



London Heathrow “Constructive Engagement”

David M. Stewart
London Airport Consultative Committee



Agenda

- Background
- The Workstreams
- Outcome



Background

- Established by the UK Civil Aviation Authority (2005)
- Part of the “Regulatory Review process”
- First Stage of the review of Price Controls for the next 5-year period (2008 – 2012)
- Overseen by “Joint Steering Team” (BAA, LACC)

Intent:

- Promote discussion and, where possible, agreement between the regulated airports and their users.



The Workstreams

1. Airport Vision
2. Strategic Choices
3. Forecasts
4. Capex Efficiency



The Workstreams (continued)

5. Opex Efficiency
6. Service Quality
7. Capital Investment Program (CIP)
8. Non-Regulated Charges

1. Airport Vision

➤ *“A world-class international hub Airport”*

➤ Agreement reached within the first 6 months.

➤ Ongoing agreed basis for evaluation

“A World Class International Hub Airport”

- Full Service, mixed-mode, three runways
- Maintain leadership position
- Integrated transportation facility (focus on connectivity)
- Stress-free, positive customer experience
- Predictable, reliable, punctual, cost-effective
- Value for money
- Flexible
- Sustainable

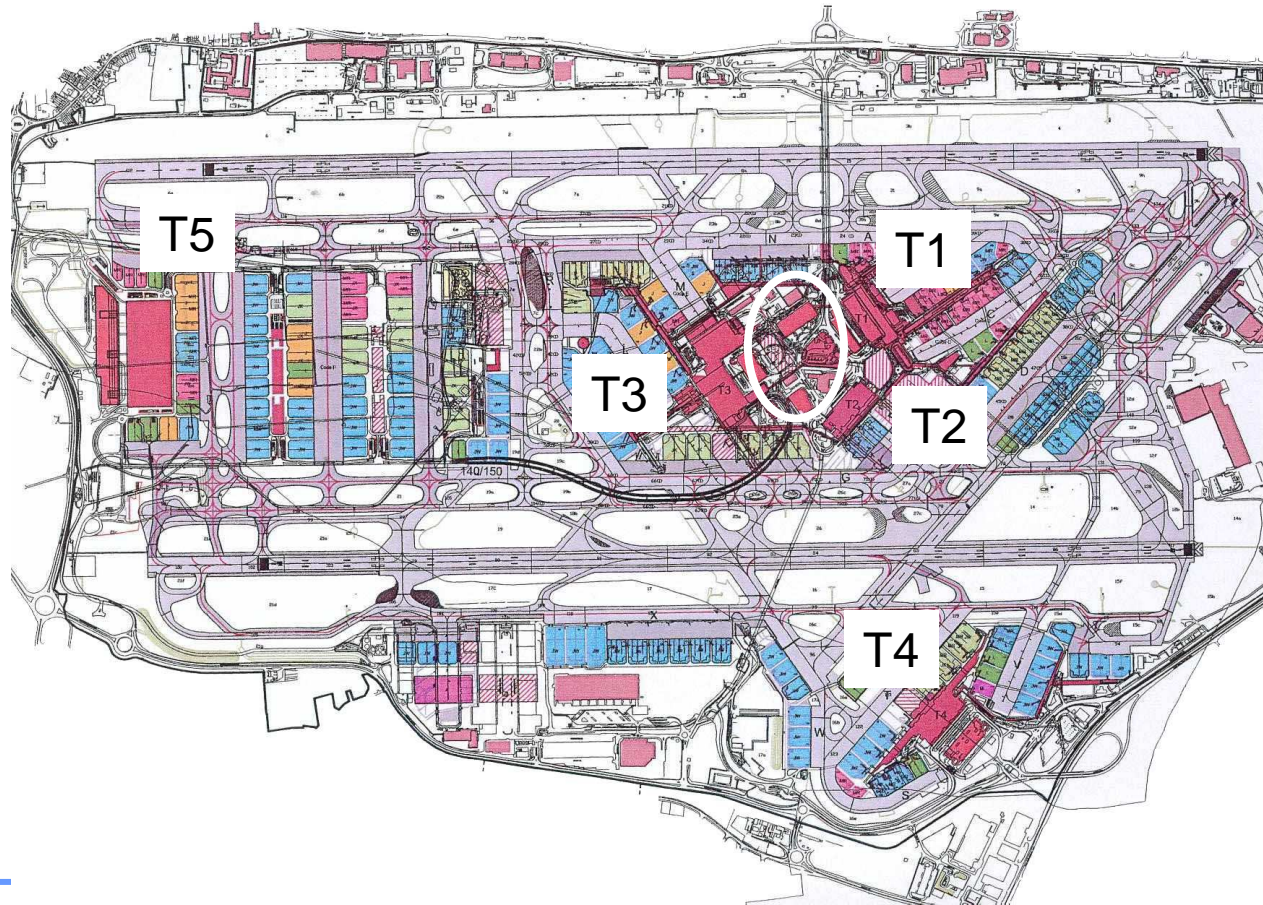


***“Europe’s Hub of Choice - A
World Class International
Airport”***

2. Strategic Choices

- Initiate airport/airline MoU's - Co-locate Alliances
- Asset Renewal
- Inter-Terminal Connectivity
- Regenerate the Central Terminal Area (T1,2,3, etc)

LHR - Heathrow



3. Forecasts

- Assumption: Shortage of Runway capacity vs demand will persist
- Variable: Percentage of long-haul, large-gauge aircraft.
- Agreed to present a range rather than specific number

Forecasts

YEAR	Annual Passengers (Millions)	
	High	Low
2005 (actual)	67.7	
2009	73.6	72.7
2013	81.5	79.0
2017	86.0	83.0

4. Capital Expenditure Efficiency

- Joint Benchmarking exercise by independent consultant
- Agreed 5% reduction in base costs (= about \$140 Million!)
- Improved Risk Management process (reduce the current 25% factor)

5. Operating Expenditure Efficiency

- Possible areas for improvement:
 - Rostering (security, etc.)
 - Flexible work practices
 - Outsourcing (IT, Security, Trolley Management)

- NO AGREEMENT on implementation timescales

6. Service Quality

- Already being measured:
 - Availability of passenger convenancing systems (escalators, walkways, elevators, etc)
metric: 98% availability.
 - Waiting time at Central Security
metric: 95% wait less than 10 minutes
 - Loading Bridge service
metric: 95% of passengers
 - Also – serviceability of airbridges (97%), Fixed power (98%), aircraft stands (98%), baggage carousels (98%)



Service Quality

- Agreed NEW metrics:
 - Passenger wait time at Transfer security
 - Vehicle wait time at Landside/Airside control points
- Ongoing engagement – AOC administration

7. Capital Program

- Purpose – to agree the magnitude of the 2007 to 2012 Capital Program budget.
- Closely tied to “Strategic Choices”
- Major element T2A and B

8. Non-Regulated Charges

- BAA refused to share their forecasts for these charges
- Stalemate – broken by CAA
- BAA “instructed” to share forecasts – Airline Community “win”.
- Ongoing Engagement – AOC administration

Outcome

- POSITIVE process
- Process must continue. “Foothills” of Q6
- Joint Steering Team remains in place as focus of ongoing LACC and BAA interaction
- Ongoing dialogue with the regulator (CAA)