/12**	**12/13**
Income	**1.390**	**1.390**	**1.390**	**1.390**	**1.390**	**1.431**	**1.438**	**1.472**	**1.504**	**1.545**
Direct Costs	0.109	0.109	0.109	0.109	0.109	0.113	0.113	0.116	0.118	0.121
Annuity	0.783	0.783	0.783	0.783	0.783	0.806	0.810	0.830	0.847	0.870
Allocated Costs	2.523	2.523	2.523	2.523	2.523	2.598	2.610	2.672	2.729	2.804
Total costs	**3.415**	**3.415**	**3.415**	**3.415**	**3.415**	**3.517**	**3.533**	**3.617**	**3.694**	**3.796**

£m	Trading Statement 2008-09	Variance to Table 6-3 2008-09	Trading Statement 2009-10	Variance to Table 6-3 2009-10	Prior year (over) / under recovery included in actual income	Trading Statement Q5 to date	Variance to Table 6-3 Q5 to date
Baggage, Check-in & CUSS							
Income	**104.077**	**12.350**	**107.044**	**17.341**	**11.680**	**222.801**	**41.372**
Direct Cost	108.733	(24.030)	100.508	(18.656)		209.241	(42.686)
Annuity	0.000	0.000	0.000	0.000		0.000	0.000
Allocated Costs	7.024	(0.000)	7.851	(0.000)		14.875	(0.000)
Total costs	**115.757**	**(24.030)**	**108.359**	**(18.656)**		**224.116**	**(42.687)**
Net Over / (Under) Recovery	**(11.680)**		**(1.315)**		**11.680**	**(1.315)**	
Staff Car Parking							
Income	**23.128**	**3.039**	**22.936**	**2.693**	**(1.130)**	**44.934**	**4.602**
Direct Costs	9.995	(1.909)	10.007	(1.866)		20.002	(3.775)
Annuity	7.674	0.000	7.737	0.000		15.411	0.000
Allocated Costs	4.329	0.000	4.364	0.000		8.693	0.000
Total costs	**21.998**	**(1.909)**	**22.109**	**(1.866)**		**44.107**	**(3.774)**
Net Over / (Under) Recovery	**1.130**		**0.828**		**(1.130)**	**0.828**	
Airside Licences							
Income	**0.685**	**(0.118)**	**0.913**	**0.106**	**0.118**	**1.716**	**0.106**
Direct Costs	0.390	(0.000)	0.613	(0.222)		1.003	(0.222)
Annuity	0.042	0.000	0.042	0.000		0.084	0.000
Allocated Costs	0.371	0.000	0.373	(0.000)		0.744	0.000
Total costs	**0.803**	**0.000**	**1.029**	**(0.222)**		**1.832**	**(0.222)**
Net Over / (Under) Recovery	**(0.118)**		**(0.116)**		**0.118**	**(0.116)**	
Electricity							
Income	**23.654**	**(6.712)**	**27.283**	**(2.456)**	**(1.454)**	**49.483**	**(10.622)**
Direct Costs	14.702	8.169	18.808	3.409		33.510	11.578
Annuity	4.913	(0.000)	4.928	0.000		9.841	(0.000)
Allocated Costs	2.585	(0.000)	2.593	0.000		5.178	(0.000)
Total costs	**22.200**	**8.169**	**26.329**	**3.409**		**48.529**	**11.578**
Net Over / (Under) Recovery	**1.454**		**0.954**		**(1.454)**	**0.954**	
Fixed Electrical Ground Power							
Income	**6.938**	**(0.455)**	**8.233**	**0.827**	**(0.715)**	**14.456**	**(0.343)**
Direct Costs	2.016	1.170	2.979	0.212		4.995	1.382
Annuity	2.140	0.000	2.143	0.000		4.283	0.000
Allocated Costs	2.067	0.000	2.072	0.000		4.139	0.000
Total costs	**6.223**	**1.170**	**7.194**	**0.212**		**13.417**	**1.382**
Net Over / (Under) Recovery	**0.715**		**1.039**		**(0.715)**	**1.039**	
Heating and Ventilation							
Income	**1.117**	**0.108**	**1.003**	**0.020**	**0.837**	**2.957**	**0.965**
Direct Costs	1.064	(0.341)	0.980	(0.276)		2.044	(0.617)
Annuity	0.582	0.000	0.567	0.000		1.149	0.000
Allocated Costs	0.308	0.000	0.300	0.000		0.608	0.000
Total costs	**1.954**	**(0.341)**	**1.847**	**(0.276)**		**3.801**	**(0.617)**
Net Over / (Under) Recovery	**(0.837)**		**(0.844)**		**0.837**	**(0.844)**	
Water & Sewerage							
Income	**1.117**	**0.139**	**1.102**	**0.140**	**(0.068)**	**2.151**	**0.211**
Direct Costs	0.687	(0.071)	0.610	0.007		1.297	(0.064)
Annuity	0.167	0.000	0.161	0.000		0.328	0.000
Allocated Costs	0.195	(0.000)	0.187	0.000		0.382	(0.000)
Total costs	**1.049**	**(0.071)**	**0.958**	**0.007**		**2.007**	**(0.064)**
Net Over / (Under) Recovery	**0.068**		**0.143**		**(0.068)**	**0.143**	
Security ID							
Income	**2.439**	**(0.372)**	**2.480**	**(0.365)**	**0.219**	**5.138**	**(0.518)**
Direct Costs	1.214	0.152	1.401	(0.018)		2.615	0.135
Annuity	0.081	0.000	0.082	0.000		0.163	0.000
Allocated Costs	1.363	0.000	1.379	0.000		2.742	0.000
Total costs	**2.658**	**0.153**	**2.862**	**(0.018)**		**5.520**	**0.135**
Net Over / (Under) Recovery	**(0.219)**		**(0.382)**		**0.219**	**(0.382)**	
Bus and Coach							
Income	**1.461**	**0.030**	**1.556**	**0.118**	**2.423**	**5.440**	**2.571**
Direct Costs	0.480	(0.367)	0.419	(0.306)		0.899	(0.673)
Annuity	0.806	0.000	0.810	(0.000)		1.616	0.000
Allocated Costs	2.598	(0.000)	2.610	(0.000)		5.208	(0.000)
Total costs	**3.884**	**(0.367)**	**3.839**	**(0.306)**		**7.723**	**(0.673)**
Net Over / (Under) Recovery	**(2.423)**		**(2.282)**		**2.423**	**(2.282)**	

Baggage, Check-In & CUSS
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	116,854				
08/09 bfwd (under) / over recovery	(11,810)				
09/10 costs waived	2,000			Price differential	25,235
				Volume differential	(7,894)
Total Revenue	**107,044**	**89,703**	**17,341**		**17,341**
				Term 5 Costs	(10,252)
				Growth of CUSS facility	(773)
				T4 taking over of BA works	(1,855)
				T4 Additional ABF Scope	(800)
				T1/T3 General Operations	(600)
				Road Based Connectivity - additional ITO	(901)
				Baggage contingency (Building 560)	(2,043)
				T1 to T4 Tunnel operation unchanged	(1,980)
				Other minor items and cost savings	548
Direct Expenditure	**100,508**	**81,852**	**(18,656)**		**(18,656)**
Allocated costs	**7,851**	**7,851**	**0**		
Net (under) / over recovery at 31 March 2010	**(1,315)**	**0**	**(1,315)**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Staff Car Parking
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	21,806				
08/09 bfwd (under) / over recovery	1,130			Average price per pass was £764 vs Table 6-3 forecast of £621 (incl RPI uplift).	4,688
				Average number of passes issued 30,006 vs Table 6-3 forecast of 32,617.	(1,995)
Total Revenue	**22,936**	**20,243**	**2,693**		**2,693**
				Additional staffing costs.	(96)
				Coaching & Fuel - additional schedules and increased fuel costs.	(789)
				Maintenance & Equipment.	(814)
				Public Transport Levy (PTL) - Reflects reduced pass numbers.	40
				Other small increases in rates, general expenses and indirect charges.	(208)
Direct Expenditure	**10,007**	**8,142**	**(1,866)**		**(1,866)**
Allocated costs and Annuity	**12,101**	**12,101**	**0**		
Net (under) / over recovery at 31 March 2010	**828**	**0**	**828**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Airside Licences
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	1,031				
08/09 bfwd (under) / over recovery	(118)				
				Actual Licence cost £2,294 vs Table 6-3 forecast £2,027 (Incl RPI uplift).	106
Total Revenue	**913**	**807**	**106**		**106**
				Increased direct staff costs to reflect agreed focus on airside activities.	(295)
				Small savings across property, maintenance and general expenses.	73
Direct Expenditure	**613**	**391**	**(222)**		**(222)**
Allocated costs and Annuity	**415**	**415**	**0**		
Net (under) / over recovery at 31 March 2010	**(116)**	**0**	**(116)**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Electricity
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	25,609				
				Actual ave price 15.4p vs Table 6-3 forecast Ave price 11.9p (Incl RPI uplift)	8,697
08/09 bfwd (under) / over recovery	125			Total electricity consumption was 11% lower than Table 6-3 forecast,	(11,153)
09/10 costs waived	1549			In addition 3rd party share also reduced by 8% points vs Table 6-3 from 41% to 33%.	
				Actual number of units 176.7m vs Table 6-3 forecast 248.9m.	
Total Revenue	**27,283**	**29,739**	**(2,456)**		**(2,456)**
				Reduced consumption reflected in lower direct costs.	3,409
Direct Expenditure	**18,808**	**22,217**	**3,409**		**3,409**
Allocated costs and Annuity	**7,521**	**7,521**	**0**		
Net (under) / over recovery at 31 March 2010	**954**	**0**	**954**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Fixed Electrical Ground Power (FEGP)
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	7,518				
08/09 bfwd (under) / over recovery	715			Actual Rate £3.04/Qtr Hour vs Table 6-3 forecast £3.22 (Incl RPI uplift).	(416)
				2.48m vs 2.30m in Table 6-3 qtr hour periods charged (7.8% higher).	1,243
Total Revenue	**8,233**	**7,406**	**827**		827
				Higher electricity usage reflected in higher costs.	(124)
				Lower maintenance costs.	336
Direct Expenditure	**2,979**	**3,191**	**212**		212
Allocated costs and Annuity	**4,215**	**4,215**	**0**		
Net (under) / over recovery at 31 March 2010	**1,039**	**0**	**1,039**		

Income is charged per qtr hour periods, whereas Electricity costs represents the actual cost of the electricity supplied.

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Heating & Ventilation
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	1,235			T5 Energy Centre costs were not included in the Table 6-3 submission, neither was the reduction in the other boiler houses caused by the relocated usage. The additional costs and revenue reflect the net increase in the provision of H&V facilities.	20
08/09 bfwd (under) / over recovery	(233)				**20**
Total Revenue	**1,003**	**983**	**20**		
				Staff - T5 Energy Centre costs	(137)
				Gas costs	105
				Maintenance & Equipment - T5 Energy Centre costs	(182)
				General expenses - T5 Energy Centre costs	(3)
				Indirect charges - T5 Energy Centre costs	(59)
Direct Expenditure	**980**	**704**	**(276)**		**(276)**
Allocated costs and Annuity	**867**	**867**	**0**		
Net (under) / over recovery at 31 March 2010	**(844)**	**(588)**	**(256)**		

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Making every journey better

Water & Sewerage
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	1,034				
08/09 bfwd (under) / over recovery	68			Actual ave price £3.18 vs Table 6-3 forecast ave price £1.83.	467
				Actual number of units 346.9k vs Table 6-3 forecast 525.7k.	(327)
Total Revenue	**1,102**	**962**	**140**		**140**
Direct Expenditure	**610**	**613**	**3**	Direct Costs are materially consistent with Table 6-3	
Allocated costs and Annuity	**349**	**349**	**0**		
Net (under) / over recovery at 31 March 2010	**143**	**0**	**143**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Security Documentation
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	2,699				
				Actual unit prices vary depending on the type of pass required.	
08/09 bfwd (under) / over recovery	(219)			Ave Price per pass was £61.63 vs Table 6-3 forecast of £90.05 (incl RPI uplift)	(1,117)
				Ave number of passes issued 43,800 vs Table 6-3 forecast of 31,587	752
Total Revenue	**2,480**	**2,845**	**(365)**		**(365)**
Direct Expenditure	**1,401**	**1,383**	**(18)**	Direct Costs are materially consistent with Table 6-3	
Allocated costs and Annuity	**1,462**	**1,462**	**0**		
Net (under) over / recovery at 31 March 2010	**(382)**	**0**	**(382)**		

Note: Due to the predominantly fixed nature of the total costs, usage volume reductions will lead to an increase in the price per unit.
Conversely, usage volume increases will result in a decrease in the price per unit.

Bus & Coach
2009-10

3rd Party Element only

	Trading Statement £'000	Table 6-3 £'000	Variance Table 6-3 £'000	Commentary on variance	£'000
Revenue per 09/10 Trading Statement	1,556				
08/09 bfwd (under) / over recovery	0				
Total Revenue	**1,556**	**1,438**	**118**	Change in 3rd party share (lower proportion of notional income from local bus services).	**118**
Direct Expenditure	**419**	**113**	**(306)**	Higher CTA cleaning and Station Management costs.	**(306)**
Allocated costs and Annuity	**3,420**	**3,420**	**0**		
Net (under) / over recovery at 31 March 2010	**(2,282)**	**(2,095)**	**(188)**		

Note: Bus and Coach income is based upon commercial agreements with suppliers, therefore any (under)/over recoveries are not rolled forward into the following year's price setting.