



# Heathrow H7 Revised Business Plan Summary

December 2020

**Heathrow**

# Contents

Introduction from the CEO	3
H7 Outcomes for consumers	6
Heathrow before Covid-19	17
An unprecedented crisis	25
Listening to our customers	35
Our Revised Business plan	42
Updating our plan in 2021	64

## Introduction from the CEO



The world has changed significantly since our Initial Business Plan (IBP) in December 2019. Covid-19 has led to an unprecedented decline in passenger volumes and revenues. While the suspension of the Airports National Policy Statement has been overturned by the Supreme Court, the promise of expansion is currently secondary to the need to survive. Our strong financial platform and the support of our shareholders has allowed us to raise the funds we need to remain solvent. We entered the crisis efficient, and have dramatically reduced costs to protect the business, while delivering record levels of service.

The actions we have taken have enabled Heathrow to continue to serve the UK as its only hub airport and biggest port. We have never compromised the safety of our passengers or colleagues. We have remained open throughout, acting as the air bridge for vital supplies of medical equipment and repatriating Britons from all over the world. We have taken a leading role in encouraging governments to reopen borders safely and pioneered different testing technologies. But none of this distracts from the core fact: we will serve 100m fewer passengers in 2020 and 2021 than anticipated. We entered this crisis lean, and despite cutting half of our management and one quarter of all front-line colleagues, we are still losing over £5m every day.

These problems are exacerbated by the regulatory and policy environment that, even if not intended that way, has done more to hinder than to help. Government has imposed quarantines, delayed the introduction of testing solutions, removed VAT Free shopping and excluded Heathrow from full business rates alleviation. The CAA has acknowledged that Covid-19 constitutes exceptional circumstances. It was also one that was not allowed for in the Q6 settlement. Despite this the CAA has not yet

taken the required regulatory action to mitigate the impact.

Over the past 15 years, we have invested £11 billion of low-cost private money to transform Heathrow from being a national embarrassment to a highly efficient world class airport serving 81 million passengers a year. But now the combined effect of Government policies and slow or inadequate regulatory action is harming the UK's reputation as a low risk, well regulated market and jeopardising future investment in UK infrastructure.

In this context, it has become very difficult to reconcile the two primary responsibilities of the CAA – to consumer interests and to financeability – in a single H7 plan:

Meeting increasing consumer expectations: Consumers still tell us they want a high level of service. Covid-19 has further heightened expectations on cleanliness and reassurance. At the same time, aviation needs to decarbonise within 30 years if it is to have a future. Delivering the outcomes that consumers value and will accelerate their return to flying requires targeted investment in infrastructure and processes.

Keeping the business financeable: our financial structure is fully strained, and our investment grade credit rating is under threat – with catastrophic consequences if we undergo another downgrade. Shareholders have lost three quarters of the value of their investment. The risk of investing in airports has permanently shifted even as investors now question whether the UK regulatory environment is fair, predictable and consistent.

It is in our commercial interests to keep aeronautical charges affordable at a time when we are competing for every passenger. But now we must fund a £16 billion asset base with far fewer passengers and higher risk. No matter how lean we have become, the consequence of more risk and lower passenger volumes using the same infrastructure is an increase in airport charges in H7. If we do nothing, the H7 charge could rise close to £40, far beyond the £26-£29 range we proposed in the IBP.

How we meet this challenge will have major impacts for airport users for years to come. Our plan puts consumers first, makes Heathrow even more efficient and uses the tools of regulation to manage uncertainty. It is also built on the solid foundations of thousands of hours of consumer research

and listening to airline needs in Constructive Engagement.

The H7 charge in this plan is £29.89 - higher than we want it to be, but the lowest we can get to while still generating enough cashflow to be financeable. We have pulled every lever at our disposal to ensure it is as low as possible. We are relying heavily on long-term support from our private investors to mitigate the economic pressures and keep the charge affordable. Above all else, to work, the plan needs Government and the CAA to act.

The sooner we work together to get consumers back flying, the sooner we restore the unique economics of our hub airport. Only a hub offers passengers and cargo customers direct flights to the destinations they want at a time that is convenient with a choice of airlines. Only a hub airport can connect all of Britain to global growth and get its exports to the world.

Our plan is simple but radical:

- **Deliver for our future consumers.** Consumer expectations are continually increasing and our plan delivers against these expectations. All this requires targeted investment in H7 which we are committed to

making. Better, more sustainable journeys, for both passengers and cargo, will in turn accelerate the return of demand.

- **Keep Heathrow efficient and competitive.** Fares will stay competitive if consumers have a choice of airlines and we create the commercial environment for airlines to grow and new ones to enter. If we can incentivise growth, passengers will have more choice of destinations and airlines, and more value for money fares. Incentivising growth and driving further efficiencies in Heathrow's operation will need a long-term approach, supported by long-term investors over at least a 5-year period.
- **Restore investor confidence in regulation.** A balanced and stable regulatory framework is the key to navigating out of this crisis. The right framework is essential to reduce airport charges by £8.55 in our plan. A RAB adjustment now provides Heathrow's shareholders with confidence that investment is a "fair bet". That lowers the cost of finance and also allows us to smooth depreciation in H7. A stable 5-year settlement, with appropriate risk sharing, is needed to unlock the

efficient investment to meet consumer service expectations. Risk sharing will not only control investor risk, which keeps prices down, it will also allow airlines to benefit from lower charges if we are successful together in growing passenger numbers ahead of expectations. Everything we propose is in the long-term interests of Heathrow's consumers; is backed by a robust evidence base proving that this is the case; and is fully consistent with the CAA's statutory powers and legal duties.

These three parts of our plan are interdependent – they cannot be cherry-picked. But our ability to pull those levers is dependent on restoring investor confidence in regulation and a recovery in passenger numbers. Efforts to hold down the charge will be undermined, if either fail to materialise. Private financing is a hard constraint on our ability to deliver.

There is no magic solution – an equity injection cannot fix the fundamental need to meet minimum cashflow metrics to retain our A- investment grade credit rating. That is a rating that the CAA and DfT acknowledge allows us to invest efficiently. Wishful thinking cannot remove the fundamental

need for sustainable long-term returns and a recovery in demand. These are choices for the Government and the CAA. Their decisions will determine whether the UK continues to enjoy a world leading hub airport and environment for investment. We need the CAA and Government to act, and they have all the powers to do so.

We entered the crisis fit and have taken difficult decisions to protect our business. Passengers and cargo still want and need to fly. Global Britain after Brexit needs its hub airport and biggest port to thrive. With the right framework for efficient investment, regulation can plot a path for Heathrow to become an even better airport for consumers and the engine to drive local and national economic recovery.

Let's get on with it.

A handwritten signature in blue ink that reads "John Holland-Kaye".

**John Holland-Kaye, Heathrow CEO**

# H7 OUTCOMES FOR CONSUMERS



## H7 Outcomes for consumers

In this section we summarise:

- The findings of our extensive consumer research and how our plans respond to their needs.
- The impact of our plans on the airport charge, including the steps taken to mitigate increases driven by economic shifts outside of our control.
- The importance and interdependence of our financial measures in delivering better outcomes for consumers and keeping the charge affordable.
- How a sustained recovery in passenger volumes is the only means to a lower airport charge.

## H7 Outcomes for consumers

We have invested significant time in understanding the outcomes consumers want as well as any changes to their needs post-Covid. We have tailored our business plan around our comprehensive consumer insight. We aim to protect the advances in service made over Q6 and incrementally improve outcomes over H7. Heathrow's consumers have told us:

- **Since Covid-19 emerged they have heightened expectations around ease, cleanliness and reassurance.** It is not yet clear if this is a permanent change but it is a “no regrets” decision for us to focus on passenger journeys that are touchless, security that is hassle-free, enable real-time information to be sent directly to smartphones and ensure colleagues are on hand to support if things go wrong. If we want to keep delivering the same consumer outcomes we need to invest or change the way we operate to respond to those needs – we cannot stand still.
- **They continue to seek direct flights to the destinations they want, from a choice of airlines, and at a price they are willing to pay.** We need to accelerate the return of hub economics that support airline competition and choice by incentivising growth of all airlines – including new entrants – all the while ensuring a competitive cost of operation.
- **They continue to expect their journeys to be sustainable. They do not see Covid-19 as a reason to slow down decarbonising flight.** We intend to make targeted investments to take carbon out of the operation and incentivise the cleanest and quietest aircraft.
- **They are less likely to engage in our traditional retail in shops.** But they increasingly value and would enjoy shopping online and expect convenient delivery to their seat or destination. We intend to invest in digitising airport retail to increase the selection of products while offering hassle-free delivery on arrival or in the departure lounge.





Our consumers have told us:



*HEADLINE FEEDBACK*

**Four out of five passengers** are worried about contracting Covid-19 whilst at an airport terminal building.

Enhanced cleaning so surfaces are Covid-19 safe was the top, or at least top-three priority, for all consumer groups.

**67% of users** preferred plans which offered targeted improvements in service.

**Only 2% of passengers** were willing to accept a reduction in service in return for fares decreasing slightly.

*"I want to travel in an efficient, safe and reliable way at a cost I can afford."*

*"There is a wide range of airlines flying to a wide range of destinations. The only reason I ever use any airport is that it can provide flights to my chosen destination."*

*"Information - I think this is kind of there, but given that we might be expected to undergo new [health] screening, how about expected times to queue for screening/security/etc.?"*

*"A clean, comfortable place to sit away from people - and the noise. A place that's sanitised, where people are made to sanitise and behave in a way that does not compromise other travellers."*

## Consumer insights into our plans

These consumer insights are the golden thread through our plans. We make material improvements with this RBP by focussing targeted investments on the outcomes we know consumers value the most and which will be essential to enable to the recovery of passenger numbers as quickly as possible.

This is why we have considered it is both in the short and long term interests of consumers to adopt a business plan – and require a regulatory settlement – which allows for targeted improvements to support recovery rather than simply focusing on “cost cutting”.

Figure 1: Impact of Consumer Outcomes on our plans



Source: Heathrow

## Airport Charge & Our mitigations

The airport charge is a critical output of the financial plan. The airport charge is not the same as the fare that is paid by consumers, which is based on supply and demand for travel and competition between airlines. However, consumers will consider all elements of their journey when considering whether it represents value to them.

The H7 average charge is £29.89, in line with the range we proposed in the IBP.

This is despite significant upwards pressure driven by three fundamental shifts in our economics post-Covid-19 that are out of our control:

- Passenger numbers are significantly lower than anticipated with 85m fewer passengers than our central IBP 2R forecast – an entire year of lost passengers over the period. While we have made big cost reductions where possible, we still need to finance a £16 billion asset base that will be used by far fewer passengers than it was designed for.
- The risk of operating and investing in the airport has undergone a paradigm shift.

Table 1: RBP Building Blocks Summary

*All charges in this document are in 2018 prices unless otherwise stated.*

	2022	2023	2024	2025	2026	H7
<b>Passengers (mppa)</b>	51.9	60.5	66.5	72.0	74.5	<b>325.5</b>
<b>Non-aero Revenue (£m)</b>	775	884	924	979	998	<b>4,560</b>
<b>Opex (£m)</b>	(1,029)	(1,093)	(1,135)	(1,152)	(1,157)	<b>(5,567)</b>
<b>Average RAB (£bn)</b>	18,124	18,430	18,866	19,417	20,065	
<b>WACC</b>	<b>8.00%</b>					<b>8.00%</b>
<b>Aero Charge (£)</b>	<b>29.89 average charge</b>					<b>29.89</b>

*Source: Heathrow*

The parameters that are used to set the WACC have all shifted and our credit has been downgraded. This inevitably leads to a higher cost of capital than put forward in our IBP. We consider that this is a long-term change in the perception of risk.

- Our costs and revenues have been hit by Covid-19 and Government policy. Dealing with Covid-19 adds some costs, while Government continues to levy almost the same business rates despite passenger numbers being materially lower. The combination of a shift in passenger mix, change in behaviour (e.g. decline in use of foreign currency) and changes to VAT regulations are cutting commercial revenues. The net result, even after significant mitigation, is a reduction in our non-aeronautical P&L, putting further pressure on charges.

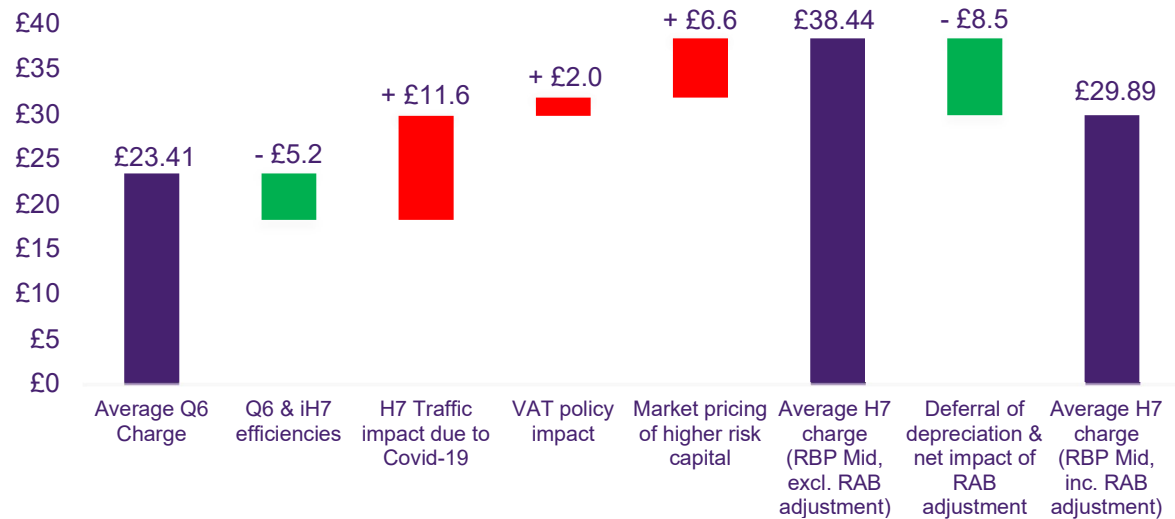
Left unmitigated, the combined impact of these shifts is an increase to the charge to £38.44 per passenger.

We recognise the need to ensure airport services remain affordable and propose a raft of measures that will mitigate the increase on the airport charge:

Figure 2: Impact of our mitigations on the charge (£ 2018 p)

	Airport Charge	Operational Drivers	Financing Drivers
<b>Average Q6</b>	<b>23.41</b>		
Q6 / iH7 cost efficiencies		(5.2)	
H7 Traffic impact due to Covid-19		11.6	
VAT policy impact		2.0	
Market pricing of higher risk capital			6.6
<b>RBP Mid pre-mitigation</b>	<b>38.44</b>		
Deferral of depreciation & RAB adjustment			(8.5)
<b>RBP Mid post-mitigation</b>	<b>29.89</b>	<b>£8.5</b>	<b>£1.9</b>

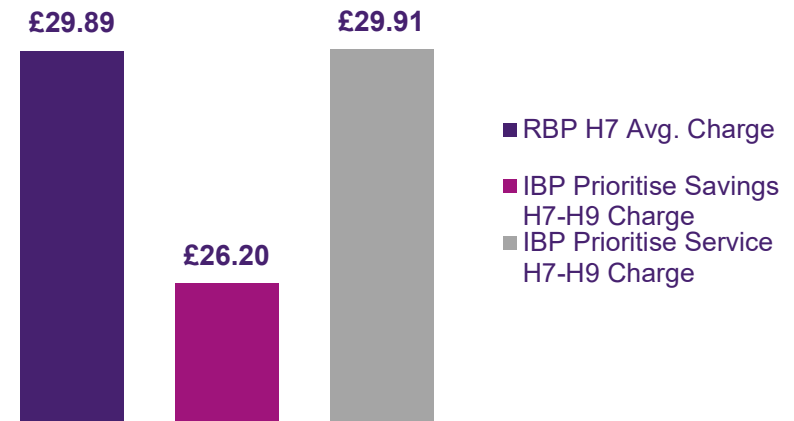
Figure 3: Waterfall illustration of impact of our mitigations on the charge



Source: Heathrow

- We have proposed an adjustment to our RAB to ensure there is continued confidence in the regulatory process while minimising any increase on the charge and keeping it lower than it would be without a RAB adjustment. We forecast that a return to predictable regulation could reduce the cost of capital by 149 basis points (from 9.49% to 8.0%). It also creates the financial capacity to enable the suspension of an element of regulatory depreciation for the duration of H7. The combined impact of this change reduces the unmitigated charge by approximately £8.55 per passenger – putting c. £2.5bn back into the pockets of airlines or consumers over H7.
- We have proposed flat charges over the period in H7. Coupled with the depreciation reduction this ensures that charges are at the lowest level possible over the period. The P0 increase in 2022 is required to ensure that our plan is financeable. By avoiding subsequent charge increases we ensure that prices are as low as they can be during the period.
- We have listened to airline feedback and cut back our capital investment plan to no more than £3.5bn. The majority of this plan is based on what is strictly necessary to keep the airport safe and operational. Any discretionary spend beyond that is targeted at making Heathrow even more efficient or to increase commercial revenues – invested only if there is a strong business case to do so. These investments mitigate the increase in charges and support airline ambitions to reduce their costs by enabling the automation of more processes above and below wing.
- We have presented options to make more efficient use of airport infrastructure. We want to explore these further with airlines. These include reopening Terminal 4 later into H7 without harming service, with resulting cost savings flowing to consumers through a lower charge.

Figure 4: RBP charge relative to IBP options



Source: Heathrow

The combined impact of these mitigation measures is to reduce the charge from £38.44, to £29.89. As a result of these measures, our proposed airport charge is within the range proposed in our Initial Business Plan.

We are also interested in exercising other levers that can bring the airport charge down further. These include a longer regulatory period that would allow the later years, where demand has recovered, to offset weaker demand in the earlier years. Our plan is contingent on the CAA accepting a minimum five-year regulatory period. We also consider a sensitivity for a seven-year period that could reduce the average H7 charge by a further £1.07 relative to a five-year period.

## Keeping Heathrow financeable is key to consumer outcomes

Fundamental to ensuring our plans are financeable and affordable are the RAB adjustment, and a similar risk-sharing mechanism going forward, an 8.00% WACC and the suspension of £635m p.a. of regulatory depreciation. These three concepts have a critical relationship with each other where one cannot change without a necessary impact on the other.

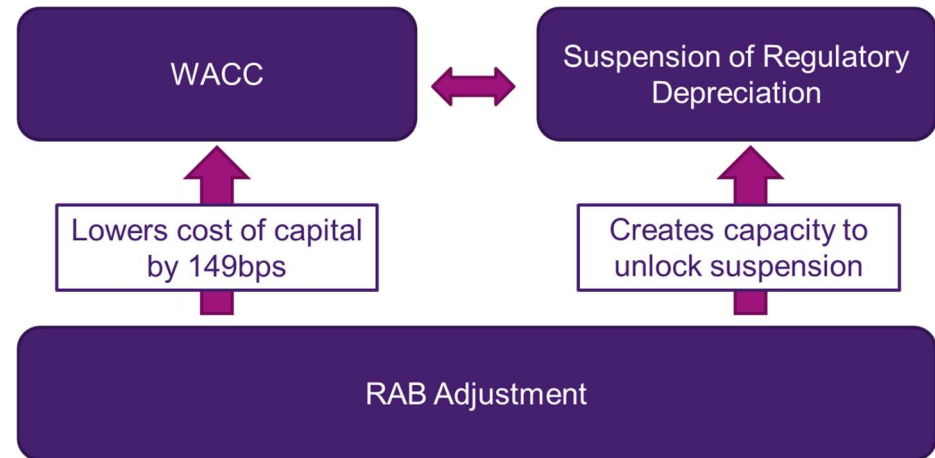
These three, alongside passenger numbers, determine the cashflow generated over H7. Cashflow generation is a key metric that determines our credit rating. Cherry-picking any one of these three measures without regard to the others would result in a charge below what is needed to meet the metric. This would trigger a catastrophic downgrade to our credit rating.

The need for an investment grade (A-) credit rating is accepted by the CAA:

- *“A credit rating materially lower than the existing A- rating referred to above would not be compatible with efficient financing.”* CAP1876
- *“It is important that the price control we set for HAL allows it to finance investment efficiently. While the level of capex will be much lower, given we are focusing on HAL operating a two runway airport with expansion paused, HAL will continue to have a very substantial RAB to finance as well as its ongoing investment.”* CAP1940

Heathrow’s credit rating has already been downgraded once since the outbreak of the Covid-19 pandemic. A further downgrade would mean losing our investment grade rating, which is critical to secure efficient

Figure 5: Relationship between RAB Adjustment, WACC and Regulatory Depreciation



Source: Heathrow

access to debt capital to keep the airport safe and compliant. Higher cost of debt is ultimately borne by consumers through higher charges, and the maintenance of those ratings is therefore undeniably in their interest.

The consequences of a further downgrade of credit rating also threaten the long-term viability of our business. We have been able to survive this crisis to date by virtue of being able to raise capital to support our liquidity. Without access to that capital there is a real risk to solvency. Heathrow is not just the front door for passengers but the front door for investors too. The financial future of Heathrow does not only have consequences for the aviation industry but all regulated businesses in the UK.

This plan delivers affordable airport services, ensures the plan is financeable and is in the interest of consumers. It would violate the CAA' duties to consumers, investors and efficiency to cherry-pick the proposals we have made on RAB adjustment, regulatory depreciation and cost of capital. The absence of a RAB adjustment would not only increase the WACC and make any suspension of regulatory depreciation impossible – increasing the charge by £8.55 – it would also constrain our capital plans, leading to worse consumer outcomes. Consumers paying more for less would be a failure of regulation.

## Only sustained passenger volume growth can lead to a lower airport charge

We recognise there will remain a desire on the part of airlines for even lower charges but there are few levers left to reduce the charge below £29.89 and keep the plan financeable:

- Following the management actions taken this year in response to Covid-19, in the short-term operational costs cannot be radically reduced further without compromising safety and security or impacting service. Our plan continues to target efficiencies in the medium term.
- The threat of further downgrade is driven by asymmetry between risk and return, not by leverage alone.
- An injection of equity cannot solve for the cashflow-to-debt metrics that determine the cash flow requirements that in turn determine the credit rating.

The only route to a sustainably lower charge is through passenger growth. The higher the volumes, the more efficiently our asset base is being utilised and the lower the charge. While volumes remain lower than pre-Covid levels, those assets are being used less fully and the charge remains higher.

A P90 passenger forecast, with all other building blocks kept the same, would reduce charges to £25.29. This is why this plan is focused on what is in our control to accelerate recovery, yet the biggest lever to do it is out of our hands. Passenger volumes are dictated by airline recovery strategies, but those are based on:

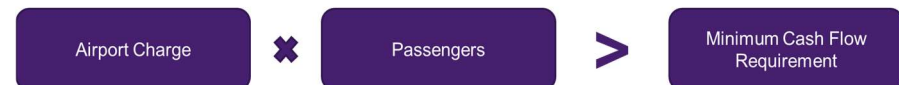
- Introducing mass testing and the withdrawal of travel restrictions that enables demand to return in the short-term.

- The evolution of the Covid-19 pandemic and its economic impact, which are dependent on the deployment of an effective vaccine.
- The level of air passenger duty, which is significantly higher than airport charges as a proportion of passenger fares.

Government has a critical role in recovery of passenger volumes and has more levers than we do to lower the airport charge.

We intend to update our building block forecasts twice in 2021. Doing so will calibrate our plan to the latest available information. If we have grounds to be more optimistic, a higher passenger forecast will naturally put downward pressure on the charge. Equally, the opposite could be the case and forecasts become more pessimistic and the charge increases.

Figure 6: Minimum cash flow requirement as a product of charge and passenger numbers only



Source: Heathrow



# HEATHROW BEFORE COVID-19



## Heathrow before Covid-19

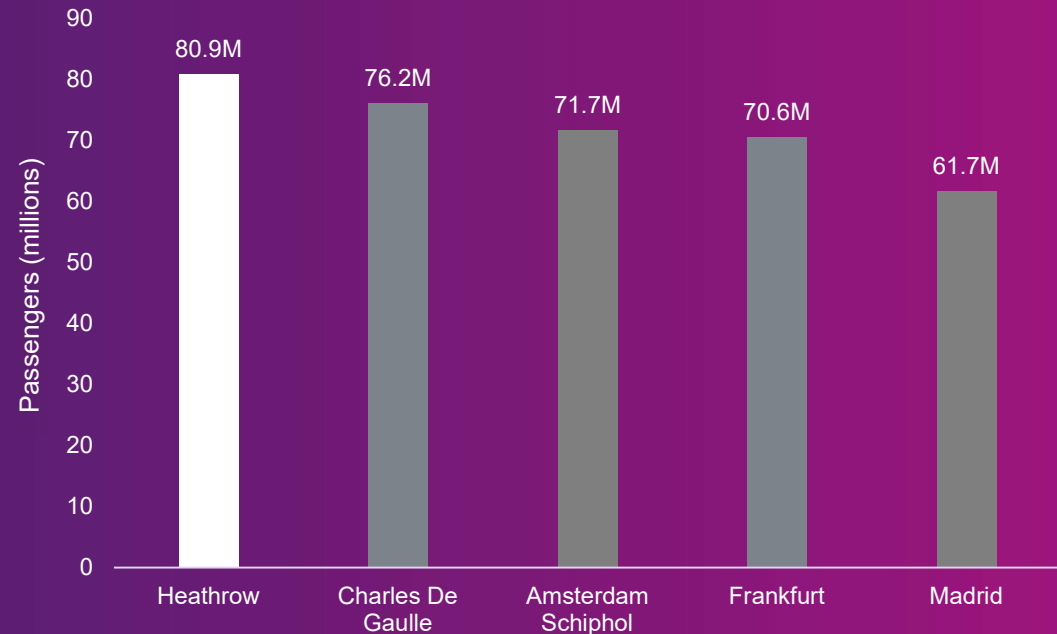
Heathrow is the UK's only hub and before Covid-19 we served more passengers than any other airport in Europe with 81 million passengers in 2019.

Figure 7: Heathrow's 2019 route network and airlines



Source: Heathrow

Figure 8: Top 5 European Airports by Passenger Numbers

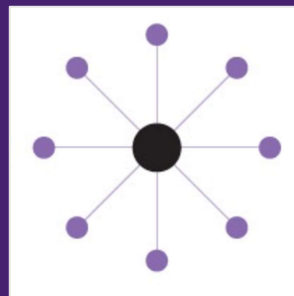


Source: Airport websites, Eurostat

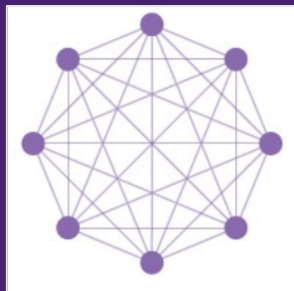
## The unique benefits of Heathrow as a hub

A hub airport is different from point-to-point airports as it aggregates passenger and cargo demand together across its hub and spoke network. Doing so means greater choice of destinations at a higher frequency – particularly to long-haul destinations. With a vibrant domestic network and strong surface links spanning all regions and nations, Heathrow helped connect all of the UK to global growth.

Figure 9: Efficiency of the hub enables greater connectivity



*HUB: 9 points linked with 8 routes*



*POINT TO POINT: 28 routes required to link 8*

Figure 10: Transfer passengers support long-haul route economics



Source: Heathrow

A unique role for consumers

A hub's broad long-haul network offers passengers and cargo a choice of direct flights with a high frequency and more competition between carriers. In 2019, London was ranked No.1 worldwide for air connections.

Figure 11: New York frequencies and carriers in July 2019

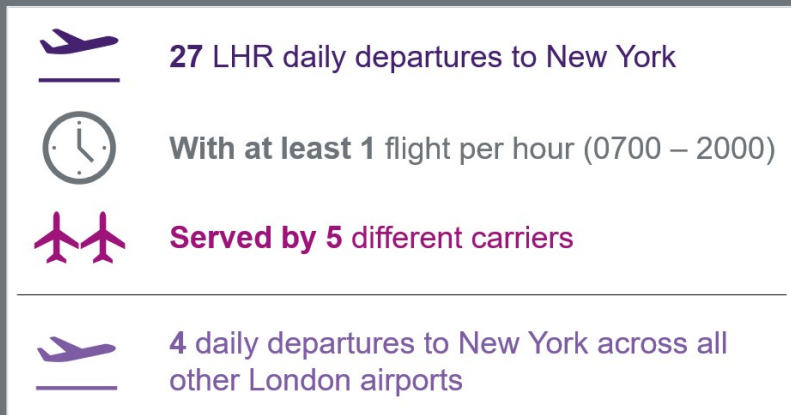
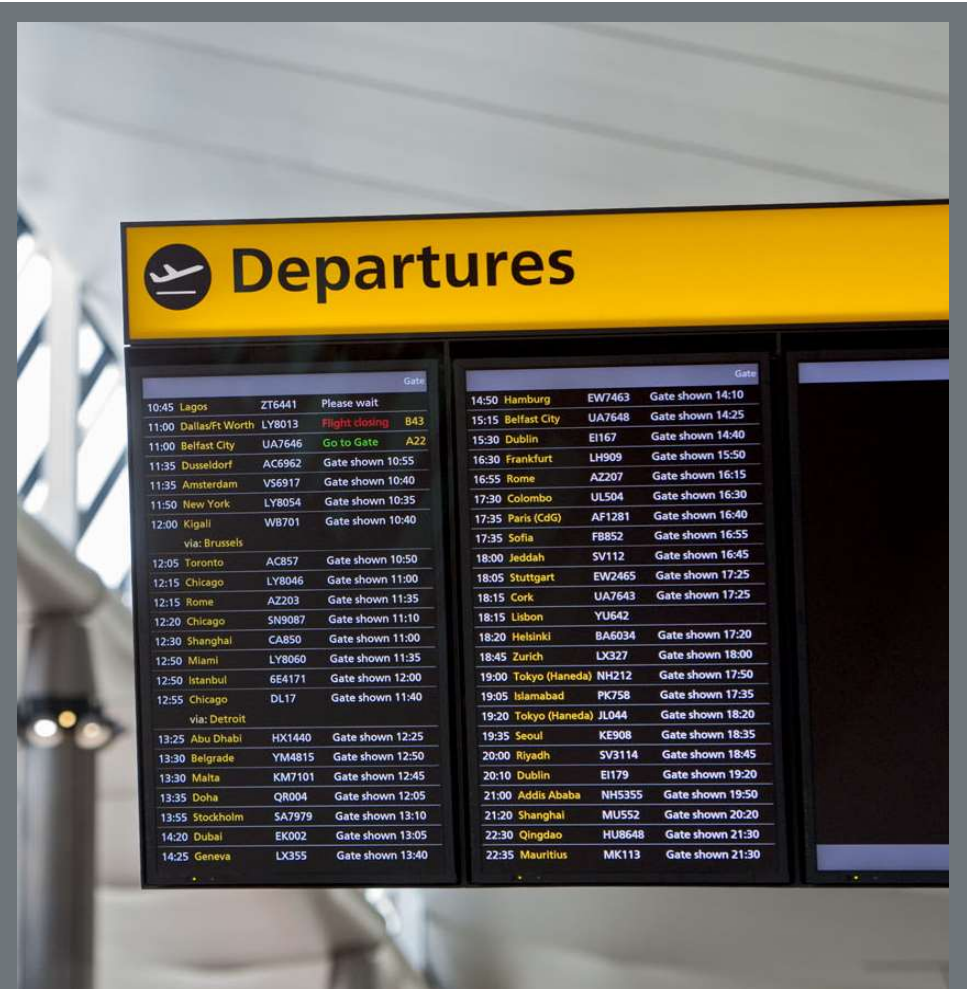


Figure 12: Long Haul Destinations Served Daily from UK Airports (2019)

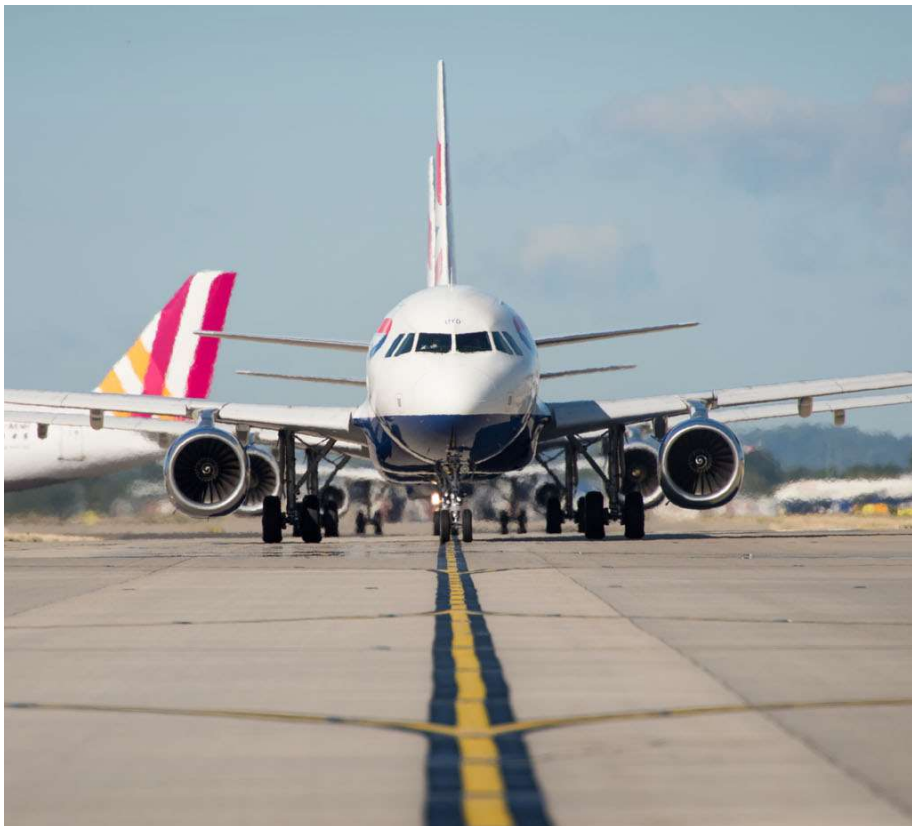


Source (both): Airport IS



## Airline airport of choice

The Heathrow ecosystem is commercially attractive to airlines. It offers a unique blend of business and leisure passengers from beyond just London, as well as a strong cargo demand. All this is aggregated together and supports route economics, ensuring airlines can make profitable returns at Heathrow while keeping fares competitive. This is illustrated by the value they place on slots at Heathrow and the higher profits relative to operating at other airports.



Estimated slot values:

**£0.8-2.5m**

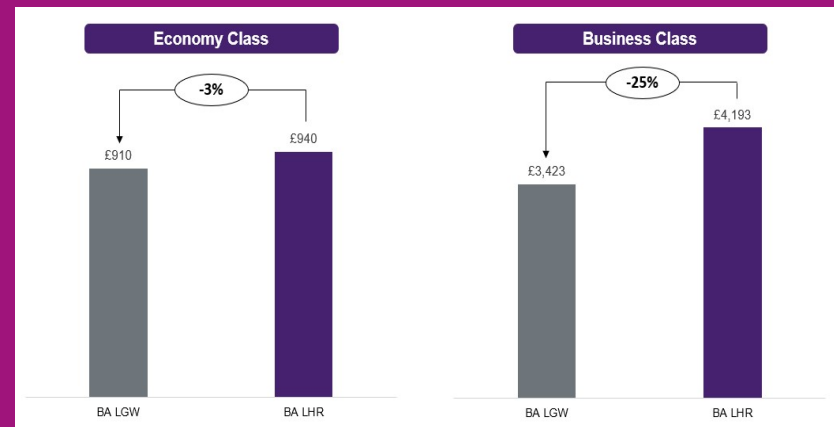
Gatwick

**£15-30m**

Heathrow

Sources: *Financial Times, Forbes*

Figure 13: Yield advantages - British Airways Heathrow & Gatwick Overlapping long-haul routes



Source: *Altus Infare*

The economic engine of west London and the Thames Valley.

Heathrow in 2019 was the UK's biggest employment site. The effects stretch beyond our perimeter fence, supporting jobs across the local area, attracting high-tech industry clusters of international firms attracted to the Heathrow area by unparalleled connectivity.

Figure 14: Employment driven by Heathrow across local boroughs



## At the heart of the UK economy

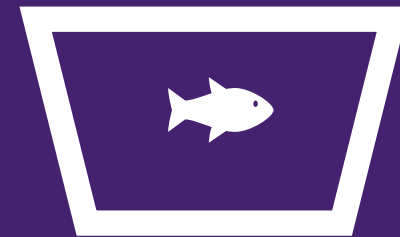
Heathrow gives all of the UK access to global growth – letting business travellers access major markets and win deals. It facilitates lucrative inbound tourism from across the globe. By virtue of the hub, Heathrow is also the UK's most important port, handling over 40% of all UK exports by value outside of Europe.

Figure 15: Cargo at Heathrow



95%

Cargo travelling via Heathrow normally goes in the bellyhold of passenger flights



## The benefits of Heathrow – Passenger Service

In 2019 Heathrow served more passengers than any airport in Europe. Investment had propelled passenger experience from 3.5 on the ASQ survey in the mid 2000s – among the worst in Europe – to 4.29 in Q3 2020 and consistently among the best. Our costs have fallen and so too has our airport charge, which is down over 25% since 2014.

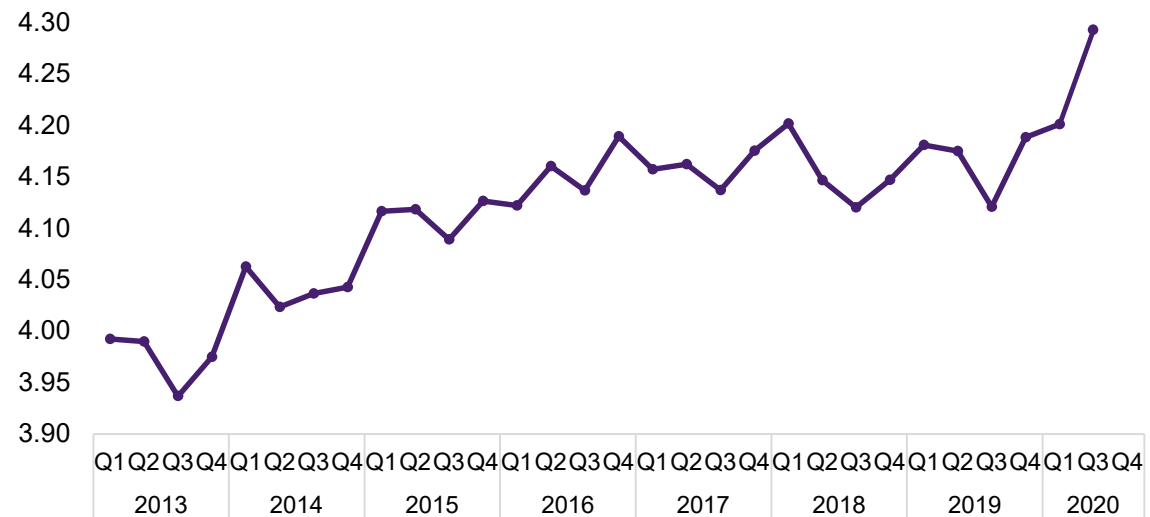
We have pioneered how to operate airport infrastructure efficiently. With 80% departure punctuality, Heathrow is one of the most punctual airports in the UK while also being the busiest two-runway airport on earth. We are world-leaders in airport retail, which supports passenger experience as well as reducing the charge by nearly £10 per passenger. We have been sector-leaders in setting out our role in supporting our local communities and managing our impacts – becoming one of the first airports worldwide to be carbon neutral and committed to net zero by 2050.

This success would not be possible without:

- a continuous focus on service and responding to consumer needs.
- investing in the infrastructure to support the economics of a hub airport that gives passengers choice of destination and airlines, as well as delivering wider benefits.
- the capacity to invest, to innovate and to lead that is enabled by fair and predictable regulation, underpinned by statutory duties to consumers, sustainability and investors.

When we look to a world beyond Covid-19, we need to remain focused on these first principles that made Heathrow so successful. Each of these principles underpin the three elements of our plan.

Figure 16: Heathrow quarterly ASQ scores (2013-2020)



Source: ACI ASQ Passenger Survey – note the survey was suspended in Q2 on Covid-19 safety grounds



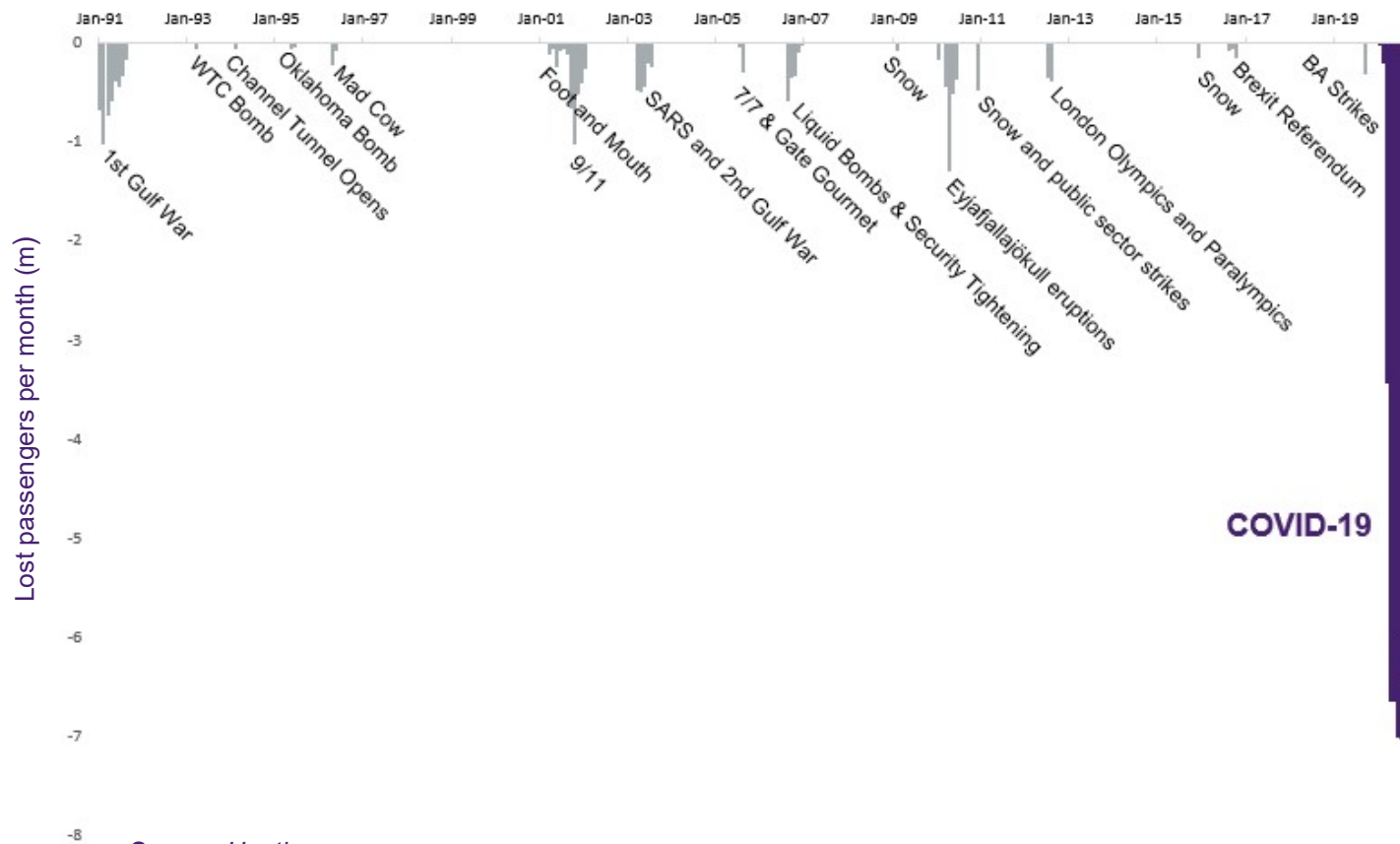
AN  
UNPRECEDENTED  
CRISIS



## An unprecedented crisis

Aviation, and Heathrow, has never faced a crisis on the scale of Covid-19. Over 2020 and 2021 we expect to lose over 100 million passengers relative to original forecasts. Heathrow has been shown to face far greater risks than previously understood, with a far greater risk profile than other regulated businesses.

Figure 17: Covid-19 dwarfs previous shock events



## Protecting the business during the Covid-19 crisis

We have taken extensive and prudent action to protect the business, manage our liquidity, save jobs for colleagues and above all ensure we continue to deliver for consumers. We have:

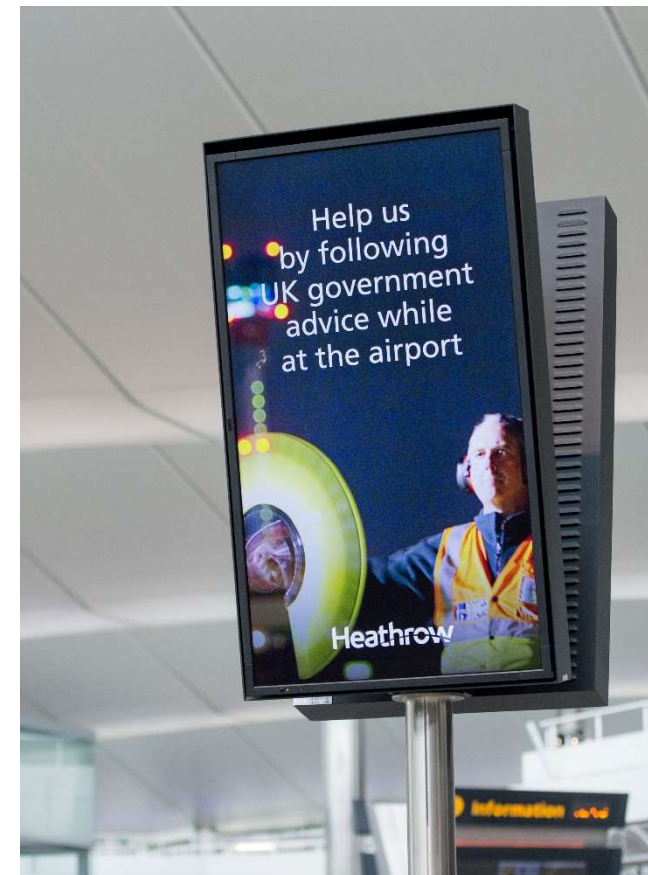
### Accessed and drawn on all sources of liquidity:

- Suspended all dividends and leaned on shareholder support even as they have seen over three quarters of their investment lost.
- Drawn down all liquidity facilities and obtained covenant waivers for 2020/21.
- Raised £1.4 billion across three public bond transactions.
- Injected £600m of new capital into the regulated business via a facility signed at ADI Finance 2.

**Preserved liquidity by cutting our capital programme for 2020 from £1.9bn to £428m** (nominal, over £300m of which had already been spent in H1 2020) and to £374m (nominal) for 2021.

**Identified and executed at least £300m of cost savings, equivalent to an annualised saving of over 30% – and over 60% on controllable costs – actions have included:**

- Consolidating operations onto one runway and into Terminals 2 and 5, allowing us to cut operating costs and defer capex on terminal maintenance.
- People cost savings including temporary pay reductions of 10-25% for all colleagues; a company-wide reorganisation where over 1,800 colleagues (c.25%) have or will soon have left the business; furloughing over 50% of our colleagues; and removing legacy terms and conditions.
- Renegotiating or cancelling almost every supplier contract.
- Stopping all non-essential spend including difficult but necessary decisions to suspend our free travel zone and passenger ambassadors.



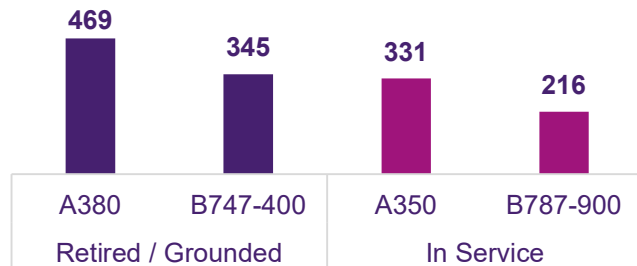
## H7 challenges and Covid-19 recovery

We face the challenges of H7 from this diminished business and demand base. As we recover from Covid-19, our overwhelming priority into H7 will remain to protect the business as:

### Demand is volatile and depressed

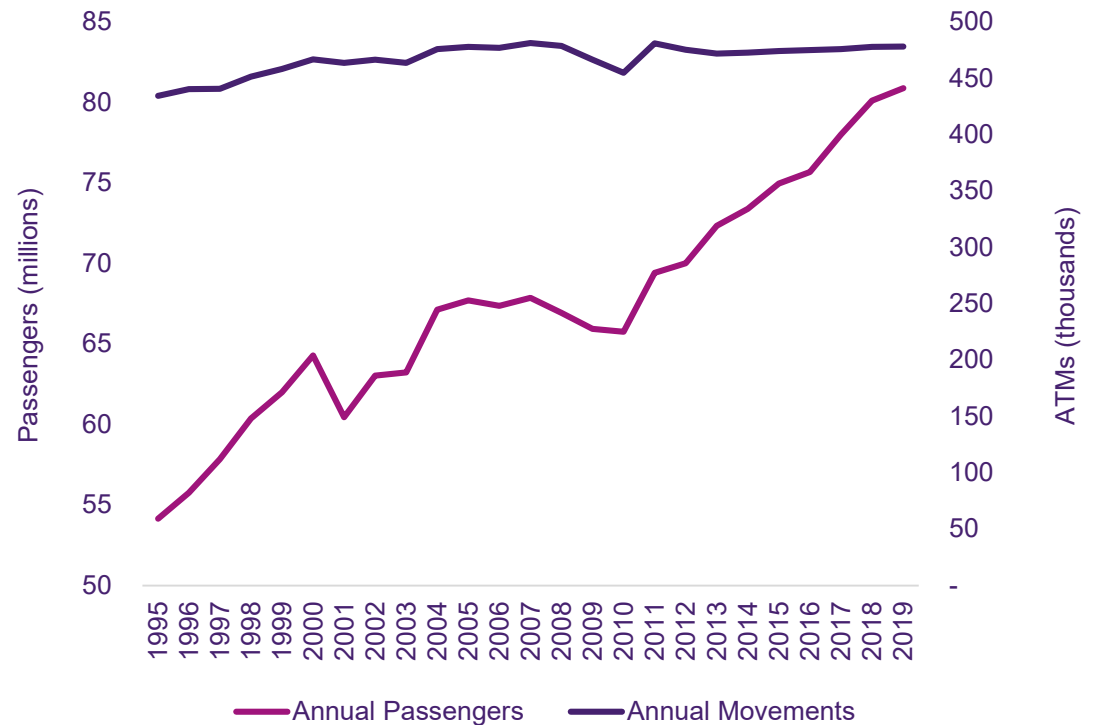
It is unlikely that passenger numbers will return fully back to pre-Covid levels in H7. Airlines have already made fleet changes so that on average aircraft now have fewer seats. Load factors are lower and will take years to recover. Moreover, the hub model – typically our strength – has exposed Heathrow to the crisis more than a point-to-point airport. Connections, long-haul and business traffic will be slower to recover, if at all, and all need to come together to rebuild the unique ecosystem of the hub. In addition, the regulatory building blocks formula means that the consequence of having fewer passengers with an existing asset base and fixed costs is pressure on the airport charge.

Figure 18: British Airways Widebody Aircraft Seats



Source: CAPA

Figure 19: Heathrow annual movements and passenger numbers 1995-2019

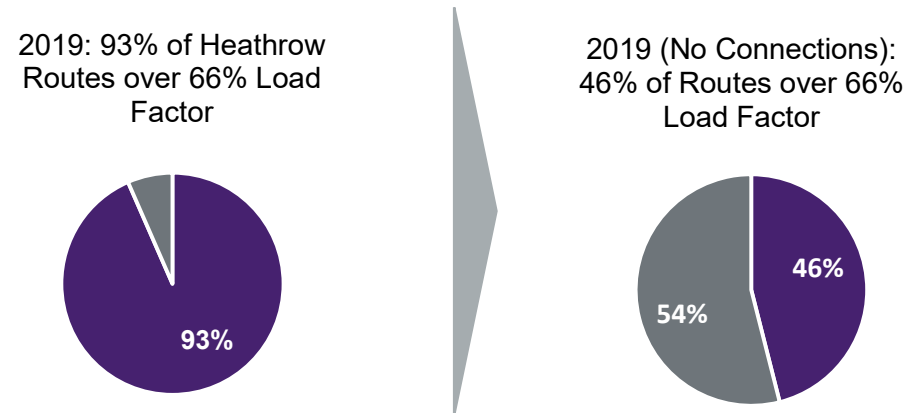


Source: Heathrow traffic data

The economics of running the airport have shifted against us

Covid-19 has introduced significant new costs and will depress the non-aeronautical revenues we can generate. Volatile passenger volumes make efficiently planning the operation more challenging. Fewer business and long-haul passengers mean lower spending in our terminals. That is made immeasurably worse by imminent Government changes to airside VAT rules. The aggregate effect is an airport with higher costs to operate and lower revenues per passenger to offset those costs – meaning the airport charge becomes higher.

Figure 20: Illustration of connecting passengers' impact on route economics (66% load factor assumed to be breakeven)



Preserving cash will remain important well into H7

Source: Heathrow traffic data

To protect our viability as a private business, we will need to continue to repair the damage that Covid-19 has caused. That could mean constraining capital investment long into H7. We will need to prioritise critical replacement and maintenance. Without mitigation this could risk investments in improving passenger experience, efficiency and revenue generation.

There has been a paradigm shift in how investors perceive us

The significant risks in airport investment have been magnified by Covid-19. We have now entered a more uncertain, volatile and inherently riskier era for all airport investors. Our credit rating has already been downgraded, with increases to the cost of borrowing. The lack of a quick regulatory intervention to stabilise the framework is harming investor confidence in regulation and the regulator. Higher real and perceived risk for equity and debt investors leads to a higher airport charge to support our assets and investment.

This RBP aims to address these challenges, but we rely on the CAA responding effectively. If the CAA does not, we face a downward cycle as investment slows, service levels fall behind our competitors and the charge increases unnecessarily.

Consumers will be paying more for less. This will happen at a time when the London and European airport markets have never been more competitive, with a chasm opened between supply and forecast demand. This is a recipe for falling behind and threatens our ability to restore the hub that so benefits passengers, airlines and the UK economy.

When considering the CAA's primary duty, a diminished hub is clearly not in the interest of consumers. They want direct flights at the right times of day, from a choice of airlines and at price they can afford. If the hub fails, or Heathrow loses out to European competitors, consumers will pay the price through inconvenience, less choice and higher fares.

A diminished hub is not in the interest of other airport stakeholders either:

Figure 21: Daily direct destinations from Heathrow – July 2019 vs 2020

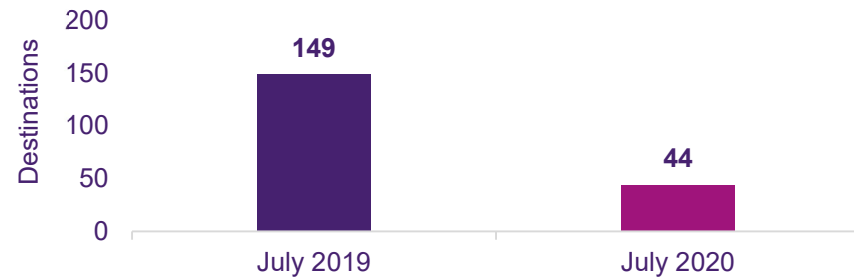


Figure 22: Heathrow routes operated by multiple airlines – July 2019 vs 2020

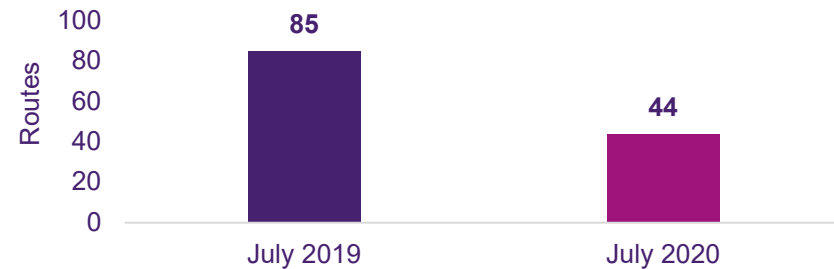
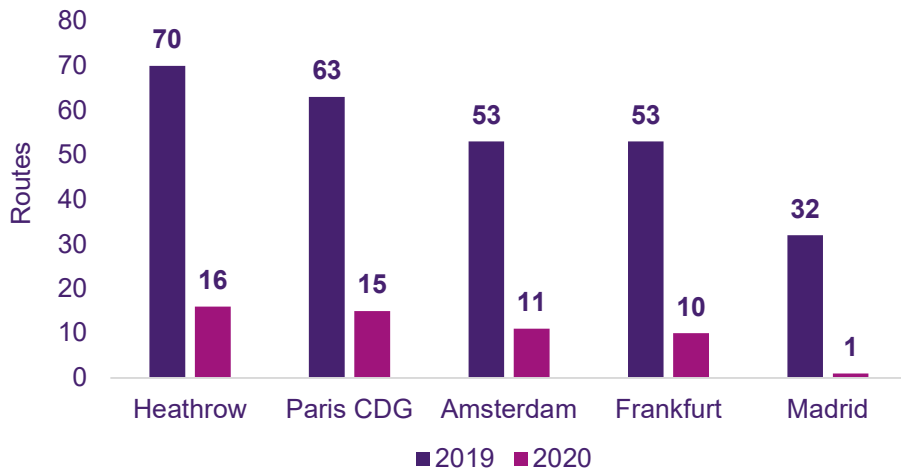


Figure 23: Heathrow average daily departures per day – July 2019 vs 2020



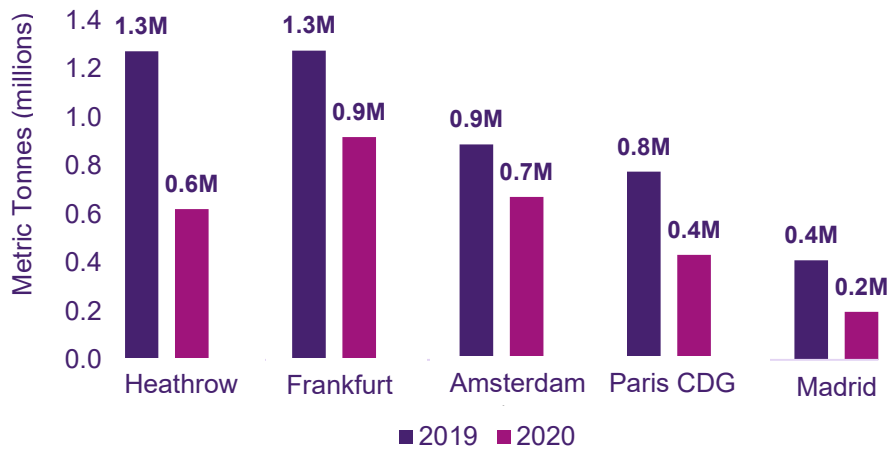
Source (all): Airport IS Schedule Data

Figure 24: European hub long haul daily routes – July 2019 vs 2020



Source: Airport IS Schedule Data

Figure 25: European hub long haul outbound cargo capacity (full year 2019 vs projected 2020)



Source: Seabury

**UK businesses** need a hub airport that connects them – and their exports – to global growth. The unique ecosystem created by the hub facilitates the 40% of all non-EU exports by value that fly through Heathrow. Our connections support the UK as a convenient base for international businesses. If that ecosystem collapses, or is diminished, so too will the UK’s competitive edge. Their interests are a fundamental consideration for the CAA, whose primary statutory duty is to further the interests of *both* passengers *and* cargo owners.

Table 3: Change in global city connectivity – September 2019 vs 2020

Ranking	September 2019	September 2020
1	<b>London</b>	Shanghai
2	Shanghai	Beijing
3	New York	Guangzhou
4	Beijing	Chengdu
5	Tokyo	Chicago
6	Los Angeles	Shenzhen
7	Bangkok	Los Angeles
8	Hong Kong	<b>London</b>
9	Seoul	Dallas
10	Chicago	Atlanta

Source: IATA

Our **colleagues** and our **local community** need a thriving economic centre that supports hundreds of thousands of local careers, particularly for young people starting out. A thriving airport also unlocks more investment in sustainability. A declining hub will not only mean fewer careers at the UK's largest single employment site but will also cut thousands of local firms out of supply chains and rip the economic heart out of west London and the M4 corridor. It will also slow down Heathrow's world leading investment in making the airport a great neighbour.

Figure 26: Economic impact of reduced activity at Heathrow

### Economic Impact of Reduced Activity at Heathrow

↓ **37,000** fewer jobs in 2021, compared to 2019

↓ **16,000** resident jobs lost across Heathrow area in 2021

🪙 **£4bn** loss of gross contribution to GDP

Source: Oxford Economics





Our **airline customers** want an airport that is attractive to passengers, easy to get to and pass through and cost efficient from which to operate. The hub airport aggregates the demand and facilitates the connections to make that possible. But once demand is depressed, networks shrink, yields could fall, and charges can rise as the fixed costs of infrastructure are spread across fewer passengers.

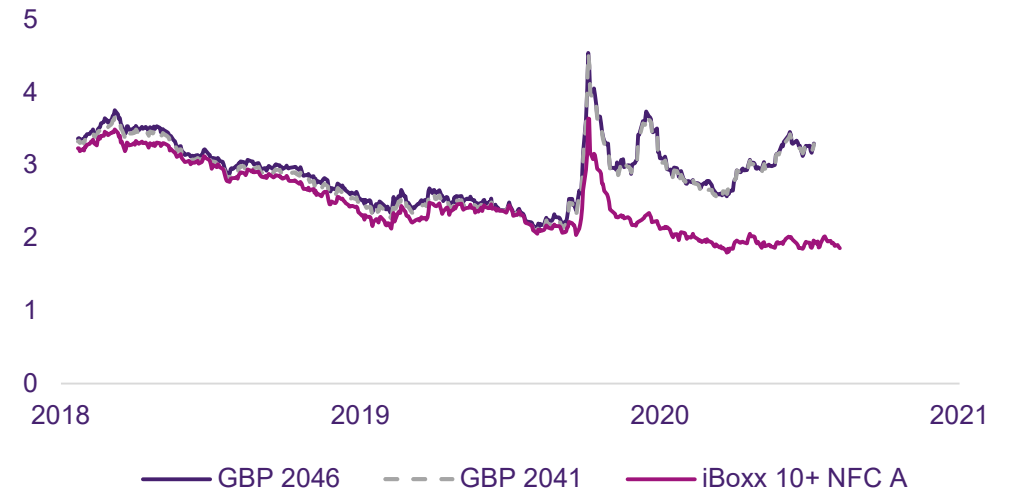
While away-based carriers might shift to other airports, our hub carriers that have invested in significant facilities here stand to suffer the most – as will the consumers who rely on them. The CAA ought to consider the interests of airlines to the extent it is satisfied those interests align with the interests of consumers.



**Heathrow's investors** have taken a major hit. Shareholders have already seen returns lower than those targeted by the regulator consistently for nearly the last twenty years. The pandemic has confirmed once and for all that airports are not a utility and that Heathrow is exposed to big traffic and business risks.

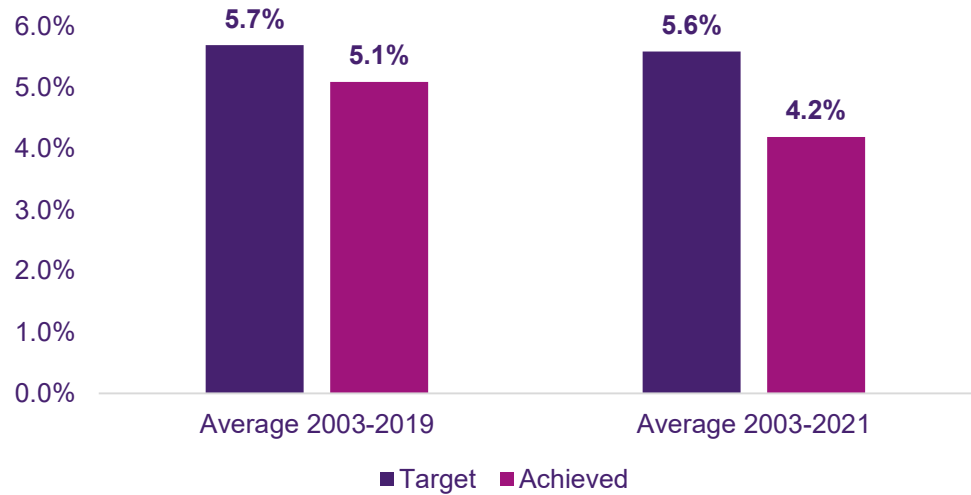
Without fair and stable regulation that can respond effectively to a crisis such as Covid-19, both private financing and efficient investment are undermined. This raises the cost of operating and improving the airport over the long term.

Figure 27: Comparison of Heathrow bond spread with IBoxx



Source: Heathrow

Figure 28: Heathrow pre-tax return on RAB



Source: Heathrow

# LISTENING TO OUR CUSTOMERS



## Listening to our customers

Every business plan should start with understanding our customers. Heathrow has developed a base of multifaceted consumer insights that give us a comprehensive view of what our current and future passengers value. We also have a joint governance structure built around consulting airlines on capital and operational decisions. Input from both have built upon the IBP to further shape the RBP.

### Consumers

Since 2017, we have engaged with over 1 million consumers to inform both our IBP and RBP. We commissioned an independent social research agency, Blue Marble, to integrate the large volume of consumer insight from our research into a manageable and practical guiding framework; the resulting insights synthesis is based off their analysis of 250 individual consumer research and insight reports.

The synthesis has now been run three times, with each iteration validating the earlier version. As part of this process, Blue Marble established the five key areas of consumer need: Airport Choice; Predictable and Reliable Journey; Basic Comforts; I feel cared for and supported; and I have an enjoyable experience at the airport.

Figure 29: Heathrow Consumer Outcomes



Source: Heathrow

Enjoyable and Connected Experience; and Cared For.

Passengers still want direct flights to destinations they want to go to, at the right time, with a choice of airlines and products, at a price they can afford. They still value feeling comfortable and secure, cared for and supported and want their journey to be predictable and reliable. They want their experience to be enjoyable and they want to feel confident getting to and from the airport. The consumer outcomes defined in our IBP remain relevant and are our north star when assessing the trade-offs in our H7 plans.

This does not mean Covid-19 has had no impact on what consumers want and expect from air travel. There is good evidence, consistent since the outbreak of Covid-19, that the hierarchy of what consumers prioritise has changed.

- 79% of current consumers and 82% of potential passengers are worried about contracting Covid-19 while at an airport terminal building.
- Enhanced cleaning to ensure surfaces are Covid-19 safe was the top, or at least top-three priority, for all consumer groups (direct/ connecting/ current / potential).



There is also no evidence that consumers would accept any reduction in service, and in fact the evidence demonstrates that consumers were willing to pay for more:

- 67% of consumers preferred plans which offered targeted improvements in service particularly for punctuality, baggage and passenger experience and were

willing to pay more for these to be delivered.

- Only 2% of passengers were willing to accept a reduction in service in return for fares decreasing slightly.
- 41% of passengers said they would use Heathrow less if we were to introduce the deterioration in service that was least acceptable to them.

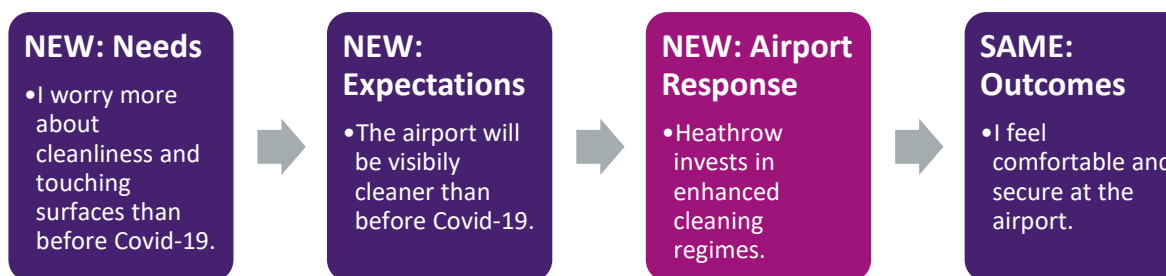
Our consumer insights are clear: if we want to keep consumer outcomes the same we need to change, and that as a result of Covid-19 consumers expect more, not less. Doing nothing and not responding to changes to consumer needs and expectations will lead to worse outcomes. This is commercially senseless in a world where we want to accelerate the return of demand and are attempting to do so in a market that is more competitive than ever before.

Our comprehensive consumer research identifies four key areas where we need to respond to specific challenges posed by Covid-19, and where we would have few regrets even if consumer priorities revert to pre-Covid trends.

### The 4 consumer areas we need to respond to:

1. **Easy:** passengers fear that processes will be much more complex. Airport experience should be further streamlined and efficient wherever possible in anticipation.
2. **Clean:** much concern over flying is caused by fear of catching Covid-19. Visible cleaning presence and strict regimes provide confidence and trust to travel.
3. **Reassuring:** some passengers may be more worried about their journey than before. Frequent communications and visible and empathetic colleagues are important to address this.
4. **Value for Money:** customers value a choice of airlines and destinations which lead to better service and lower fares, especially in tough economic times. Heathrow must focus on efficiency and encourage entry of new airlines.

Figure 30: Adapting to Covid-19 consumer priorities



Source: Heathrow

## Other Stakeholders

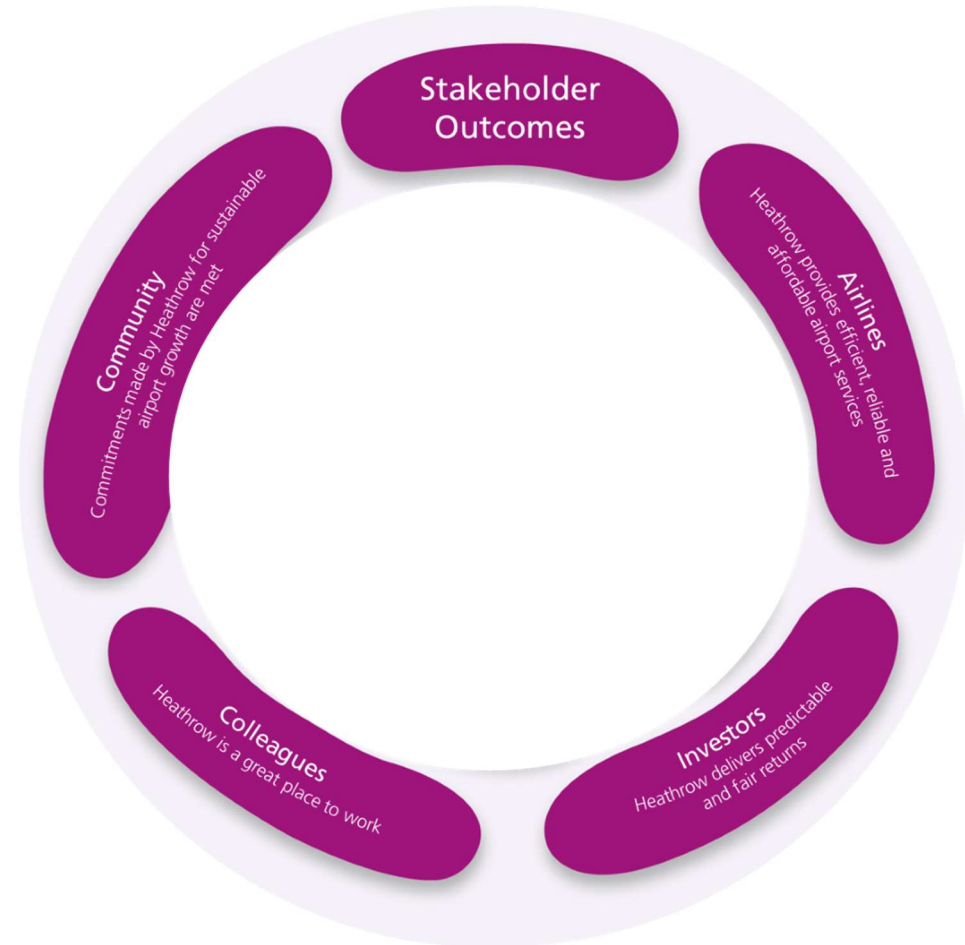
To improve consumer outcomes over the long term we must also take into account the interests of other stakeholders to the extent they align with consumers' long-term interests. In particular, the RBP reflects the in-depth consultation with airlines undertaken through Constructive Engagement.

Airlines need Heathrow to give them the platform to fly commercially viable routes and want airport services to be reliable, efficient and affordable. They too face huge challenges in the aftermath of Covid-19. Collaboration and engagement with the airline community can only improve our plans.

We have taken steps to protect airlines' businesses in 2020, as well as our own. Immediate parking charge alleviations reduced the financial burden on airlines with much of their fleets parked at the airport. We have cut £49m in costs from Other Regulated Charges in 2020 and passed savings through, while jointly exploring ways to smooth spikes in payments. By consolidating passenger operations into Terminals 2 and 5, we have further reduced costs, kept passengers safe and compensated airlines for adjustment costs with a Relocation Support Fund discounting rents. Our airport charge will fall by 10% in 2021, before the benefits of any further growth incentives.

We now want to work with airlines to build back better. To these ends the RBP has taken on airline feedback from nine weeks of Constructive Engagement. This feedback was received over 80 hours of discussion, in addition to 50 hours of engagement relating to the IBP, as well as a formal written airline response. Additional feedback was received through Joint Steering Board, Capital Portfolio Board and other fora.

Figure 31: Heathrow Stakeholder Outcomes



Source: Heathrow

While airline views are sometimes diverse, there are common themes to the feedback:

- Airlines feel more financially constrained than ever before. Above all else they value a charge that is competitive and a regulatory framework that gives them certainty over their operating costs for the regulatory period.
  - In response we have proposed major steps to lower and smooth the airport charge, including measures that suspend elements of regulatory depreciation – lowering the charge by £8.55 per passenger over H7. We have also lowered investments and costs significantly more than in the first updates to our plans we released to airlines at the start of Constructive Engagement.
- While airlines accept the need for some investment, they believe we need to be disciplined to only invest in what is critical – and prioritise discretionary spend based on whether it can deliver further efficiencies.
  - In response, the majority of our capital plan is for critical asset replacement and maintenance only. We outline some discretionary investment but propose that this would be curtailed if passenger numbers fall below expectations. Moreover, any discretionary investment is prioritised for projects that make airport services more reliable, efficient and affordable.
- Airlines acknowledge that investing in the sustainability and decarbonisation of aviation is critical to the viability of our businesses. They want to see investment that delivers the greatest difference for the least cost.





- In response we have put forward an envelope of money dedicated to sustainability business cases. We proposed to work with airlines through the capital governance process to identify the most sustainable investments to decarbonise the airport. We will also continue to create incentive structures through our charging to support the use of the greenest and cleanest aircraft, as well as supporting the take-up of sustainable aviation fuel.
- Airlines accept that Covid-19 and VAT changes have hit non-aeronautical revenues and potentially introduced new, unforeseen costs. They believe it is important for the airport to be innovative and entrepreneurial in finding new revenue streams.
  - In response we have put forward an innovative plan to mitigate impacts on our revenues by digitising our offer and making it hassle-free for passengers.
- They accept that the future is uncertain, that there is little sense in rigidly fixing a view on the future demand or investments now and welcome a flexible framework.
  - In response we have put forward a plan to allow a five-year period to manage uncertainty. We propose to share traffic risk and reward, with further options to extend the period and lower the average charge further if there is appetite to do so.

While we recognise there remain differences in our views on H7, meaningful engagement with airlines has shaped:

- how we forecast demand;
- the size of our capital envelope and what we prioritise;

- how we allocate and structure ORCs; and,
- the significant measures we have taken to mitigate the increase in the charge.

While we are confident in the central thrust of our plan, we would welcome further airline input particularly in areas such as:

- The efficient use of existing airport infrastructure to prolong terminal consolidation and pass through the additional savings to the airport charge.
- The length of regulatory period, where if we could be mutually comfortable with a 7-year period, it would be possible to deliver a lower average charge.
- Pricing certainty and growth incentives that reward those airlines that recover fastest.

# OUR REVISED BUSINESS PLAN



## Our Revised Proposals

Our RBP response to the challenges of 2020 is simple – the sooner we can get consumers back flying, the sooner we restore the economics of our hub airport. Consumers will travel if it is safe, economical and hassle-free. If we match or beat our competitor airports at delivering those things, we will have done what is in our control to accelerate recovery.

This approach is good for consumers as a virtuous cycle can deliver the service they need while bringing down charges over time and supporting investment. It responds to airlines and other stakeholders by trying to contain pressure on charges to keep the airport competitive while meeting core investment needs and driving a better, more efficient Heathrow.

This all requires a flexible plan supported by predictable, fair and balanced regulation. Regulation is precisely designed to be long-term, manage uncertainty and unlock efficient investment. For it to work our plan requires:

- An adjustment to Heathrow’s RAB to restore confidence in the regulator, lower the cost of capital, safeguard financeability and unlock regulatory depreciation to smooth the airport charge.
- A sufficiently long regulatory period – a minimum of five years – to allow us to balance weaker demand in the near term with expectations of a fuller recovery in the long term.
- Clear principles on how the risk and reward of future revenue volatility will be shared to allow the framework to mitigate uncertainty caused by major demand shocks.

Table 4: The three RBP pillars

1. Deliver for our future consumers	2. Keep Heathrow efficient and competitive	3. Restore investor confidence in regulation
Refresh our passenger proposition	Drive recovery by incentivising growth	Evolve the framework to manage a volatile future
Act to cut carbon	Become even more efficient	Enable investment to be made efficiently
Make our cargo offer better	Win back commercial revenues	Unlock growth through Government policy

**These three parts of our plan are interdependent.** They cannot be cherry-picked. We need a stable financial platform, built upon consistent, predictable and balanced regulation, to support the investments and operations that will give consumers what they want. Any changes to proposed cost of capital will impact not only our capital plan but also our capacity to deliver changes to depreciation that help keep the charge low.

External events continue to evolve quickly. We believe the core of this plan is robust to external changes and multiple future scenarios. It is built on the solid foundations of thousands of hours of consumer research and listening to airlines in Constructive Engagement. It puts consumers first, makes Heathrow more efficient and deploys regulation to manage uncertainty.



## 1. Deliver for our future consumers

Consumer research clearly shows that consumers want the same outcomes from their airport experience as before Covid-19. They are looking for direct flights to the destinations they want, at a time that suits them, with a choice of airlines and at a price they can afford.

At the airport they want to feel safe, comfortable and cared for. They want their journey to be predictable both when flying and getting to and from the airport. They want to know that their journey has been sustainable with action taken to decarbonise. Since Covid-19, consumer expectations on what makes their journey safe and comfortable have changed somewhat. They want a visibly cleaner airport, to be put in control of an easier journey and to access information and people for reassurance in a new environment. There is no evidence that passengers will tolerate a drop in overall service.

This pillar maps directly onto the CAA's principal duty to consumers, which requires the CAA to have regard to their broad interests – touching the range, availability, continuity and quality of the services Heathrow provides, as well as the cost.

### Our plans to refresh our customer proposition:

- Invest £420m between 2023 and 2026 in new security (CTC) scanners to make the security journey easy for all passengers and meeting new security standards across terminals to keep passengers safe.
- Invest £374m over 5 years to make the airport more efficient and passenger journeys automated, enabling touchless journeys so passengers can move through Heathrow with more control.
- Invest £1.2bn over 5 years – around 1.7% of our assets per year – to maintain the standards of asset resilience and performance seen in 2019/20
- Implement a service quality regime that incentivises Heathrow to deliver against refreshed consumer outcomes across a wider range of services.

This pillar has three key deliverables:

- Refresh our passenger proposition
- Act to cut carbon
- Make our cargo offer better

#### Refresh our passenger proposition

Consumers expect an airport journey that is easy, clean and reassuring. In H7 Heathrow can create a simpler security process where passengers do not need to empty their bags of electronic items or

liquids. We also want to invest in technology that can make the rest of the passenger journey touchless and automated. These investments would keep improving passenger experience even as we cannot hope to provide new terminals or other major infrastructure until at least H8 if not later.

They help ensure Heathrow remains an attractive place to fly through for passengers compared to European competitors well into the 2020s.

*We want our consumers and stakeholders to experience the following with this plan:*



## Act to cut carbon

One of the biggest challenges for aviation before Covid-19 was to decouple growth and carbon emissions.

Consumer research tells us passengers want this to happen – they do not want to feel guilty about travelling. This sentiment has not changed with the Covid-19 pandemic. Consumers expect an aviation sector that continues to take carbon out of flying.

For Heathrow this means getting our own house in order by decarbonising airport infrastructure. Next, we need to cut carbon on the ground from vehicles and surface access. Finally, but most impactfully for the climate, we must support airlines to make cuts in carbon from aircraft, particularly through sustainable aviation fuels (SAFs).

We need to make real progress by 2030. The UK Government have committed to net-zero by 2050 and UK aviation has led the world in committing the industry to the same goal. As a regulated business we need a plan, and a regulatory settlement, that drives the investment demanded by consumers and Government.

## Our plans to cut carbon:

- Protecting our ability to deliver airspace change with a £150m portfolio to enhance resilience, which provides the biggest reduction in Heathrow carbon emissions as well as boosting resilience and reliability
- Invest up to £150m in supporting the uptake of electric vehicles, rolling out pre-conditioned air at all our stands and cutting our energy use.
- Continue to incentivise airlines to operate the greenest and cleanest of their fleet at Heathrow through our charges structure.
- Work with airlines to help incentivise sustainable aviation fuels at scale from as early as 2022.

*We want our consumers and stakeholders to experience the following with this plan:*

I have a predictable and reliable journey

I have an enjoyable experience at the airport

I feel cared for and supported

**An airport I want to travel from that offers me a good value choice of flights**

I feel comfortable and secure at the airport

I am confident I can get to and from the airport

Airlines  
"efficient, reliable and affordable"

**Community**  
"commitments are met"

Colleagues  
"a great place to work"

Investors  
"predictable and fair returns"

## Make our cargo offer better

Cargo has proved the stabilising lifeline for airlines when passenger demand plummeted with the pandemic. Cargo business will be important to restoring our network of long-haul routes as passenger volumes recover in H7.

We plan to invest to make Heathrow's cargo offer more competitive. We will build a new transshipment facility to reduce the volume of cargo travelling through control posts and introduce freight-only airlock docks in sheds to speed up cargo going through security. New metrics in the outcomes framework will also help us better understand performance to make further incremental improvements over of H7.

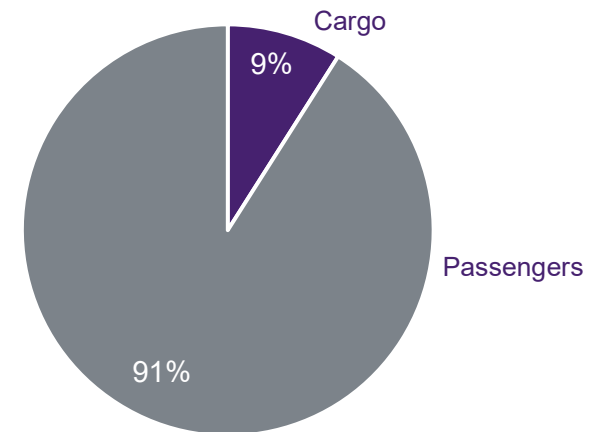


Over 5,260 tonnes of vital medical supplies travelled via Heathrow between January and March, helping those fighting the pandemic on the front line.

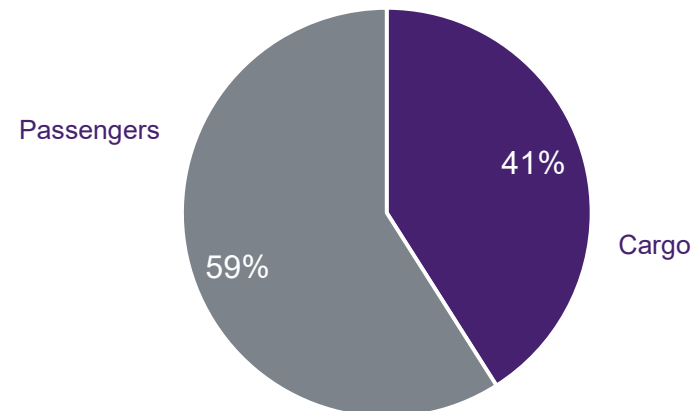
We saw both a record for the number of cargo only flights and for growth week on week for cargo flights during this period.

Figures 32 and 33: Estimated economics of a transatlantic flight before and during the Covid-19 pandemic

Pre-Covid % of flight revenues



During Covid-19 % of flight revenues



Source: IATA



## Our plans to make our cargo offer better:

- Cargo becomes a key component of our £347m portfolio to win the recovery by making us more efficient.
- Investments being considered include:
  - A new transshipment facility to reduce the burden on control posts while improving speed and competitiveness for cargo on the Heathrow airfield – potentially halving processing times.
  - New airlocks for cargo sheds to improve speed through perimeter security, improving handler efficiency.
- Track new cargo performance metrics to enable further incremental gains in H7.

*We want our consumers and stakeholders to experience the following with this plan:*



## 2. Keep Heathrow efficient and competitive

Consumers want their flights to be value for money. Passenger demand is stimulated by the fares airlines offer. We help deliver attractive fares by supporting competition and choice. That drives down fares and expands the mix of products on offer. To support competition we must make useable capacity available to all airlines and ensure the airport charge is competitive to incentivise airlines to grow and new ones to enter.

Heathrow was cost efficient entering into the crisis and the tough decisions we have taken since have made us leaner still. Our plan highlights the investments we want to make to remove even more costs. It also outlines new options to make savings if we can work more closely with airlines to use the airport more efficiently.

This pillar maps directly to the CAA's duty to promote economy and efficiency. This pillar has three key deliverables:

- Drive recovery by incentivising growth
- Become even more efficient
- Win back commercial revenues



## Drive recovery by incentivising growth

Airlines have traditionally made significantly higher profits at Heathrow relative to other airports. That premium has been supported by constraints on capacity, as well as the strong overall service and surface access offer. If we were to see more airline failure or retrenchment, passenger choice and fare competition could narrow further.

Heathrow needs to attract new airlines and support incumbent airlines to grow capacity back. The airport can do this through incentives to grow, including a competitive airport charge. Therefore, we are proposing to reduce and smooth the charge with regulatory depreciation and lowering the cost of capital. Both these steps are based on having a Covid-related adjustment to the RAB and a WACC of 8.00%.

If we can be more confident of new airlines entering where spare capacity exists, then we can be more confident about volumes. The airport charge will fall as the costs of the airport are spread across more passengers. It is self-evidently not in the consumer interest if capacity at Heathrow is left unused when there are airlines willing and able to use it.

## Our plan to drive growth:

- Keeping the airport charge competitive by:
  - adjusting the RAB to unlock a lower cost of capital and suspending regulatory depreciation to take £8.55 off the average H7 charge.
  - proposing at least a five-year regulatory period (2022-2026) to smooth out spikes in prices in the critical early years of the recovery.
  - working with airlines to increase certainty over pricing structure for the charge and ORCs over H7 to help them efficiently invest.
- Incentivising growth and new entrant airlines by:
  - offering airlines, including new entrants, incentive schemes to grow back faster, building on models developed in Q6 and iH7.
  - engaging new airlines to attract them to Heathrow, building on lessons learnt in 2020 on how to adapt our commercial and operating model to accommodate a more diverse set of commercial needs
  - supporting the reform of slot allocation guidelines in the UK post-Brexit to facilitate the efficient use of capacity at Heathrow.
- Improve the competitiveness of Heathrow's cargo offer by cutting processing times for transshipment cargo in half and speeding up security processing for direct cargo - supporting route economics, particularly while passenger numbers are lower.

We are also investing in making our cargo proposition more competitive with faster processing speeds and more cost-efficient for airport and airlines. This supports the route economics of airlines, particularly on critical long-haul routes where passenger demand will be slower to recover. This

helps to restore the unique benefits of the hub sooner.

*We want our consumers and stakeholders to experience the following with this plan:*

I have a predictable and reliable journey

I have an enjoyable experience at the airport

I feel cared for and supported

**An airport I want to travel from that offers me a good value choice of flights**

I feel comfortable and secure at the airport

I am confident I can get to and from the airport

**Airlines**  
“efficient, reliable and affordable”

**Community**  
“commitments are met”

**Colleagues**  
“a great place to work”

**Investors**  
“predictable and fair returns”



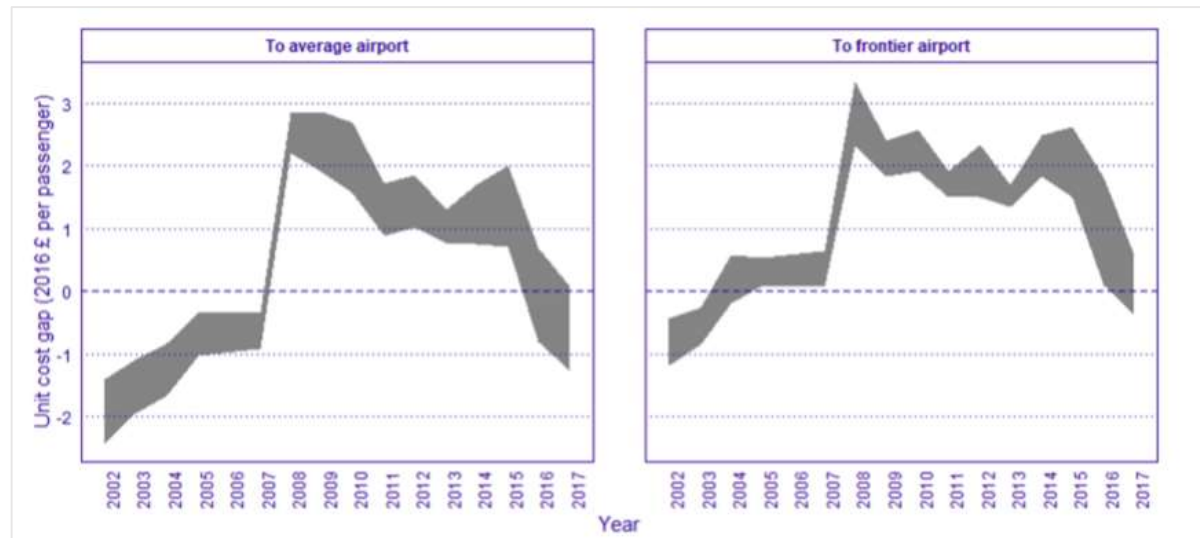
Become even more efficient

In our RBP we presented extensive benchmarking that showed that before Covid-19 Heathrow was among the most efficient airports of its kind.

In 2019 KPMG undertook econometric modelling to investigate the operating cost efficiency of Heathrow. They used data from 28 UK and international airports with data from 2000 to 2018. It identified a range of robust econometric models that showed that in 2018 Heathrow was more efficient than the average airport and in line with the most efficient airports. The graphs to the right show the range of outcomes from the modelling.

We have made further material savings in 2020. These came from drastic choices in the crisis. We seek to retain as many of these gains through H7 to make us even leaner. We have agreed a mechanism with airlines to support permanent changes in people costs and the benefits – expected to be up to £35m per year when back at 2019 passenger levels – are fully reflected in the plan. We are also targeting ongoing productivity gains every year, that will accumulate to over £160m in savings from 2022 to 2026 reflected in the airport charge.

Figure 34: Heathrow operating cost gap against the average and top performing airport operations (2016 prices)



Source: KPMG

Combined, we will have made £367m of savings in core operating costs over the H7 period. In 2026 this results in core operating costs being 9% lower than they would otherwise have been. This is in addition to flowing through the impact of lower volumes in our modelling.

However, Covid-19 has also introduced new costs and made planning for efficiencies more difficult as passenger numbers will be more volatile. We have allowed £11m for additional Covid-related costs each year. Some other costs that have temporarily

reduced in 2020 will come back as demand returns.

These pressures are even more reason to strive for efficiencies in how we operate. We have approached the RBP by leaving no stone unturned to find new processes or investments that will progressively make Heathrow more efficient, enable Heathrow businesses to make cost reductions and to mitigate for Covid-19 headwinds. Most important of these are plans for targeted investments in automation and technology. Projects that make the biggest cost impact

are prioritised in our capital proposals. Largest of these are the investments in new security scanners that promise higher flow rates and less resource intensive processes for Heathrow, airlines and handlers. We will not invest for the sake of it, but only where it will materially lower our operating costs or those of our customers.

Our central case assumes that we will not restart operations in Terminal 4 until mid-2023. This requires a focus on operational efficiency and changes to processes by both airport and airlines but flows through into a further reduction on the charge. There could be opportunities to extend the cost savings of consolidation further without necessarily harming our ability to serve demand but would require further changes to airline processes in order to protect service outcomes for consumers. We will work with airlines to explore this option further in 2021.

## Our plans to become even more efficient:

- Save £367m in core operating costs over H7.
- Retain savings from Q6/iH7 and flow through benefits up to £35m p.a. in permanent changes in people costs in line with community proposal.
- Drive ongoing productivity savings of £160m over H7 to keep Heathrow at the benchmarked efficiency frontier.
- Invest an additional £130m in transforming security processes to lower operational costs while delivering a better service.
- Reduce the burden on control posts from cargo movements, allowing for efficiencies to be made on campus.
- Create an investment allowance of £374m for projects that will remove fixed costs through investments in automation and efficiency and help airlines to cut their own operating costs.
- Work with airlines to make better use of existing infrastructure to prolong cost savings of Terminal 4 consolidation into H7 without impacting service levels.

*We want our consumers and stakeholders to experience the following with this plan:*

**I have a predictable and reliable journey**

I have an enjoyable experience at the airport

I feel cared for and supported

**An airport I want to travel from that offers me a good value choice of flights**

I feel comfortable and secure at the airport

I am confident I can get to and from the airport

**Airlines**  
“efficient, reliable and affordable”

**Community**  
“commitments are met”

**Colleagues**  
“a great place to work”

**Investors**  
“predictable and fair returns”



## Win back commercial revenues

For two decades or more Heathrow has been a pioneer in airport shopping. For 8 years it has been named the Best Airport in the World for Shopping by Skytrax. Our ability to build great commercial spaces filled with the brands customers want means we have generated more non-aeronautical revenue per passenger than other major airports across the world.

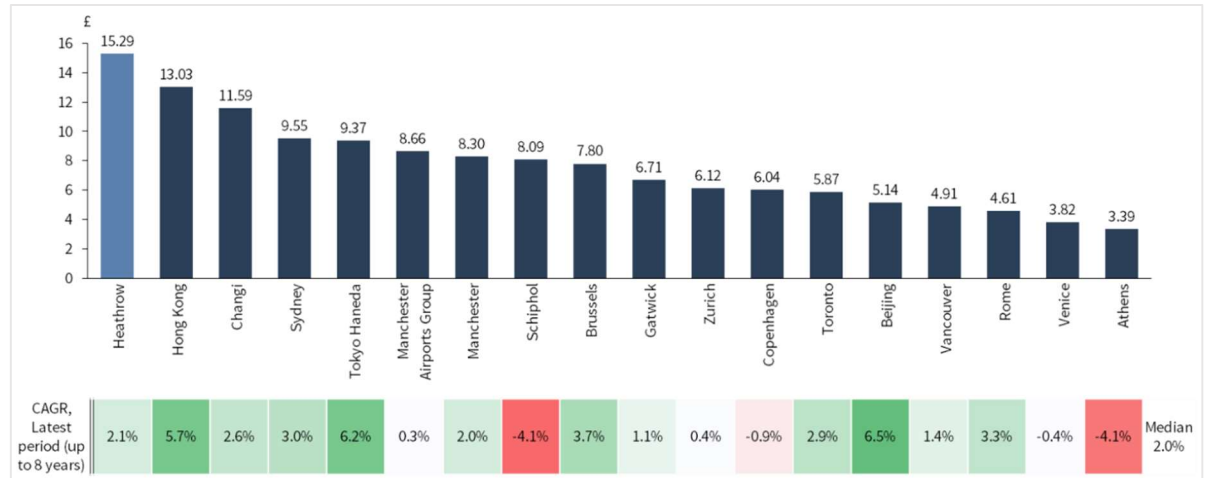
This revenue helps keep the airport charge competitive through our single till. In 2019 the non-aeronautical income – i.e. retail and other services such as rail, parking, property, ORCs and advertising – covered the airport operating costs.

Covid-19 has triggered or accelerated big challenges to our commercial model:

**Retail:** Existing trends reshaping wider retail have sped up at airports this year. Consumers switched rapidly to digital-led engagement with our offer. A passenger mix weighted more towards short-haul travel is forecast to depress average transaction values. All this is made far worse by unexpected Government changes to VAT and airside shopping.

**Property:** Commercial property development has been paused as the market has been hit by Covid-19. We are now exposed to rising risks of commercial tenants failing.

Figure 35: Non-aeronautical revenue per passenger, latest year available and CAGR latest period



Source: Pragma

**Marketing and Digital:** Existing commercial digital transformation investment has had to pause to protect liquidity even though consumers are becoming more digitally demanding.

**Surface Access:** Average transaction values for surface access have fallen as demand for car parking and car rental has dropped. A long-term trend towards public transport has reversed, impacting our rail revenue.

Our forecasts account for these challenges transparently with a permanent VAT impact adjustment – aligned with our evidence being used to legally challenge the decision – and a one-off Covid-19 effect which unwinds over the H7 period.

We believe we can mitigate some of these impacts if we invest to adapt our commercial offer and introduce new revenue streams. We



aim to rebuild a commercial offer that is not only valued by passengers but that also helps keep the charge competitive. We will need to replace and rejuvenate our retail offer in terminals – including a shift toward a wider, more mid-market mix of stores. We must invest in more digital interfaces, and more online fulfilment capabilities. We propose to introduce access charging for the airport from 2021 onwards – creating new revenues to flow into the single till and helping incentivise sustainable travel.

*We want our consumers and stakeholders to experience the following with this plan:*



## Our plan to win back commercial revenues:

- Maintain significant non-aeronautical revenues – averaging £14 per passenger over H7 despite changes in model, mix and taxes.
- Create an envelope of £600m for potential investment on projects to drive additional commercial opportunities, including digitalising our retail offering.
- Introduce a Forecourt Access Charge, starting at £5.20, for private car users dropping off or picking up from Heathrow's terminals.

### 3. Restoring investor confidence in regulation

Uncertainty will define every aspect of the next price control. Regulation has all the tools needed to face uncertainty and unlock efficient investment. We can smooth the impact of lower passenger numbers over the length of the control period. We can use the RAB to smooth spikes in the charge. We can use passenger volume risk-reward sharing to help the framework remain relevant in the event of major demand shocks like Covid-19.

Using such tools while giving all stakeholders confidence over time is precisely what regulation was designed to do. If used in a fair and balanced way they can restore investor confidence too. That in turn makes investment and borrowing more efficient - helping to offset the inevitably heightened perceptions of risk post-Covid. This delivers for all airport stakeholders, particularly consumers and airlines who benefit from a lower airport charge.

This pillar flows from the CAA's duties to follow regulatory best practice to ensure that Heathrow can finance its activities and to promote efficiency. This pillar has three key deliverables:

- Evolve the framework to manage a volatile future
- Enable investment to be made efficiently
- Unlock growth through Government policy



## Evolve the framework to manage a volatile future

The test of the H7 regulatory framework is now to manage uncertainty in all our key building blocks while giving confidence for the airport and others to make critical investments, keeping the charge competitive and delivering better outcomes for consumers. We believe the CAA needs to be bold in deploying the tools it has available to meet that test.

The first major step is to implement clear and transparent risk-reward sharing. While Heathrow would continue to hold volume risk to the degree similar to that expressly contemplated by the CAA for Q6, it would allow consumers and airport stakeholders to have confidence that financial outcomes will not diverge too far from the settlement as a result of major demand shocks or spikes. We propose a forward-looking mechanism for H7 consistent with the mechanism we proposed as part of our application for a Covid-related RAB adjustment.

The mechanism must have objective, quantified criteria set before the period to provide transparency on its application. Our proposed mechanism symmetrically shares revenue risk above and below an 8% revenue threshold. This threshold has been

calibrated using similar risk sharing mechanisms at other European airports and the mechanism in place for NERL to ensure it is aligned with assumptions on the asset beta used to calculate the H7 WACC. In the event of lower than expected traffic numbers impacting our revenues, it will avoid any sudden spikes in airport charges by smoothing adjustments over time by amending the Regulated Asset Base.

We also need to have flexibility to work with airlines to adapt our investment and operations. While we note the CAA wants to increase ex-ante incentives on capital investment, it is important these do not become excessively risky or inflexible. We propose to integrate these incentives in the existing core and development framework which has successfully helped manage uncertainty in Q6.

A combination of traffic risk-reward sharing and flexibility on capital investment enable all stakeholders to plan for at least a five-year regulatory period, if not longer. The longer the regulatory period, the more opportunity there is to smooth the impact of lower passenger volumes in early years with expected higher volumes later in the period – ensuring the airport charge remains competitive.



Since publishing our IBP in December 2019, the ANPS was suspended following a judgement made by the Court of Appeal on the Judicial Review against the Government's policy on Heathrow's expansion, leading Heathrow to pause the Expansion Programme. On 16 December 2020 the Supreme Court overturned this decision. Following this decision, we will now take the necessary time to consult with our stakeholders before taking decisions on what happens next. In the meantime, in line with CAA expectations, our RBP sets out our plan for a two runway Heathrow in H7.

## Our plan to evolve the framework:

- Share risk and reward on revenues to restore investor and consumer confidence in regulation and the regulator to manage future major demand shocks.
- Capital efficiency proposals that allow Heathrow flexibility to respond to uncertainty or unduly expose Heathrow to additional unforeseen risks.
- A minimum five-year period to spread the impact on the passenger charge of lower passenger numbers in the early part of H7.
- Expanded s-factor to allow transparent pass throughs of unforeseen costs associated with new health and testing rules.
- In addition, to ensure that the Expansion Programme can be delivered in a timely manner in the interests of consumers, the CAA will need to ensure that there is a clear policy in place for the treatment of early Expansion costs. In any scenario, costs will need to be incurred ahead of the DCO being granted and clear policy will be required on the treatment of these costs to avoid delays to delivery.

*We want our consumers and stakeholders to experience the following with this plan:*



## Enable investment to be made efficiently

A RAB based regulatory model is designed to incentivise investment by providing a secure means for investors to receive both the return *of* and a fair return *on* their investment. This is clearly set out by the CAA in its CAP1966 document where it said

*“... a RAB based framework is intended to provide investors with a reasonable degree of certainty with respect to the remuneration of investment”*. (CAP 1966)

The framework needs to balance risk and reward while giving investors a fair bet on earning their expected return.

The risk of investing in aviation has materially and permanently changed as a result of Covid-19. All debt and equity investors expect a higher premium to unlock investment. Based on the observable market data we model an increase in the cost of capital in any future scenario.

We recognise that this places upwards pressure on the passenger charge, which we propose to mitigate through the Covid-related adjustment to Heathrow’s RAB. We propose the same mechanism be codified going forward for future risk sharing. This could reduce the WACC by 149 basis points. It also creates the financial capacity to make changes to regulatory depreciation. The combined impact of the RAB adjustment and regulatory depreciation would lower the H7 average charge by £8.55. It is vital that this is understood as an integrated regulatory package – if the regulator does not deliver on one element the whole becomes unfinanceable and charges are higher in H7.

## Our plan to support efficient investment:

- Implementing a Covid-related adjustment to Heathrow’s RAB to bring down the costs of capital by up to 149bp and unlock changes to regulatory depreciation to reduce the overall H7 charge.
- A flat profile of charges to support financeability early in H7.
- Recognising a cost of capital that is commensurate with current market data and offers investors a “fair bet” of earning their regulated return in radically changed circumstances so that private investment remains viable.
- Tight controls on investment, expenditure and financing while Heathrow returns to its target credit metrics over the course of H7.

*We want our consumers and stakeholders to experience the following with this plan:*



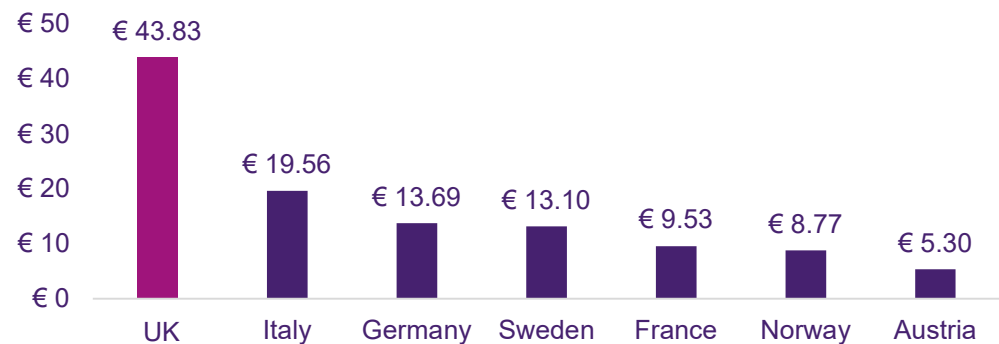
## Unlock growth through Government policy

Government has more tools than the airport, airlines or the regulator to drive Heathrow's economics. Government decisions on travel will determine the speed of recovery - rising passenger volumes are critical to better consumer outcomes and a lower airport charge. Assumptions on easing of travel restrictions and introducing common international standards on testing in 2021 are the basis for our assumptions on the entry point into H7.

Government has other important ways to help airport consumers. Elsewhere in the world governments have moved quicker to support both airports and airlines, leaving Heathrow and the airline community at a disadvantage compared to competitors. For example, the UK has the highest aviation taxes in the world – a tax holiday would help stimulate recovery of a battered sector. For example, one study by York Aviation concluded that an Air Passenger Duty holiday for 12 months from August 2020 would have generated an additional 13 million passengers' worth of demand across London airports over that timeframe.

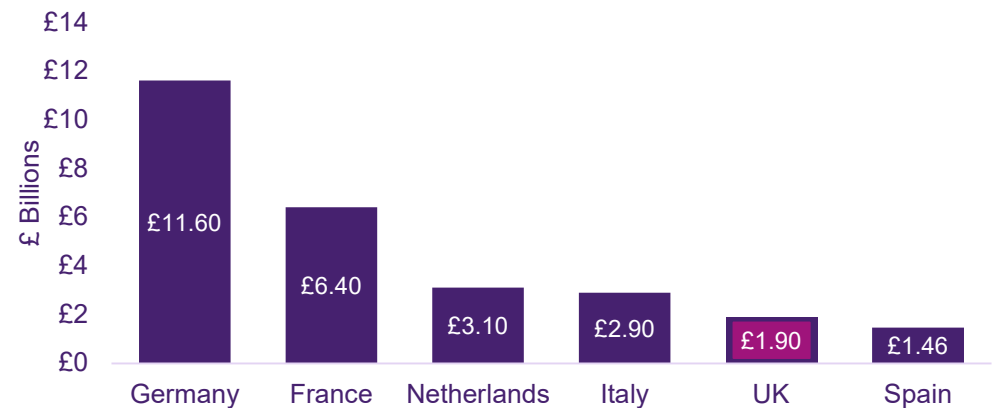
Likewise, a fairer business rates policy that at least did not treat large airports less favourably than other sectors would flow directly through to a lower airport charge. Decisions on VAT will have a dramatic impact on our commercial revenues and the charge. None of these policies require primary legislation, nor need to incur a net cost to HM Treasury – with cuts to Air Passenger Duty for example likely to stimulate demand and deliver higher returns and an internationally competitive VAT regime boosting British tourism, exports and tax revenues.

Figure 36: Average Aviation Taxes per Passenger in the EU and EFTA. Weighted for domestic and international passengers. Average Aviation Taxes per Passenger in the EU and EFTA. Weighted for domestic and international passengers



Source: European Commission

Figure 37: Value of direct state intervention to aviation sector



Source: Various Press Releases

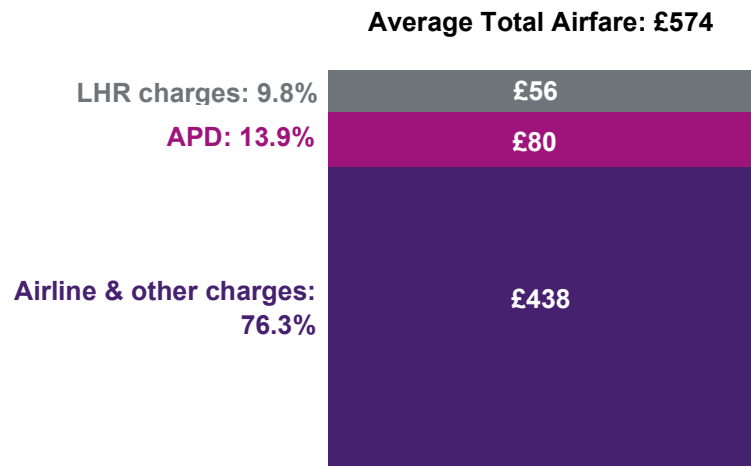
## Our requests to Government for a policy environment that unlocks growth and lowers the airport charge:

- Deliver pre-departure testing models and lead in developing common international standards.
- Extend the business rates relief scheme to airports in England and Wales, granting 12 months relief – as is the case in Scotland and Northern Ireland – to alleviate our £120m annual bill during a time of low demand.
- Establish a new post-Brexit tax-free shopping regime and review the VAT refunds decision with a reduced VAT rate under certain conditions.
- Complete the HM Treasury-led review into APD and grant an emergency 12-month Air Passenger Duty (APD) waiver to kick start demand.

*We want our consumers and stakeholders to experience the following with this plan:*



Figure 35: Economy Return Fare LHR-JFK: APD and Heathrow Charges



Sources: RDC Apex, UK Government, Heathrow

# UPDATING OUR PLAN IN 2021





## Updating our plan in 2021

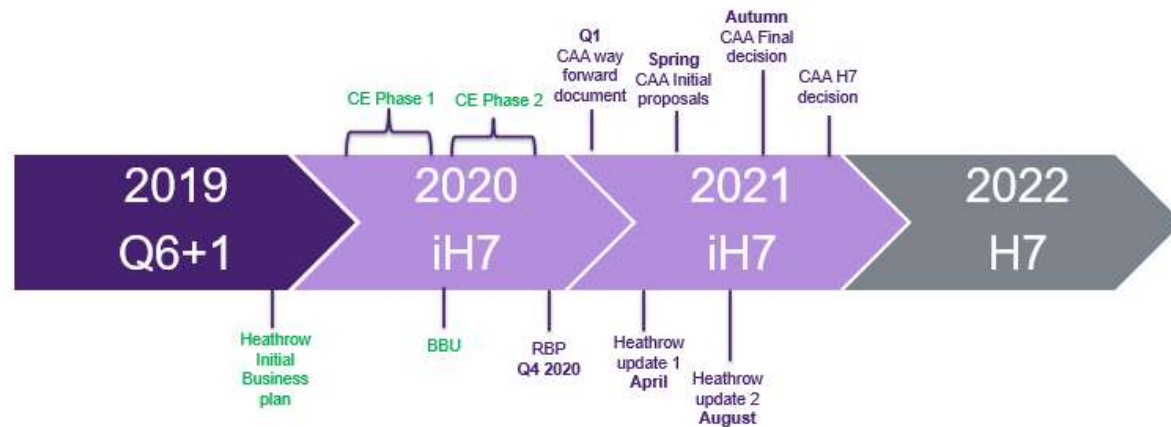
Our plans will evolve as we approach 2022 and the operating and commercial environment becomes clearer as a hoped-for recovery emerges.

We intend to issue further updates to key building blocks in April and July of 2021. We believe the thrust of our plan will not change but updating with more accurate information means we can calibrate our plan – and the financial outcomes – before the period begins.

Many factors that impact our plans the most are largely outside of our control, including:

- Passenger demand, shaped by the Covid-19 pandemic, international travel restrictions, the wider UK and global economic recovery and global airline capacity.
- The proposed adjustment to the RAB, which will be determined by the CAA and a decision on which is pending following its recent consultation (CAP1966).
- The length of the regulatory period, which is also determined by the CAA through its licence and is yet to be confirmed.

Figure 39: RBP Timeline



- Further shifts in markets and investor risk perception or financing costs and access.
- UK government policy on VAT, rates and other issues post Brexit and Covid-19.

Each of these has a large influence on our capacity to invest, fund our operation and therefore on both service and the airport charge in H7. We have created sensitivities to illustrate what these impacts might be at a high level. Some aims are common to all the sensitivities, so in all foreseeable scenarios we assume that we:

- Never compromise on safety and compliance.

- Optimise consumer outcomes with the resources available and build the best passenger proposition that will accelerate the return of demand.
- Target whatever discretionary investment and operating spend we have to make Heathrow structurally more efficient, commercial and sustainable.
- Ensure Heathrow achieves financeability metrics and remains financeable by private investors.
- Operate under fair and predictable regulation that seeks to manage uncertainty rather than magnify it.

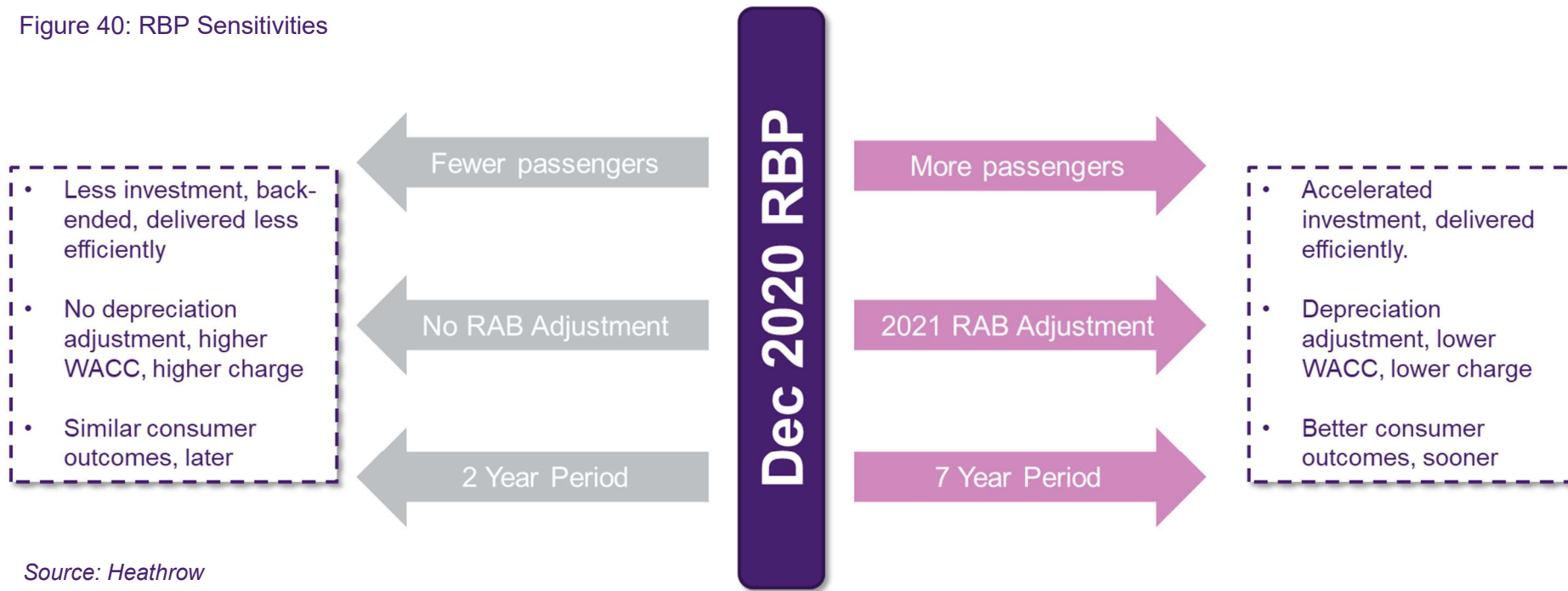
We present the sensitivities not as an alternate plan but to preview how our decision making might have to alter and confirm that the plan is sufficiently robust to adapt to potential futures. The sensitivities have been developed at the request of our airlines and include:

- Higher and lower passenger demand forecasts.
- The absence and timing of the Covid-related adjustment to Heathrow's RAB.

- Shorter and longer regulatory periods.

For each we have outlined the likely changes to other building blocks, and the consequent impact to consumer outcomes and the airport charge.

Figure 40: RBP Sensitivities



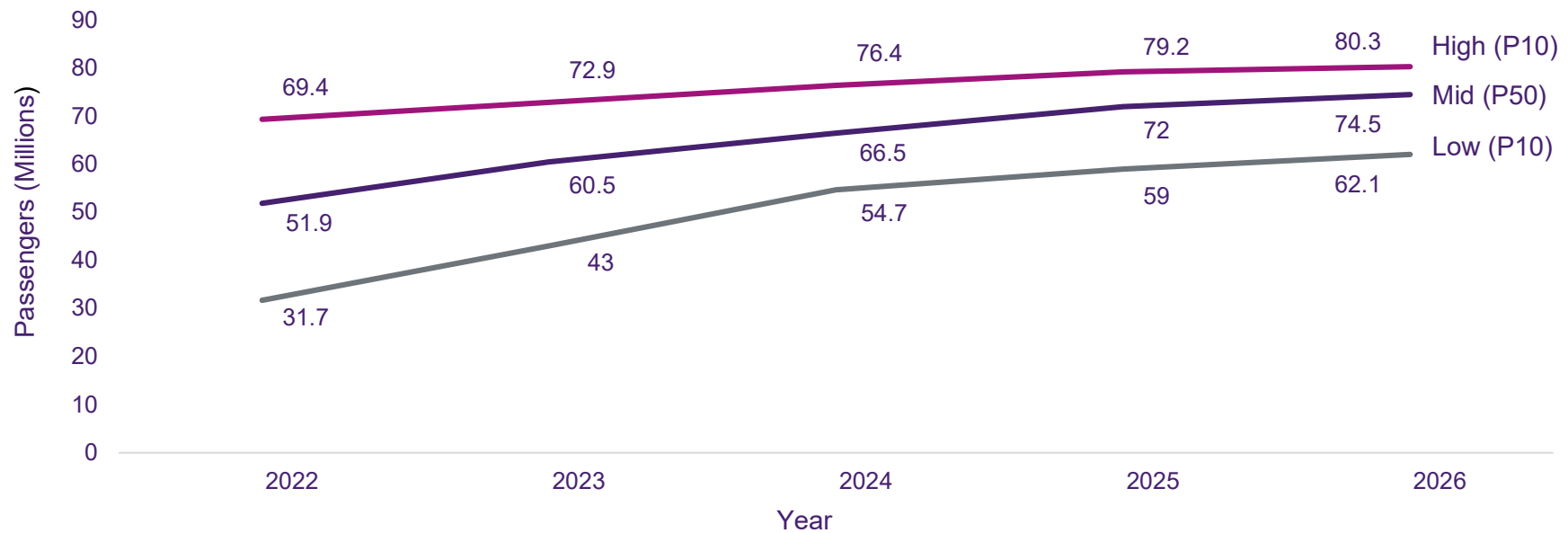
Source: Heathrow

# 1. Passenger Demand Sensitivities

Passenger volumes hugely influence the airport charge. Despite being considered efficient before Covid-19, and drastic steps taken since, the majority of our costs are fixed. This means they does not vary significantly with the number of passengers travelling through the airport. An increase in demand means the burden of those costs is spread over more passengers and the charge is lower. Lower demand inevitably means the opposite.

We have produced a sensitivity taking the P10 (Low) and P90 (High) outputs from our ranged models to compare with the P50 used in the wider plan.

Figure 41: Heathrow's High, Mid and Low H7 Traffic Scenarios



Source: Heathrow

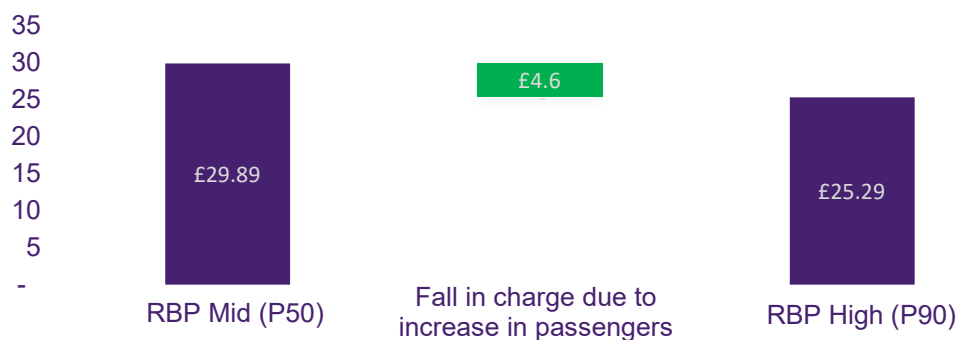
If in 2021 the outlook for demand in H7 becomes much more positive we would update our central demand forecast and consider accelerating our capital plan. In the P90 case above, analysis indicates the airport charge would fall to £25.29 – a 15% reduction relative to our current plan. This means consumer outcomes are better, sooner and delivered at a lower charge.

Conversely, if the demand outlook worsens, the most likely consequence in our updates is a higher airport charge. The fixed costs of our asset base would be spread over fewer passengers. If a “new normal” means volumes never come close to recovering to pre-Covid levels we must calibrate our asset base around this new level of demand.

That means lowering capital expenditure – we illustrate investing only £2.1bn to the minimum that will keep the business operational – deferring projects to improve service, efficiency, commercial and sustainability.

However, even a lower capital plan does not stop the charge in the P10 case above rising to £39.59 – a 32% increase. This analysis confirms views throughout this plan that the best means to deliver efficient, reliable and affordable airport services is to unlock demand. We remain committed to do what is in our control to accelerate recovery. We are very open to further engagement with airlines, including on incentives and tariff structure, that help grow demand further. We also look to Government to use the levers in their control to get consumers flying again.

Figure 42: The reduction of the airport charge under the P90 forecast



Source: Heathrow

Figure 43: Impact of passenger demand sensitivities on consumer outcomes

Passenger Demand Sensitivities	High	Our Plan	Low
I feel comfortable and secure at the airport	Green	Green	Yellow
I have a predictable and reliable journey	Green	Green	Yellow
I feel cared for and supported	Green	Green	Yellow
I have an enjoyable experience at the airport	Yellow	Yellow	Yellow
An airport I want to travel from that offers me a good value choice of flights	Yellow	Orange	Red
I am confident I can get to and from the airport	Yellow	Yellow	Yellow
H7 avg. charge (2018p)	£25.3	£29.9	£39.6

Source: Heathrow

## 2. Covid-related RAB Adjustment Sensitivities

Our plans are based on our proposal for a Covid-related adjustment to our Regulated Asset Base. We assume that this adjustment takes place at the end of 2021.

This adjustment restores confidence in the regulator and regulatory framework by acting to ensure risk and reward is balanced and calibrated. This will mitigate increases in the cost of capital and creates the possibility of amending regulatory depreciation and investment. The adjustment is therefore integral to delivering consumer outcomes and keeping the charge competitive. It is therefore undeniably in the consumer interest, and consistent with CAA duties.

If the CAA implements an adjustment to the RAB before the end of 2021 we would seek to bring forward investment and change into 2021 where there is a strong business case (e.g., security improvements). Reinforcing the regulatory settlement also means both our organisational capability and efficient financial platform will be sustained, making it far more likely that Heathrow enters H7 with the ability to raise and invest capital efficiently.

Bringing forward targeted investments means the improvements to consumer outcomes in our plan are delivered sooner. Most importantly it will ensure Heathrow can

Figure 44: Impact of RAB adjustment sensitivities on consumer outcomes

RAB Adjustment Sensitivities	2021 Adj	Our Plan	No Adj
I feel comfortable and secure at the airport	Green	Green	Yellow
I have a predictable and reliable journey	Green	Green	Orange
I feel cared for and supported	Green	Green	Yellow
I have an enjoyable experience at the airport	Yellow	Yellow	Orange
An airport I want to travel from that offers me a good value choice of flights	Orange	Orange	Orange
I am confident I can get to and from the airport	Yellow	Yellow	Yellow
<b>H7 avg. charge (2018p)</b>	<b>£30.0</b>	<b>£29.9</b>	<b>£38.4</b>

Source: Heathrow

sustain service levels in the near term and reopen capacity during 2021 and 2022 if we face any form of recovery, and particularly if it is more rapid than our central case in this plan.

In the absence of any adjustment our capacity to invest is limited, particularly in early years. Equity will be entirely dedicated to saving the business. Debt will be more expensive and cautious. This has two consequences:

- Our capital plans would have to revert to the barest minimum and even that investment would be deferred as much as possible to the end of the period.
- Operations would have to focus on cost reduction over service, resilience and capacity for many years.

The outcome is not only to defer plans to improve service but inevitably to accept

some degradation from today's levels. Our consumer research confirms that consumers will not accept lower service levels. This outcome will not be in the interests of consumers even viewed in isolation (and therefore will be directly contrary to the CAA's statutory duties); even worse, it will delay recovery, leading to higher charges on a per-passenger basis over the long term.

As importantly, if financial capacity is constrained by lack of a viable risk-reward framework, it greatly limits any capability to smooth charges. Any adjustment to regulatory depreciation becomes unfinanceable. This is further magnified by a loss of confidence in the regulatory framework by both equity and debt investors, leading to a higher cost of capital. This includes a potential loss of Heathrow's hard-won investment grade credit rating, making all financing less efficient and cost-effective for consumers.

If the CAA decides against a RAB adjustment, our modelling indicates the following changes to our plans:

- Increase WACC from 8.00% to 9.49%.
- Change the depreciation adjustment from £635m p.a. to £0.
- Recalibrate the passenger shock factor from 1.46% to 4.85%
- Constrain our capital plan to c.£2bn – only that required to operate the business – deferring projects to improve service and efficiency.

The consequence is an airport charge of £38.44 – 29% higher than our current plan. This means consumers will pay more for less – which is not in their interest and counter to CAA duties to consumers and efficiency. It also undermines our efforts to ensure airlines have access to efficient, reliable and affordable airport services.

### 3. Regulatory Period

#### Sensitivities

Our plans are based on a five-year regulatory period which is supported by airline community feedback. It is typically possible to forecast demand, operating costs and revenues over 5 years without the need for significant resets. The period is also typically long enough to create enough certainty on investment incentives to allow larger projects and operational changes that can take longer to mature or deliver results.

We recognise that we are not in typical circumstances and so a superficially attractive option to deal with the uncertainty is a shorter period given to account for the unpredictability of many of the key building blocks. However, reducing the time period has several unintended consequences that deliver worse outcomes for consumers and inevitably a significantly higher airport charge.

In a five-year period, the impact of lower passenger numbers on the airport charge at the start of the period can be offset by anticipated growth later. A shorter period leads to a significantly higher airport charge in the critical years where recovery is most fragile – in a two-year period we estimate this to be £39.11 – 31% higher than our current plan.

This could have long-term consequences for Heathrow's competitive position in London and Europe. A shorter period, in the most volatile part of a recovery, may ironically also increase forecast risk - it concentrates the price control on what are likely to be the most uncertain years. Two years would also reduce certainty over the conditions for investments. That will make longer term or more transformative projects less viable. That ultimately means missed opportunities for Heathrow to become structurally more efficient, commercial and sustainable. A two-year settlement is also likely to have an adverse impact on the cost of capital

Given all these challenges we will need to consider our options in our 2021 updates should the CAA opt for a shorter period. We will likely update our plans to constrain the capital plan and raise the airport charge for 2022-23. Many consumer outcomes will be

delayed until the next period to create enough length of time to implement investment and change.

A longer period could have some of the opposite effect. Seven years would balance out the early years of weaker volumes with yet more years where we expect volumes to have recovered. The result is the same consumer outcomes being delivered but with an average H7 charge that is £28.81, £1.07 lower than our current plan. We remain interested in extending the length of period. We believe the proposals on traffic risk-reward sharing and capital governance mean it is a viable option. However, we welcome further discussions with CAA and airlines before making a longer period an assumption for our plan.

Figure 45: Impact of length of period sensitivities on consumer outcomes

Length of period sensitivities	7 year period	Our Plan	2 year period
I feel comfortable and secure at the airport	Green	Green	Yellow
I have a predictable and reliable journey	Green	Green	Yellow
I feel cared for and supported	Green	Green	Yellow
I have an enjoyable experience at the airport	Yellow	Yellow	Yellow
An airport I want to travel from that offers me a good value choice of flights	Orange	Orange	Orange
I am confident I can get to and from the airport	Yellow	Yellow	Yellow
<b>H7 avg. charge</b>	<b>£28.8</b>	<b>£29.9</b>	<b>£40.3</b>

Source: Heathrow





Heathrow