

Heathrow Airport Limited Q6 service quality protocol – CAA final determination

Background

1. Heathrow Airport Limited's (HAL) economic licence, granted by the CAA on 13 February 2014 under the Civil Aviation Act 2012 (the Licence), required HAL to consult on, agree and publish one or more protocols by 1 October 2014 setting out the processes by which it would consult relevant parties on a range of issues.¹
2. By 1 October 2014, HAL had satisfied the requirements in the Licence relating to consultation protocols as set out in conditions F1.1 and F1.2 of the Licence, with the exception of the service quality regime protocol (the SQ protocol). On 30 September 2014, HAL requested that the CAA make a determination on this matter, pursuant to Condition F1.7 of the Licence.
3. The CAA gathered a range of evidence from the relevant parties, namely HAL and the Heathrow Airline Community (the Community), and published a determination in November 2014 that took effect in December 2014.
4. The determination concentrated on the areas where the parties had been unable to reach agreement. It introduced a SQ protocol that set out how HAL should consult relevant parties on the service quality rebates and bonuses scheme (SQRB) as set out in Schedule 1 to the Licence.² HAL and the Community retain the ability to agree amendments to the protocol over the period of Q6.
5. To assess whether the SQ protocol introduced by the CAA's determination has achieved its intended purpose, we said that HAL, the Community and the CAA would attend a joint meeting to conduct a review six months after the determination had taken effect. This meeting took place on 21 September 2015.

1 The Licence, condition F: <https://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/Licensing-and-price-control/Economic-licensing-of-Heathrow-Airport/>

2 The Licence, pages 36-63.

6. To prepare for this joint meeting, we held bilateral meetings with HAL and the Community, and received written submissions from both parties.
7. In addition to this review, we also received a joint request on 24 June 2015 for clarification from HAL and the Community on specific matters in the SQ protocol and HAL's Licence, for the preparation of a briefing document for members of Terminal Community Meetings (TCMs). At the time, we noted that the matters raised in that request were also expected to be considered as part of our review. Consequently, we said that we would consider the issues simultaneously.
8. After the joint and bilateral meetings, we issued a draft of the reviewed protocol in November 2015 to HAL and the Community, and received consultation responses from both parties. After we paused the review, a revised draft was shared with the both parties in November 2016. We have carefully considered your comments on that draft in preparing this final review paper.
9. The structure of this document is as follows. First, we outline our views of the purpose of the service quality regime. Second, we set out the issues that we consider require clarification or interpretation. Third, we outline some other issues where we expect HAL and the Community to work together and to reach an agreement. The Appendix contains the updated version of protocol, which reflects our review.

Service quality regulation

10. Prior to considering individually the issues raised during the review, we consider that it would be helpful to examine the purpose of the SQRB and SQRB exclusion requests (SERs).
11. The service quality regime was first introduced in Q4, after a public interest finding by the Competition Commission (CC).³ The CC found that airport prices did not reflect the quality of service provided to the extent that would occur in a competitive market and, consequently, that there was an absence of the financial incentive to provide the

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<http://webarchive.nationalarchives.gov.uk/20140605150635/http://www.caa.co.uk/docs/5/erg/docs/ccreportbaa/chapter6.pdf>

combination of price and quality of service that would be obtained in a competitive market. The CC proposed that HAL and Gatwick Airport Limited pay specific rebates to the airlines when service quality fails to meet the performance standards for which the airlines have paid. The regime was subsequently developed by the CAA and has been a feature of the price control since 2004.

12. Ultimately, this public interest finding is about benefiting passengers. The overarching purpose of the SQRB is to improve service quality at the airport, and thus to improve the passenger experience. Furthermore, this purpose explicitly aligns with the CAA's primary duty, which is to carry out our functions in the interests of passengers and cargo-owners.⁴ It is with this objective in mind that we have considered the issues which were raised during the review.
13. We have considered from a first principles approach why we regulate service quality at HAL. The core issue is that HAL possesses substantial market power (SMP).⁵ A company that has the ability to exploit its SMP may set prices above the competitive level, lack investment incentives and efficiency, offer poorer services and impose unfair trading conditions. There is a risk that airlines operating at Heathrow Airport might not receive sufficient levels of service quality, and hence regulation of service quality is required.
14. The service quality regime is put in place to incentivise HAL to achieve certain levels of service quality and even to exceed standards, similar to what would be expected to occur in a competitive market. As indicated by the name of the regime, if HAL fails to deliver service standards set in a price review, the airlines should receive a rebate as they have not received the service for which they have paid, and passengers lose out as a result. Similarly, if HAL outperforms standards, it may receive a bonus for delivering higher quality.
15. An important feature of the SQRB is that the rebates and bonuses are not strictly correlated to the costs airlines have paid for a specific standard. We have not examined in detail the cost to the airport of delivering a specific service, the costs airlines would incur due to poor

4 As outlined in the Civil Aviation Act 2012, <http://www.legislation.gov.uk/ukpga/2012/19/section/1/enacted>.

5 CAP 1133, Market Power Determination in relation to Heathrow Airport – statement of reasons, <https://www.caa.co.uk/WorkArea/DownloadAsset.aspx?id=4294975869>

service levels, or how these costs relate to the SQRB. However, in the last periodic review of HAL’s charges (Q6), HAL and the Community agreed that the proportion of airport charges payable to airlines as rebates (seven per cent) was "broadly the right level".⁶

16. The SQRB lists a number of specified circumstances where the inability to provide the required service is excluded from the calculation of rebates payables. This includes circumstances such as incidents that are outside HAL's control, periods of downtime for planned maintenance and refurbishment or replacement work. Some of these exclusions require the explicit agreement of the airline Community, others require consultation and others can be taken automatically, although the airline Community retains the right to challenge HAL on the specific facts of each case.
17. These exclusions are intended to be used in limited circumstances and are aimed at incentivising good asset management within specified periods in the year and to allow for safety and security related incidents. They are not intended to be used for dealing with failures of equipment outside of a planned servicing schedule. Such failures should be treated as a failure to supply the service for which the airline Community are paying.

The service quality consultation protocol

18. It is also helpful in this context to reiterate the structure of the SQ protocol and the review. The Licence sets out the requirements that HAL must satisfy in relation to service quality. It specifies the standards that must be met, the rebates and bonuses that may be paid in certain circumstances, when HAL should consult and, where necessary, it should seek the agreement of the Community.
19. The SQ protocol complements the Licence by setting out how HAL will consult the Community on the service quality regime, including the details of the SQRB, and must be interpreted in a manner that is wholly consistent with the provisions set out in the Licence. It is intended to set out a process for engagement and agreement that

6 Economic regulation at Heathrow from April 2014: Notice granting the licence, <http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=6072> page 307.

works for all parties in a way that is more suitable and flexible than having that detail hard-wired into the body of the Licence itself.

20. The SQ protocol describes the three joint groups that have been set up to manage different aspects of service quality and sets out their roles, remits and responsibilities. These are the TCM, the Technical Review Forum (TRF) and the Passenger Experience Board (PEB). The protocol also provides details on when and where consultation should occur.

Review of the service quality consultation protocol

21. In making the determination in December 2014, we said we would review it six months from the date it took effect. Thus, the amendments to the SQ protocol as a result of this review replace the original version of the SQ protocol from 8 September 2017. The amendments are limited to matters where drafting required clarification or concepts were not sufficiently clearly outlined, or where HAL and the Community have requested our specific interpretation and clarification.
22. Generally, we have found that the SQ protocol is working well for HAL and the Community. We consider that the determination has been successful in setting up a structure that is useful and appropriate, and helps HAL and the Community work together to manage service quality issues. Furthermore, the feedback from HAL and the Community has been similarly positive although both parties have made clear that there is room for improvement. We agree that there is some scope to improve the clarity of the protocol, and thus how it is implemented in practice.

Clarification issues

23. This section outlines a number of issues where we have provided specific clarification on wording in or interpretation of the protocol and the Licence.

SQRB exclusion requests

24. As outlined above, the SQ protocol covers all aspects of the service quality regime. However, it seems that the progress and management of SQRB exclusion requests (SERs) has been one of the most significant issues since December 2014.

Progression of SERs

25. The service quality regime at Heathrow acknowledges that there may be occasions where events impact service quality but do not trigger rebates to airlines. Schedule 1 to the Licence (paragraph 2.28) allows for these occasions to be excluded from the measurement of the serviceability standard and therefore they do not count towards the calculation of any rebates payable. How these exclusions are agreed and applied was a key issue raised during the review. Exclusions may be applied when HAL should not be held to account for service quality, for example, because of events beyond its control, during planned maintenance, capital projects or agreed downtime.
26. The requirements for the application of these exclusions vary considerably, and there has been some disagreement between HAL and the Community on the meaning of some of these requirements. HAL's and the Community's differing views were expressed in their comments on the draft of the Service Quality Consultation Protocol briefing document that was shared with us on 24 June 2015, as part of the request for clarification and in subsequent meetings both separately and jointly with both parties. In particular HAL and the Community have continued to disagree on:
- The type of consultation required and where that consultation should happen. HAL noted that the requirements to consult in paragraph 2.28 of the SQRB only specified ‘consultation with the AOC’. It considered that, as it consults the AOC on major capital works through the Capital Portfolio Board (CPB), it had complied with the requirements in paragraph 2.28 and should not have to reconsult. The Community were concerned that consultation at the CPB did not include consultation on the impact on the passenger experience or on mitigation measures. The Community noted that these were instead discussed at the TCMs after the key planning decisions had been taken, so operational concerns would have little or no impact on the work programme. This had caused the Community operational issues in the past and it saw the SER consultation process as a useful way of ensuring these issues were properly addressed.
 - Whether an individual SER form is needed for each exclusion. HAL said that it would be unreasonable and inefficient to have to provide an individual SER form for each instance of planned

maintenance work within the deadband periods as these could run to several hundred in each terminal. It explained that these work packages were normally bundled into one list for agreement with the Community.

- Whether the TCM and TRF are only required to consider if a SER is warranted or if each SER needs to be explicitly approved or declined. HAL's view is that in the guidance for the determination, we stated that "the role of TCM or the TRF is simply to consider if an SER is warranted". The Community is of the view that the text of the protocol referred to the role of the TCM and TRF in approving or declining SERs, in addition to the tick boxes showing "approved" and "declined" on the standard forms.

27. We agree that the SQRB as set out in the Licence is not specific about the nature and process of the consultation required with the Community or how the exclusions should be agreed, but it is clear that the SQRB did not envisage a single approach. As noted above, the purpose of the SQ protocol is to enable HAL and the Community to expand on the licence to set out those details in a way that is more suitable and flexible than for us to hard-wire that detail into the Licence itself.
28. The SQRB characterises exclusions in three different ways: some apply automatically when a specified event occurs; some require consultation with the Community; and others require the explicit agreement of the Community on specified matters. We consider the terminology in our determination and the SQ protocol could have been clearer on this matter and more accurately reflected the intention of the Licence, and we have amended the SQ protocol to be more specific. These changes clarify the nature of each exclusion and how they should be addressed.
29. The exclusions outlined in **sub-paragraphs 2.28 c), d), e), g) h), i) and k)** do not require the explicit agreement of, or consultation with, the Community. These exclusions are effectively 'automatic' exclusions, where circumstances have occurred that are out of the specific control of the airport, such as security incidences. Whilst there is no requirement to consult with, or obtain agreement from, the Community on such matters, the TCM or TRF should be informed of any circumstances that HAL considers falls within one or more of these exclusions, and thus that it is being applied. The TRF and TCM

have the right to challenge whether the exclusion criteria have been applied accurately in these circumstances. We do not expect the TCMs to require significant levels of detail to be satisfied that these exclusions are being applied correctly but, equally, HAL should provide as much useful context as appropriate, so that all stakeholders can come to a quick view on whether the criteria are being applied correctly. We therefore do not consider that these exclusions should require a full SER but it would be more appropriate for HAL to provide a SQRB exclusion notice (SEN), within a reasonable time prior to each meeting, setting out a list of incidents it believes warrant 'automatic' exclusion. This SEN should only need to be discussed by the TCM and/or the TRF by exception, for example if they were concerned that the criteria in the SQRB were not being applied accurately to individual claims. A sample SEN is included in the protocol but we would expect HAL and the Community to review this to ensure that it meets their respective requirements.

30. Exclusions in subparagraphs **2.28 f) and j)** require some agreement by the AOC on aspects of the event. For f), no special agreement is required for closure of stands during an evacuation etc so an SEN should be used. However, if passenger sensitive equipment is closed as well, the exclusion requires the agreement of the AOC that this equipment was in the vicinity of the event and so an SER should be used. For j) HAL needs to obtain confirmation from the relevant airline(s) or written agreement from the AOC that damage to equipment was caused by that airline. Once this is obtained, no further explicit agreement is required and an SEN should be used to notify airlines of the exclusion.
31. The exclusions outlined in sub-paragraphs **2.28 a) and b)** relate to down time for planned maintenance work or statutory inspections within specified periods. They require HAL to consult with the Community on the work to be done. As noted above, the SQRB is not explicit about how HAL consults with the Community on these matters so we have updated the SQ protocol to give further clarification, specifying that the relevant TCM or TRF should be consulted, in its capacity as a sub-group of the AOC. However, we agree with HAL that it would be inefficient for all parties concerned if the SQ protocol required separate SER forms and consultation for each individual piece of work. Instead, consultations for these exclusions can be grouped together in a list or spreadsheet format similar to the SENs

for exclusions 28 c), d), e), g) h), i) and k outlined above. As a minimum HAL should ensure that it provides adequate information on each piece of work to meet the requirements of the specific exclusion sought and the reasons why that piece of work meets the relevant criteria, and it must ensure that the information is provided prior to the relevant meeting in good time for members to give it adequate consideration. We would expect HAL and the Community to review the sample SEN in the protocol to ensure that it meets their respective requirements.

32. The exclusions outlined in sub-paragraphs **2.28 l) and m)** also require HAL to consult with the Community on the work to be done and/or the timing of that work for major investment projects, replacement or major refurbishment work that may affect the availability of particular stands or equipment. As noted above, there is disagreement on what form this consultation should take. We note that the exclusion for major investment projects in paragraph 2.28 (l) on major investment projects requires consultation with ‘users’ and consultation with the AOC on the timing of the work. Paragraph 2.28(m) on refurbishment and replacement only requires consultation with the AOC on the timing of the work. HAL considers its consultation process under the Capital Investment Protocol to be adequate but it is not clear that this takes sufficient account of the operational disruption and required mitigation measures, or of whether the project meets the criteria for exclusion from the SQRB. We agree that the TCMs need to have an input to these discussions and decisions but we do not consider that a separate consultation process driven by the SER process, after the CPB decision has been made, is the most efficient or effective solution. As there is a link here with the Capital Investment protocol also required under Condition F1 of the licence, we have flagged this in paragraph 55 below for further work by HAL and the Community to address. However, until that work is completed and agreed, we have retained a requirement in the SQ protocol for HAL to consult the Community through the TCM or TRF using a SER. We expect HAL to provide timely and sufficient information to the TCM and TRF to enable effective consultations and to consider and implement reasonable mitigation requests. Over time, if a more effective process is developed to deal with the operational issues more effectively, the Community and HAL might agree that these can be dealt with through

an SEN rather than an SER, simply to confirm that the criteria of the exclusion have been met.

33. The exclusions outlined in sub-paragraphs **2.28 n), and o)** require explicit agreement by the Community that the exclusion should apply, and thus the approval or declining of the SER.
34. For all of the exclusions above, the TCM and the TRF are empowered to challenge whether criteria for the relevant SER or SEN has been adequately met.
35. Given this clarified interpretation of the SQRB and the SQ protocol, we have updated the previous terms of reference we issued on TCMs, the TRF and the standard forms to be used for SERs in Appendix 1.

Additional reasons for exclusions

36. In their joint letter to us, HAL and the Community asked whether there should be a provision for a broader list of exclusion criteria than is currently provided for in the SQRB, subject to agreement between HAL and the Community.
37. HAL considered that this type of arrangement had previously been in place in Q5, with HAL and the Community agreeing further exclusion criteria in operating agreements in addition to those already set out in the SQRB. HAL was also of the view that there may be times when agreements between HAL and the Community that deviate from the explicit wording of the SQRB may nevertheless be in the passenger interest. However, the Community was of the view that agreements between HAL and airlines, such as for further exclusions, may not be in the passenger interest.
38. We consider that, for consistency and transparency, any other agreed exclusion criteria should be formalised and explicitly set out in the SQRB. Thus, for new exclusion criteria to be added, HAL and the Community would have to inform the CAA through the self-modification mechanism set out in Condition D1.6-1.8 of the Licence.
39. At the joint meeting in September 2015, HAL and the Community agreed that they would work to update and finalise their operating agreements (for example, operational arrangements of control posts) and inform the CAA of such agreements. We would consider whether these are in the interests of passengers and cargo owners and, if

necessary, may require further amendments to any proposed Licence modifications on those agreements.

40. We have not been provided with any other reasons for further exclusion criteria to be added to the Licence. Exclusions should only be allowed in limited circumstances and we consider that paragraphs 2.28 and 2.44 currently contain a comprehensive list of appropriate circumstances where exclusions may be applied. In particular, we would carefully consider how expanding the number of permissible exclusions might adversely affect the interests of passengers and cargo owners.

Project overruns

41. HAL and the Community both noted during the review that there had been some disagreement on the matter of project overruns. Circumstances may occur where work which is the subject of an SER is not completed within the planned time periods.
42. HAL were of the view that if project overruns were agreed elsewhere in the governance structure, for example by the Capital Portfolio Board, then SERs for the additional project should also be allowed automatically by the TCM or TRF. In contrast, the Community considered that this process meant the operational implications of project overruns were not being sufficiently explored, and that this process may also weaken the incentives on HAL to minimise the impact of projects on service quality.
43. As outlined earlier, we are firmly of the view that the SQRB exists for the benefit of passengers and the rebates and bonus elements are intended to incentivise HAL to plan and manage its operations efficiently to minimise the impact on passengers. The SQRB is clear within the relevant exclusions in sub-paragraphs 2.28 a), b), l) and m) that if work extends beyond the specified period, then any additional downtime shall count against the serviceability standard. An assumption that an exclusion should be automatically extended on agreement by the Community of a project overrun would have an adverse impact on that incentive. We expect that HAL should be able to design planned maintenance, renewal or refurbishment projects well in advance of the project beginning, and deliver projects to the agreed specification within the specified time. The Community, and thus passengers, should not be penalised for poor planning or

delivery. We therefore consider that an extension to an exclusion should only be sought if the reasons for the overrun were completely outside of HAL’s control or where the Community had agreed to a significant change in the scope of the project. Requests for such extensions should be subject to the same process and level of scrutiny as the original SER.

Aerodrome Congestion Term (ACT) exceptions

44. One of the questions we asked during the review was whether there were exclusions to be considered in the protocol that we had previously not included. For example, we cited that ACT exceptions set out in paragraph 2.44 of the SQRB were not mentioned in the original SQ protocol. However, we noted that, under Condition F1, the SQ protocol should document all aspects of interaction between HAL and the Community relating to the SQRB.
45. HAL were of the view that ACT consultation was working well as a separate process. HAL also considered that there are no exclusions relating to ACT in the Licence, however that there are exceptions where performance is not counted towards the standard if airfield infrastructure is taken out of service for major investment, refurbishment or replacement works. The Community considered that ACT exceptions were a part of the service quality regime at Heathrow, and therefore exclusion requests should be included in the SQ protocol.
46. The SQ protocol determination was not sufficiently clear on whether ACT exceptions were included in the protocol. In the determination, we concentrated on paragraphs 2.27 and 2.28 of Schedule 1, whereas in fact we also stated that the determination applied to consultation on all service quality matters. Condition F1 of the Licence covers consultation on all service quality issues in the Licence, and thus the determination should have covered ACT exceptions from paragraph 2.44 of Schedule 1 as well.
47. During the review, stakeholders have reported that the current consultation process that is in place appears to be working relatively well so we do not propose to change this. However, this consultation process should be recorded in the SQ protocol to improve transparency and wider understanding of service quality performance, and to fulfil the requirements of the Licence.

Governance structure

48. HAL and the Community raised the issue of governance structure in their joint clarification request and in the review. HAL has suggested that the dispute mechanism within the wider Q6 consultation protocol, in which the SQ protocol sits, allows for disagreements on an SER to be escalated to the PEB and, ultimately, to the CAA for resolution. In contrast, the Community considers that the determination makes clear that no escalation process was envisaged by the CAA.
49. Prior to publishing the determination, we understood that there was broad agreement between HAL and the Community, both during the negotiation of the SQ protocol and in subsequent discussions with us, that the PEB was not well positioned to manage these specific service quality matters. As we understand it, the PEB is a high level board focusing on strategy to improve passenger experience and service quality, and its members do not have the appropriate knowledge or expertise to assess the detailed issues of the SQRB. It was made clear to us at the time that the PEB should not be an appeal body but should have an oversight role to ensure that exclusions are being managed properly.
50. Our determination therefore made clear that SER decisions taken at the TCMs would not be appealable but that if an SER was rejected, HAL would have the opportunity to resubmit a new case. We determined that a TCM could either accept or reject the SER or, if it was undecided, refer the matter to the TRF for consideration. There was no provision in the determination for the PEB to consider any appeals on these decisions; on this matter they only had an oversight role as described above.
51. When this issue was discussed further at the September 2015 joint meeting, it was clear there were two aspects to the issue; the escalation of SERs and the escalation of other issues from the SQRB. Thus, we consider that further clarification is required on both the ability of HAL and the Community to escalate an SER they are unable to agree on, and the separate ability of HAL and the Community to escalate other service quality issues.
52. We are content to leave this to the parties to agree this issue and do not want to close off the opportunity for consensus to be reached by stakeholders. Under the CAA12 and the Licence, regardless of an

agreed process, either party may at any time refer a matter of disagreement to us for interpretation or confirmation that HAL is properly complying with the requirements of the Licence. However, in line with our policy that the industry should work together as far as possible, it may be more practical to allow for a joint escalation process to resolve these disagreements internally before a more formal regulatory reference is made.

53. Given the above, we consider that it is up to HAL and the Community to reconsider and agree between them whether:
1. an appeal process is necessary for managing exclusions and how that process should work, and
 2. an escalation process is necessary for other service quality issues, and how that process should work.
54. From the discussion at the joint meeting, it seemed that HAL and the Community were willing to discuss these issues to attempt to reach agreement. Thus, we propose to take no immediate action on this issue. If HAL and the Community cannot reach an agreement on whether there should be an escalation process, and how that process should look in due course, the option remains to request a further determination by the CAA.

Other issues for further work

Capital project consultation

55. As noted above, there is disagreement on when and how HAL must consult the Community in order for a project to qualify for an exclusion. HAL considers that consultation at the Capital Portfolio Board (CPB) fulfils the requirements of the Licence; whereas, the Community considers that CPB consultation is insufficient. However, our review has highlighted that the decisions made by the CPB clearly have a significant impact on the SERs being brought by HAL. It currently seems that the impact on passengers (and thus on service quality) or any mitigation measures are not discussed in detail at the CPB where projects are developed, progressed and approved. These issues seem to generally be discussed at the TCMs once the project has been approved and a SER is sought. The Community therefore sees the SER process as a means of ensuring that these issues are

dealt with before the project starts. This risks delaying the project and even potentially requiring last minute changes to the project.

56. From discussions with both parties, it is clear that there would be considerable benefit in reviewing both these processes to ensure that the full implications of capital works are considered more holistically and at an early stage. This would allow for more efficient and effective mitigation of any potential disruption to passengers and would bring greater clarity to the SER process. The approval of a particular capital project does not imply automatic approval of a SER; the TCM or TRF must still be content that the relevant criteria have been met (i.e. that it is a major investment project or replacement or major refurbishment, that the AOC has been consulted on the timing of the project, and the period specified in advance). However, we consider that earlier discussion of the operational impacts by both HAL and the Community would separate those concerns from the more technical, licence-based issues of rebates and so would help to ensure that the SER process runs more effectively. We understand that, since the draft review was issued in November 2016, HAL and the Community have agreed a way forward to resolve this issue through additional training guidance on the SQRB for development managers. We therefore expect HAL and the Community to monitor the effectiveness of this training on both the capital project management and SQRB processes on an ongoing basis and to make any necessary improvements to ensure that operational impacts are taken into account in capital development projects.

Definitions

57. One of the key issues raised during the consultation is that there is a lack of mutual understanding or agreement on the meaning of some key terms in both the SQRB and the consultation protocol.
58. For example, there has been disagreement between HAL and the Community with regard to exclusions 2.28 l) & m) on what is meant by 'major' investment or refurbishment works. TCM AOC Chairs explained that agreed definitions for terms such as "major refurbishment work" are not available, and there were concerns that exclusions are being requested for relatively minor work, and refurbishment is being used in place of "planned maintenance". Crucially, these works must be major to be able to claim an exclusion. The SQRB is not explicit on this, but the inclusion of the qualification

makes it clear that, in line with paragraph 2.28, it should be used in ‘limited circumstances’ and it is not intended to be used for every project. The operational and passenger experience impact of these projects should be managed by the airport, in consultation with the Community. We therefore expect HAL and the Community to agree a definition of what constitutes major capital investment and major refurbishment work.

59. We are concerned that a lack of understanding or agreement between HAL and the Community on some of the key terms used in Schedule 1 could be significantly hampering the implementation of the service quality consultation protocol. To rectify this issue, we recommend that HAL and the Community work together to develop and agree definitions of the contentious terms used in the SQRB and protocol, to provide further clarity to the process. We expect it would be useful for the CAA to also be involved in this process and, to facilitate this discussion, we are sharing some initial views on definitions.
60. *Major works:* It is not the CAA's intention that minor works should be excluded from the SQRB, and we do not consider that to do so would be in the interests of passengers. Exclusions should be used in limited circumstances and HAL should be able to manage minor works to cause minimal disruption to passengers, and thus minimise the negative impact on its services. In the Q6 Capital Investment Triggers Handbook, key projects are defined in terms of their:
1. scope and complexity,
 2. airline stakeholder impact,
 3. strategic importance, and
 4. capital value.
61. We consider that this could be a useful basis for defining projects, and suggest that HAL and the Community agree on a definition for 'major investment project' and 'major refurbishment project' taking into consideration factors 1 to 4 above. We do not expect that the significant majority of projects should or are likely to meet the definition for "major" refurbishment or works to qualify for an exclusion.

62. *Planned maintenance*: By the very nature of this term, planned maintenance must be maintenance that is scheduled well in advance of it taking place. We consider that the seven day minimum notice period described in the SQ protocol is a generous guideline. The majority of planned maintenance should be scheduled and planned well before works take place, and would likely be on a long term asset register. Furthermore, planned maintenance is to occur in the agreed deadband periods, as described in the exclusion in subparagraph 2.28 b of the Licence. In contrast, assets that break down and require maintenance in the short term cannot be considered as planned maintenance, major investment or replacement, and thus would not fall within exclusions (a) to (o).
63. We also consider that it would be useful if other terms, for example but not limited to, "refurbishment", "replacement" and "equipment" were defined more specifically following agreement between HAL and the Community.

Information provision

64. The Community raised with us that the information they receive on service quality has changed since Q5. They consider that they are receiving less information about the broader service quality provision at Heathrow.
65. This is not an issue that the determination originally sought to address, as the CAA understood that much of the SQ Protocol had been agreed and that the key issue of disagreement to be considered by the determination was the treatment of SERs. However, it seems HAL and the Community have not subsequently agreed any processes beyond what is outlined in the determination. The CAA remains of the view that the type, frequency and amount of information are best discussed and agreed between HAL and the Community. Furthermore, we consider that while the determination was focussed on SERs, it also reflected that HAL must consult and work with the Community on all issues in the SQRB.
66. Thus, we consider that HAL and the Community should collaborate to agree more clearly the information sharing expectations for TRF and TCM meetings. We consider that the terms of reference for the TCM and TRF remain fit for purpose, given that they refer to the discussion of wider service quality issues. Furthermore, agreement on this

matter between HAL and the Community would fulfil the original expectations set out in Condition F1.1, which states that the Licensee shall consult relevant parties on the service quality regime in Condition D1.⁷

Conclusion and next steps

67. Overall, we find that the service quality consultation protocol is working effectively and is fit for purpose. However, we also find that a number of clarifications by the CAA are required to ensure that it operates better. These are set out above and cover
- Progress and management of SERs (paragraphs 27-35);
 - Additional reasons for exclusions (paragraphs 36-40);
 - Project overruns (paragraphs 41-43);
 - ACT exceptions (paragraphs 44-47);
 - Governance structure (paragraphs 48-54);
 - Capital project consultation (paragraphs 55 and 56);
 - Definitions (paragraphs 57-63); and
 - Information (provision paragraphs 64-66).
68. We expect that these clarifications and interpretations will further improve service quality consultation and will empower HAL and the Community to continue to work together in the best interests of passengers.
69. The CAA will publish this explanatory document along with the final determination. The determination will have immediate effect.
70. The CAA will expect HAL and the Community to work together on an on-going basis to resolve the remaining issues, as outlined above. Our involvement will be subject to request by either party.

⁷ The Licence, page 105 <http://www.caa.co.uk/Commercial-industry/Airports/Economic-regulation/Licensing-and-price-control/Economic-licensing-of-Heathrow-Airport/>

APPENDIX A

Updated service quality consultation protocol – the CAA’s determination

Introduction

- A1 This protocol forms part of the Heathrow Airport Q6 Consultation Protocol (Q6CP) as required under Condition F1 of Heathrow Airport Limited’s (HAL) economic Licence.
- A2 The purpose of this protocol is to describe how HAL will consult relevant parties on the service quality rebates and bonuses scheme (SQRB) as set out in the Statement of Standards, Rebates and Bonuses in Schedule 1 to the Licence (the Statement).⁸
- A3 The Licence is the vehicle by which the CAA imposes obligations on the airport in relation to topics such as price, service quality and operational resilience.
- A4 This protocol sets out how HAL will satisfy the service quality conditions in F1.1(iv) of the Licence. The consultation condition requires HAL to consult relevant parties on the SQRB in condition D1 of the Licence, including the Statement.
- A5 The first version of this protocol was effective from 1 December 2014. In consultation with relevant parties, this protocol should be reviewed from time to time, and updated if necessary. This subsequent amended version of the protocol will be effective from 8 September 2017.

Scope and licence obligations

- A6 The purpose of condition D1 of the Licence is to ensure that Heathrow Airport complies with the Statement as set out in Schedule 1 to the Licence.
- A7 HAL must maintain records of the actual service quality rebates and bonuses in such form and detail that their performance can be

8 Economic regulation at Heathrow from April 2014: Notice granting the licence, CAP1151, available at <http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=6072> pages 107-162

independently audited at HAL's cost by independent auditors appointed by the CAA, against the standards set out in the Statement.

- A8 All modifications to the Statement must comply with Conditions D1.6 to D1.10 of the Licence, which specify that the CAA may by notice modify the Statement with immediate effect where there is written agreement between HAL and the AOC. Where agreement cannot be reached between these parties, the CAA will act as an arbiter on proposed changes.

Consultation and Governance

- A9 HAL will report and consult on the components of the SQRB as set out in the Statement. Reporting will be in the form of a standing agenda item at the monthly Terminal Community Meetings (TCMs, previously known as Terminal AOCAs). The TCMs are the forum where HAL and the Heathrow Airline Community (the Community) work together in the interests of passengers to consider passenger experience at the terminal. It is the forum where the best interests of passengers can be considered in line with the provisions of SQRB. In particular, the TCMs have responsibility for managing terminal specific requests for exclusions from the SQRB under paragraph 2.28 of the SQRB. The Terms of Reference for TCMs are in Table 1.
- A10 HAL will work with the CAA, AOC and Chairs of the TCMs to create a simple instruction and briefing document and to offer appropriate training to enable decision making and ensure the provisions in the Licence are adhered to. Over time, the AOC Chairs and Deputy Chairs should develop and enhance their understanding of the parameters of the SQRB in order to confidently take responsibility for making decisions on straightforward and terminal-specific SQRB exclusion requests (SERs) and SQRB exclusion claim notices (SEs).
- A11 The Technical Review Forum (TRF) will review SERs and SEs referred to it by the TCMs and those presented to it directly by HAL, and process other technical aspects of service quality issues, including agreeing changes to the Statement under Condition D1 of the Licence. The Terms of Reference for the TRF are in Table 2.
- A12 The Passenger Experience Board (PEB) will provide strategic direction of the passenger experience. The Terms of Reference for the PEB are in Table 3.
- A13 The ACT Working Group is responsible for SQRB matters regarding the Aerodrome Congestion Term, as set out in section 2(e) of the SQRB, including reviewing: the timing of future major investment or

refurbishment work; the ‘Super-Log’ of events that could have had a material impact on operations; and the calculations and assumptions supporting any deferred runway movements and estimating the proportion of responsibility. This includes managing exceptions under paragraph 2.44.

SQRB exclusion requests (SERs) and SQRB exclusion notices (SENS)

- A14 All SERs and SENSs should be presented in a standard format, as set out in Annexes a and b of this protocol, at least seven calendar days in advance of the relevant TCM or TRF meeting. All SERs and SENSs shall be submitted in accordance to paragraphs 2.27 and 2.28 of the SQRB. Decisions on exclusions shall only be taken at the relevant meeting.
- A15 There are two types of SERs and SENSs – those related to terminal services⁹ and those that are not directly related to a particular terminal. Terminal-specific SERs and SENSs should be submitted to the respective TCMs or the TRF. Non-terminal-specific SERs or SENSs should be submitted to the TRF.
- A16 The TRF is not an appeal body for decisions made by the TCMs. The TCMs should only refer terminal-specific SERs or SENSs to the TRF where they consider that further deliberation is required in order to make a decision, and not when they decide to decline the SERs or challenge the SENSs. Decisions at TCMs cannot be overturned at the TRF.
- A17 For SERs or SENSs declined by a TCM and the TRF, HAL can choose to amend and re-submit the request to either the relevant TCM or the TRF, or may withdraw the request as it sees fit. Once an SER or SEN has been resubmitted once without resolution, the TCM or TRF may agree, in accordance with the dispute resolution mechanism set out in Appendix B of the Q6CP, refer the matter to the PEB through the Governance Structure set out in Appendix C.

9 As set out in Table 1a to Table 5d of Schedule 1 to the Licence, available at <http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=6072> , pages 136-155.

A18 HAL shall maintain a log of all SQRB exclusions and deadbanding activity.¹⁰ These are to be shared as a monthly standing agenda item at the TCMs, the TRF and the PEB.

General principles on SERs and SENs

A19 SQRB exclusions should follow these principles:

- Work that is in the passenger interest agreed at the terminal level should not be withheld on the basis of requiring a decision on SERs or SENs.
- Decisions on SERs and SENs should be made in a transparent, fair and consistent manner. SERs should be agreed when they fall within the criteria as set out in the Licence and not otherwise.
- Stakeholders should work together and commit to provide suitable operational, strategic and regulatory resources at all levels to expedite the decision-making process to passengers' benefit.
- Where work overruns the period set out in the SER or SEN, a new SER or SEN for the additional period must be submitted to the relevant TCM or TRF only if this meets the criteria within the relevant exclusion.

10 Deadband periods are defined in paragraphs 6.3(g) and 6.3 (h) of Schedule 1 to the Licence, available at <http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=6072> page135.

Table 1 Terminal Community Meeting (TCM)

Terminal Community Meeting (TCM)	
Meeting	On the third calendar week of every month
Chair	A representative from HAL
Secretary	A representative from HAL
Standing members	Representatives from the Heathrow Operations Team (terminal, security, retail, facilities and baggage), TCM Chair, airline/alliance representatives, AOC general secretary/deputy general secretary, Border Force, Police, Omniserve and other personnel as appropriate
Terms of reference	1 To review the operating performance and data for the service quality rebates and bonuses scheme (SQRB)
	2 To confirm upcoming schedules, events and activities that will impact the operation
	3 All development projects related to the terminal must be presented for formal consultation through the relevant Stakeholder Group set up under the Capital Portfolio Board.
	4 To process and, if necessary, agree on terminal-specific SQRB exclusion requests (SERs) presented to the TCM meeting and to review and, if necessary, challenge SQRB claim notices (SENs).
	5 To process and agree on the scope, timing and other operational details of the works to be carried out during the deadband periods as defined in the Licence
Agenda	1 Review minutes and actions from previous meetings
	2 Forward look: forecasts and key events
	3 Operations performance review: (i) critical KPIs (ii) key activities coming up (iii) requests/actions in these areas: service quality, terminal operations including special assistance, security, facilities and engineering, baggage, retail and border force
	4 Review terminal-specific SERs and SENs
	5 Any other business
Key roles and responsibility	Chair: Ensures meetings follow due process, issues are dealt with promptly, fairly and openly. Seeks consensus among members.
	Secretary: Arranges meetings, issues papers, and takes and issues meeting minutes.
	HAL representatives: Look after the interests of terminal operations.
	AOC representatives: Represent the interests of the AOC/aligned and non-aligned airlines.

Appendix A: Updated service quality consultation protocol – the CAA’s determination

	<p>Airline/alliance representatives: Represent the interests of their own airline, their alliance, and be mindful of the impact of their decisions on the wider airline community at Heathrow.</p>	
	<p>Non-airline members: Represent the interests of their own organisation and be mindful of the impact of their decisions on the wider community at Heathrow.</p>	
	<p>All members: Members have a collective responsibility to attend and contribute to TCM meetings, and agree to abide by its decisions, unless a disagreement is formally registered with the Chair.</p>	
Protocol	1	The TCM shall aim to operate by consensus, in the event of non-consensus, chair to be under an obligation to identify where issues are not unanimous in reporting to PEB.
	2	Deputies can attend where necessary but members to ensure they are fully briefed in advance. All members to submit names of nominated deputy.
Logistics / Ethics	1	Set dates for future meetings – having regard for people travelling from afar.
	2	Minutes shall be circulated within seven calendar days of the meeting.
	3	Agendas, papers and all SERs and SENs (presented on the standard forms) shall be circulated at least seven calendar days before the meeting. Decisions on SERs and SENs should only be taken at the meeting.
	4	Establish milestone plan to manage work plan.
	5	Meetings held at respective terminals
Quorum for processing terminal-specific SERs	<p>One HAL representative One AOC representative Members representing two airlines</p>	

Table 2 Technical Review Forum (TRF)

Technical Review Forum (TRF)	
Meeting	When needed, on the fourth calendar week of every month
Chair	A representative from HAL
Secretary	A representative from HAL
Standing members	Representatives from HAL, TCM Chair, airline/alliance representatives, AOC general secretary/deputy general secretary and other personnel as appropriate
Terms of reference	1 To review (1) terminal-specific SQRB exclusion requests (SERs) or SQRB exclusion notices (SENs) referred to it by TCMs or submitted directly to it and (2) non-terminal-specific SERs or SENs
	2 To handle technical aspects of service quality issues, such as licence modification ¹¹ , assets/works that are outside of terminals or span across multiple terminals
Agenda	1 Review minutes and actions from previous meeting
	2 Review SERs and SENs
	3 Technical aspects of service quality issues
	4 Any other business
Key roles and responsibility	Chair: Ensures meetings follow due process, issues are dealt with promptly, fairly and openly. Seeks consensus among members.
	Secretary: Arranges meetings, issues papers, and takes and issues meeting minutes.
	HAL representatives: Look after the interests of terminal operations.
	AOC representatives: Represent the interests of the AOC/aligned and non-aligned airlines.
	Airline/alliance representatives: Represent the interests of their own airline, their alliance, and be mindful of the impact of their decisions on the wider airline community at Heathrow.
	All members: Members have a collective responsibility to attend and contribute to TRF meetings, and agree to abide by its decisions, unless a disagreement is formally registered with the Chair.

11 As set out in Condition D1.6 to D1.8 of the Licence, available at <http://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=6072> page .94

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Technical Review Forum (TRF) – continued		
Protocol	1	The TRF shall aim to operate by consensus, in the event of non-consensus, chair to be under an obligation to identify where issues are not unanimous in reporting to PEB.
	2	Deputies can attend where necessary but members to ensure they are fully briefed in advance. All members to submit names of nominated deputy.
Logistics / Ethics	1	Set dates for future meetings – having regard for people travelling from afar.
	2	Minutes shall be circulated within seven calendar days of the meeting.
	3	Agendas, papers and all SERs (presented on the standard form) shall be circulated at least seven calendar days before the meeting. Decisions on SERs and SENs should only be taken at the meeting.
	4	Establish milestone plan to manage work plan.
	5	Meetings held in HAL offices usually at Compass Centre but may be elsewhere if rooms are not available
Quorum		<p>One HAL representative</p> <p>One AOC representative</p> <p>Members representing a minimum of two base airlines</p> <p>Member representing another airline/alliance</p>

Table 3 Passenger Experience Board (PEB)¹²

TERMS OF REFERENCE FOR THE HEATHROW PASSENGER EXPERIENCE BOARD

TITLE:	Passenger Experience Board (“PEB”)
FREQUENCY:	Monthly – and on need basis
TIME / DATE:	The first Monday of every month between 13:00 and 15:00. The PEB will not meet in January or August.
VENUE:	Heathrow as per diary invite
CHAIR:	Heathrow Chief Operating Officer
DEPUTY CHAIR:	Director of Customer Relations and Service
AIRLINE LEAD:	Mark Gardiner- Chairman LACC Executive
SEATS:	<p><u>Permanent Seats</u> Heathrow Commercial Director Heathrow Programme Director – Passenger Experience Heathrow Director of IT Portfolio Development Heathrow Airport Operations Director Heathrow Customer Service Director British Airways Virgin Atlantic Aer Lingus Oneworld Non-Aligned STAR Alliance SKYTEAM Heathrow AOC Limited IATA American Airlines Lufthansa NATS Border Force</p> <p><u>Topic related attendees</u></p>
Subject Matter Experts	(Invited by either HAL or the Airlines)
SECRETARY:	<p>The Chief Operating Officer will provide a Secretary to the PEB to keep clear records of matters considered, decisions made and directions / advice provided. The Airline Community will provide resource to act in a joint Secretariat role</p> <p>HAL Secretariat – Steven McGuikin Airline Secretariat – Andrew Cunningham (AOC)</p>
QUORUM:	The Chair or Deputy Chair plus 5 representatives, which must include a base carrier, an airline, an Alliance Member, a further representative from HAL and one representative from the AOC. Base Carrier Airlines cannot be double counted as Airlines
DECISION MAKING:	Board Members must be able to make decisions in the room. This is a Board within the agreed HAL and Airline governance structure as set out in the Q6 Consultation Protocol. Decisions will be taken based on quorum agreement.

¹² The August 2017 version of the PEB ToRs has been included.

Vision and Purpose

To act as the senior community forum to develop a cohesive passenger experience and airport resilience strategy of passenger travelling with their bags on time, every time.

Responsibilities

1. Steer the requirements and project definition phase of passenger experience, resilience and baggage projects within the Q6 portfolio. Making short term decisions within the scope of the Q6 Settlement.
2. Jointly define and agree the Service Masterplan and Passenger Experience Strategy for Passengers, Bags and Aircraft
3. Promote structured and regular collaboration between HAL, Airlines Customers and the broader community in driving a cohesive passenger experience and driving commercial revenues.
4. Create a common understanding of passenger experience performance drivers.
5. Create a platform where HAL and Airline passenger and baggage insights data are used strategically to improve the passenger journey.
6. Undertake a transparent review of HAL and where agreed to be appropriate Airlines activity / projects / initiatives to ensure these remain aligned to the passenger experience strategy. Support as an escalation forum for other consultation/stakeholder groups, for example
 - a) Stakeholder Groups
 - b) Terminal Community Meetings
 - c) Ramp and Baggage Community Meeting
7. Provide a platform from which unfunded improvement ideas are prioritised and where appropriate developed to business case – noting that not all initiatives will require capital spend and the opportunity to suggest re-prioritisation of capital spend.
8. As required establish cross business Working groups to lead on specific strategies or topics reporting back to the Board e.g. automation of the passenger journey, Hub Connections.
9. Provide strategic oversight of the Q6 Service Quality (SQRB / QSM / ASQ) performance and inform Heathrow’s service platform of the future.

Financial and contractual authority

The PEB shall not have any financial authority. Any capital expenditure will follow the standard governance process via the Capital Portfolio Board. Passenger Experience projects requiring capital expenditure must be reviewed at the PEB as well as being presented at the Capital Portfolio Board

Reporting to

Members will report to their respective constituencies. For Heathrow the Chair of the PEB will report to the HAL Executive Committee and Joint Steering Board on a regular basis.

Meeting Administration

Papers for the meeting will be sent out at least seven calendar days in advance and draft minutes sent out within seven calendar days.

A rolling agenda for the year will be agreed, although members will finalise agendas nearer to each meeting in response to current priorities.

Duration

The Board is part of the Q6 governance infrastructure agreed between HAL and the Airline Community.

Table 4 Aerodrome Congestion Term (ACT) Working Group)

ACT Working Group – Terms of Reference		
Meeting	Bi Monthly	
Chair	Head of Airside Operations	
Purpose	To	
Standing members	Representatives from HAL, NATS, airline representatives and AOC	
Terms of reference	1	Review the timing of future major investment or refurbishment work
	2	Review the ‘Super-Log’ of all events that could have had a material impact on operations including ATFM, local restrictions and any other factors
	3	Review the calculations and assumptions supporting any deferred runway movements and estimate the proportion of responsibility
Standard agenda items	1	Review minutes and actions from previous meeting
	2	Review super-log of material events for the previous two months and assumptions regarding the cause of events
	3	Review airfield development projects and identify areas requiring mitigation
	4	Any other business
Protocol	1	The group shall aim to operate by consensus, in the event of non consensus, chair to be under an obligation to identify where issues are not unanimous
	2	Unresolved issues to be escalated in accordance with the Q6 Governance Structure, agreed by Heathrow and the airline community
	3	Deputies can attend where necessary but must ensure they are fully briefed in advance
Logistics/Ethics	1	Set dates for future meetings – having regard for people travelling afar
	2	Minutes to be circulated within 7 days of the meeting
	3	Agenda and, super-log of material events to be circulated 7 days in advance
	4	Meetings to be held at the Compass Centre, Heathrow unless rooms are unavailable in which case they may be held elsewhere
Quorum	Two HAL representatives One AOC representative A minimum of one airline NATS representative	

Annex A - Standard Form for service quality rebates and bonuses exclusion requests (SQRB exclusion requests or SERs)

Standard Form for SQRB exclusion requests – Guidance Notes	
1	This form should be used for the provision of information required for each SQRB exclusion request (SER) in accordance to the Heathrow Airport Licence. ¹³ This form should be used for exclusions under paragraphs 2.28 f), l), m), n) and o) of Schedule 1 to the Licence.
2	This form should be completed sequentially.
3	The completed form should be distributed to all members seven calendar days prior to the meeting of the respective Terminal Community Meeting (TCM) or the Technical Review Forum (TRF). Decisions on this SER should only be taken at the relevant TCM or TRF meeting.
4	An SQRB exclusion is not required for Heathrow Airport to commence the activities for which it is submitting an SER. The decision to commence or postpone any activities for which HAL is seeking an SQRB exclusion is a decision for HAL to make. The role of TCM or the TRF is simply to consider if an SQRB exclusion meets the requirements of the exclusion provisions in paragraphs 2.28 f), j), l), m), n) and o) of the SQRB.
5	Terminal-specific SERs may be presented to either the respective TCM or the TRF. The TCM may decide to refer SERs to the TRF for review. Non-terminal-specific SERs shall be presented to the TRF.
6	Where the work described in this form overruns past the date for completion set out in A5, a new SER must be submitted to cover the additional time, but it may only be submitted if it meets the criteria in the relevant exclusion.

Standard Form for SQRB exclusion requests – Part A	
Details of the request	
A1	SQRB Element <i>Insert the SQRB element for which an exclusion is being sought</i>
A2	Reason for exclusion proposal <i>Set out the management reasons for the exclusion proposal</i>
A3	Any impact of not undertaking activity for which exclusion is being proposed <i>Set out any impact on the passenger experience and/or airline operations of not undertaking the work for which the exclusion is being proposed</i>
A4	Regulatory basis for the exclusion proposal <i>Set out the criteria, from the CAA Q6 decision list of factors under which it may be appropriate for an SQRB element to be excluded, under which HAL is proposing the exclusion</i>

¹³ As set out in paragraphs 2.27 and 2.28 of Schedule 1 to the Licence, available at <http://www.caa.co.uk/docs/33/CAP1151.pdf>, pp.116-119

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Standard Form for SQRB exclusion requests – Part A (continued)		
Details of the request		
A5	Period of exclusion proposal (inclusive of both start date and end dates)	
	<i>Insert proposed exclusion start date</i>	<i>Insert proposed exclusion end date</i>
A6	Any impact of the exclusion proposal on passenger experience and/or airline operations	
	<i>Set out any impact on the experience of passengers and/or airline aircraft operations of the exclusion proposal</i>	
A7	Mitigation of any impact on passenger experience and/or airline operations	
	<i>Set out how HAL will mitigate any impact of the exclusion proposal on passenger experience and/or airline operations</i>	
A8	HAL proposer	
	Name	Signature
	<i>Name</i>	<i>Signature</i>
A9	HAL – Customer Relation and Service Director Sponsor	
	Name	Signature
	<i>Name</i>	<i>Signature</i>
A10	SQRB exclusion request to be presented to	
	TCM (Go to Part B)	TRF (Go to Part C)
	<i>Tick as appropriate and insert terminal</i>	<i>Tick as appropriate</i>

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Standard Form for SQRB exclusion requests – Part B		
Discussion at the Terminal Community Meeting (TCM)		
B1	Date of presentation/discussion	
	<i>Insert date of presentation</i>	<i>Insert date of discussion</i>
B2	Views/comments on the exclusion proposal and mitigation proposed by HAL	
	<i>Insert text</i>	
For exclusions in Schedule 1 to the Licence, sub-paragraphs 2.28 l), m)		
B3	Has the criteria for the exclusion proposed by HAL been accurately applied?	
	Yes	No
	Referred to the TRF	
<i>Tick as appropriate</i>		
B4	Does the AOC Chair confirm the Community has been fully consulted on the proposal?	
	Yes	No
	Referred to the TRF	
<i>Tick as appropriate</i> Go to B7		
For exclusions in Schedule 1 to the Licence, sub-paragraphs 2.28 f), n), o)		
B5	Has the criteria for the exclusion proposed by HAL been accurately applied?	
	Yes	No
	Referred to the TRF	
<i>Tick as appropriate</i>		
B6	Decision on the exclusion proposal by HAL	
	Approved	Declined
	Referred to the TRF	
<i>Tick as appropriate</i> Go to B7		
B7	Any additional information/reasons or conditions associated with the decision	
	<i>Insert text</i>	
B8	TCM Chair/Deputy Chair	
	Name	Signature
	Date	
<i>Name</i> <i>Signature</i> <i>Date</i>		
If the SER has been referred to the TRF – go to Part C		
Otherwise – go to Part D		

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Standard Form for SQRB exclusion requests – Part C		
Discussion at the Technical Review Forum (TRF)		
C1	Date of presentation/discussion	
	<i>Insert date of presentation</i>	<i>Insert date of discussion</i>
C2	Views/comments on the exclusion proposal and mitigation proposed by HAL	
	<i>Insert text</i>	
For exclusions in Schedule 1 to the Licence, sub-paragraphs 2.28 l), m)		
C3	Has the criteria for the exclusion proposed by HAL been accurately applied?	
	Yes	No
	<i>Tick as appropriate</i>	
C4	Does the AOC Chair confirm the Community has been fully consulted on the proposal?	
	Yes	No
	<i>Tick as appropriate</i> Go to C8	
For exclusions in Schedule 1 to the Licence, sub-paragraphs 2.28 f), j), n), o)		
C5	Has the criteria for the exclusion proposed by HAL been accurately applied?	
	Yes	No
	<i>Tick as appropriate</i>	
C6	Decision on the exclusion proposal by HAL	
	Approved	Declined
	<i>Tick as appropriate</i> Go to C8	
C7	Any additional information/reasons or conditions associated with the decision	
	<i>Insert text</i>	
C8	TRF Chair/Deputy Chair	
	Name	Signature
	<i>Name</i>	<i>Signature</i>
Go to Part D		

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Standard Form for SQRB exclusion requests – Part D			
Form acknowledgement of the Passenger Experience Board			
D1	Date of discussion at PEB		
	<i>Insert date of discussion</i>		
D2	Views/comments on the exclusion proposal and mitigation proposed by HAL		
	<i>Insert text</i>		
D3	Any additional information/reasons or conditions associated with the decision		
	<i>Insert text</i>		
D4	PEB Chair – HAL		
	Name	Signature	Date
	<i>Name</i>	<i>Signature</i>	<i>Date</i>
D5	PEB Chair – Heathrow airline community		
	Name	Signature	Date
	<i>Name</i>	<i>Signature</i>	<i>Date</i>

Annex B - Standard Notice for service quality rebates and bonuses exclusions (SQRB exclusion notices or SENs)

Standard Notice for SQRB exclusions – Guidance Notes	
1	This form should be used for the provision of information required for each SQRB exclusion notice (SEN) in accordance to the Heathrow Airport Licence. ¹⁴ This notice should be used for exclusions under paragraphs 2.28 a), b), c), d), e), f), g), h), i) j) and k) of Schedule 1 to the Licence.
2	Separate notices should be used for exclusions dealing with past events (exclusions c), d), e),g), h), i) and k)) and planned events (exclusions a), b), e) and i).
3	The completed notice should be distributed to all members seven calendar days prior to the meeting of the respective Terminal Community Meeting (TCM) or the Technical Review Forum (TRF). Challenges to any items on this SEN should only be taken at the relevant TCM or TRF meeting.
4	An SQRB exclusion notice is not required for Heathrow Airport to commence the activities for which it is submitting an SEN. The decision to commence or postpone any activities for which HAL is seeking an SQRB exclusion notice is a decision for HAL to make. The role of TCM or the TRF is simply to consider if an SQRB exclusion meets the requirements of the exclusion provisions in paragraphs 2.28 a), b), c), d), e), g), h), i), j),and k) of the SQRB.
5	Terminal-specific SENs may be presented to either the respective TCM or the TRF. The TCM may decide to refer SENs to the TRF for review. Non-terminal-specific SENs shall be presented to the TRF.
6	Where the work described in this form overruns past the date for completion set out in Part B, a new SEN must be submitted to cover the additional time, but it may only be submitted if it meets the criteria in the relevant exclusion.

14 As set out in paragraphs 2.27 and 2.28 of Schedule 1 to the Licence, available at <http://www.caa.co.uk/docs/33/CAP1151.pdf>, pp.116-119

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Part B Example of information that should be submitted											
Relevant exclusion	SQRB element for which the exclusion is being sought	Location	Reason for exclusion	Start date of planned exclusion period / date and time of start of the incident	End date of planned exclusion period / date and time of the end of the incident (or duration of incident)	Exclusions a) and b):			Exclusion j):	Any additional information on why the exclusion is needed and meets the relevant criteria e.g. i) details of the fire risk assessment	Challenge by the TCM or TRF?
						Date(s) of consultation with the AOC.	Potential impact of proposal on passenger experience or airline operations	Any mitigation measures proposed to minimise impact.	Details of acceptance of responsibility by airline or written agreement from the AOC.		

Schedule 1 to the Licence (paragraph 2.28) – Guidance on the Application of Exclusions

Exclusions are the limited circumstances when time will not be required to be counted towards the time when equipment is unavailable or when other standards are not met, such as:

Reason for exclusion and requirements	Type of exclusion	What HAL must do	What the TCM/TRF does
<p>a) specific stands, jetties and fixed electrical ground power to accommodate annual and five yearly statutory inspections,</p> <ul style="list-style-type: none"> – where this work is done in consultation with the AOC, and the period specified in advance, – the exclusion not to be more than two days over any relevant Regulatory Period or Regulatory Year for any particular relevant asset. – If works extend beyond any notified period, then any additional downtime shall count against the serviceability standard; 	<p>SEN for planned work.</p> <p>This should be business as usual for the airlines and airport, requiring minimal consultation and paperwork for the exclusion process.</p>	<p>HAL must consult the AOC on the timing and scope of the inspections with enough information to allow airlines to understand the operational impact and discuss any mitigation measures to be put in place.</p> <p>HAL should notify the TCM/TRF of the works falling under this exclusion in a list form (SEN) at least 7 days prior to the meeting.</p> <p>Where the work overruns past the date of completion agreed by the AOC, the exclusion should not be automatically extended even if the AOC agrees to the extension of the project but a new SER should be submitted. An extension to the exclusions should only be considered if the AOC has agreed to a change in scope to the project prior to the agreed end date of the project.</p>	<p>At the meeting, the AOC TCM or TRF Chair must certify that the AOC was consulted on these projects.</p> <p>Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>

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Reason for exclusion and requirements	Type of exclusion	What HAL must do	What the TCM/TRF does
<p>b) specific passenger-sensitive equipment or arrivals baggage carousels to accommodate planned maintenance,</p> <ul style="list-style-type: none"> – where the work is done in consultation with the AOC, the period is specified in advance, – the work falls in a deadband period as defined in paragraphs 6.3(g) and 6.3(h), and – the exclusion is not more than 30 days over any relevant Regulatory Period or Regulatory Year for any particular relevant asset. – If works extend beyond a notified period, then any additional downtime shall count against the serviceability standard. – (If a specific asset is measured against both the passenger-sensitive equipment (general) standard and the passenger-sensitive equipment (priority) standard this exclusion shall apply to both); 	<p>SEN for planned work.</p> <p>This should be business as usual for the airlines and airport, requiring minimal consultation and paperwork for the exclusion process.</p>	<p>HAL must consult the AOC on the timing and scope of the inspections with enough information to allow airlines to understand the operational impact and discuss any mitigation measures to be put in place.</p> <p>HAL should notify the TCM/TRF of the works falling under this exclusion in a list form (SEN) at least 7 days prior to the meeting.</p> <p>Where the work overruns past the date of completion agreed by the AOC, the exclusion should not be automatically extended even if the AOC agrees to the extension of the project but a new SER should be submitted. An extension to the exclusions should only be considered if the AOC has agreed to a change in scope to the project prior to the agreed end date of the project.</p>	<p>At the meeting, the AOC TCM or TRF Chair must certify that the AOC was consulted on these projects.</p> <p>Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>

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<p>c) security queues for central search, transfer search and staff search for two hours following evacuations in the relevant terminal(s), and control post search for two hours following evacuations in the relevant control post(s);</p>	<p>SEN following the incident Automatic</p>	<p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	<p>Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>
<p>d) closure of passenger-sensitive equipment (lifts, escalators, travelators) in areas immediately adjacent to security queues</p> <ul style="list-style-type: none"> – where it is considered by the Licensee that their continued use is likely to lead to unacceptable health and safety risks due to increased congestion; 	<p>SEN following the incident Automatic</p>	<p>This exclusion should only be used for exclusion under the availability of equipment element, and not for the queue measurement element, unless it can be demonstrated that the cause of the congestion was due to factors wholly outside of HAL’s control.</p> <p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	<p>Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>

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<p>e) stands taken out of service to accommodate high security flights;</p>	<p>SEN either before the event or after the event</p> <p>Automatic</p>	<p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	<p>Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>
<p>f) closure of stands to ensure passenger safety during evacuation, emergency or safety incidents and</p> <ul style="list-style-type: none"> – relevant passenger-sensitive equipment, subject to the AOC agreeing after the event that such equipment was in the immediate vicinity of the stands or the incident; 	<p>SEN (if only stands are closed)</p> <p>SER after the event if passenger sensitive equipment is closed - requires agreement of the AOC regarding location of the equipment in relation to the stands or the incident</p>	<p>Where only stands are closed, HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p> <p>Where passenger sensitive equipment is closed, HAL should submit an exclusion request form (SER) to the TCM/TRF at least 7 days prior to the relevant TCM/TRF meeting. One form can be used for a number of stands or</p>	<p>TCM/TRF on behalf of the AOC should decide if the equipment was ‘in the immediate vicinity of the stands or the incident.</p> <p>Where the TCM/TRF agrees that closure of the equipment meets the criteria, further discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion itself is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>

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		passenger sensitive equipment in the vicinity of the incident.	
g) downtime where equipment is automatically shut down by fire alarm activation and the fire alarm activation is not due to a system fault with the fire alarm;	SEN following the incident automatic	<p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.
h) passenger-sensitive equipment where downtime is due to the activation of an emergency stop button or break glass, limited to equipment where there is back indication of serviceability and limited to 10 minutes for each occurrence in the case of false alarms;	SEN following the incident automatic	<p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.
i) downtime to accommodate fire risk-assessed deep cleans where an assessment of the condition of the equipment has shown that a deep clean is needed to ensure a safe	SEN following the incident automatic	HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.	Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual

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<p>operation can be maintained and to reduce the risk of fire;</p>		<p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p> <p>HAL should include details of the fire-risk assessment.</p>	<p>exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>
<p>j) equipment downtime due to damage of, or misuse of, baggage carousels, jetties, stand equipment (e.g. lighting) or fixed electrical ground power units likely to have been caused by airlines or their agents; or</p> <p>– to passenger-sensitive equipment where an airline or airline agent has accepted responsibility or where the AOC agrees with the Licensee in writing that the likelihood is that the damage has been caused by an airline or its agent;</p>	<p>SEN following the incident</p> <p>automatic</p> <p>but, for passenger sensitive equipment, only “where an airline ... has accepted responsibility or where the AOC agrees with the Licensee in writing”</p>	<p>HAL must get confirmation that the relevant airline accepts responsibility, or get the written agreement from the AOC before submitting the SEN. (Confirmation can be obtained at the TCM/TRF meeting if practicable).</p> <p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p> <p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	<p>If HAL has obtained confirmation of responsibility from the airline or written agreement from the AOC, discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>
<p>k) downtime where a fault has been reported by airlines or their agents, but, when the engineers attend the site, no fault is found and the equipment is working;</p>	<p>SEN following the incident</p> <p>Automatic</p>	<p>HAL must notify TCM/TRF that the exclusion is being applied, but consultation or explicit agreement on the exclusion is not required.</p>	<p>Discussion on these exclusions should be on an exception basis only as explicit agreement on the exclusion is not required. However, the TCM/TRF can</p>

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		<p>HAL should notify the TCM/TRF of the exclusion in a list form (SEN) at least 7 days prior to the relevant TCM/TRF meeting.</p>	<p>challenge one or more individual exclusion in an SEN if it considers that the exclusion criteria have not been applied properly. The TCM may defer to the TRF.</p>
<p>l) equipment or stands taken out of service whilst a major investment project is undertaken in the vicinity</p> <ul style="list-style-type: none"> – where this is done in consultation with users and – the timing of work has been determined after consultation with the AOC, and – the period specified in advance. – If work extends beyond this period, then the additional downtime shall count against the serviceability target; 	<p>SER either prior to or after the event</p> <p>Requires prior consultation</p> <p>“done in consultation with users and the timing of work has been determined after consultation with the AOC”</p>	<p>HAL must ensure that adequate consultation on the work required, the likely operational impact and any mitigation measures is carried out with all users of the equipment or stand at an appropriate forum and the timing agreed with the AOC, prior to submitting the SER.</p>	<p>The TCM/TRF is responsible for confirming that adequate consultation has been carried out to discuss the timing of projects, in particular in relation to other projects in the area, and to discuss the mitigation measures to minimise the impact on the passenger experience, so that airlines can plan for any residual adverse impacts on passengers.</p> <p>The TCM/TRF is responsible for actively confirming that the SER meets the criteria.</p> <p>The TCM may defer to the TRF.</p> <hr/> <p>Where the work overruns past the date of completion agreed by the AOC, the exclusion should not be automatically extended even if the AOC agrees to the extension of the project but a new SER should be submitted. An extension to the exclusions should only be considered if the AOC has agreed to a change in scope to the project prior to the agreed end date of the project.</p>
<p>m) equipment or stands taken out of service for replacement or major refurbishment work,</p> <ul style="list-style-type: none"> – when the timing of work has been determined after consultation with the AOC, – and the period specified in advance. 	<p>SER either prior to or after the event</p> <p>Requires prior consultation</p>	<p>HAL must ensure that the timing of the work has been agreed with the AOC, prior to submitting the SER.</p> <p>Although not required for claiming an exclusion in this case, it would be helpful for HAL to ensure that adequate consultation on the work required, the</p>	<p>The TCM/TRF should also ensure that adequate consultation has been carried out to discuss the timing of projects, in particular in relation to other projects in the area, and to discuss the mitigation measures to minimise the impact on the passenger experience, so that airlines</p>

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<p>– If work extends beyond this period, then the additional downtime shall count against the serviceability target;</p>	<p>“the timing of work has been determined after consultation with the AOC”</p>	<p>likely operational impact and any mitigation measures is carried out with relevant users at an appropriate forum prior to submitting the SER.</p>	<p>can plan for any residual adverse impacts on passengers. The TCM/TRF is responsible for actively confirming that the SER meets the criteria. The TCM may defer to the TRF.</p>
<p>n) during trials of new security processes or equipment.</p> <p>The scope and terms of exclusion shall be for predetermined periods that have been agreed by the Licensee and the AOC;</p>	<p>SER prior to the event.</p> <p>requires prior consultation or detailed discussion at the TCM/TRF. “The scope and terms of exclusion shall be for predetermined periods that have been agreed by the Licensee and the AOC”</p>	<p>Relatively high level of consultation required</p>	<p>The TCM/TRF is responsible for discussing and agreeing the scope, terms and timings of the exclusion or, where this has been done in discussion with the AOC, for confirming that these discussions have resulted in a clear agreement on the terms, scope and timing. The TCM/TRF is responsible for actively confirming that the SER meets the criteria. The TCM may defer to the TRF.</p>
<p>o) during major operational disruption events which have a major impact on security staff resource, passenger volumes or off schedule activity. The applicability and duration of the exclusion in respect of these events shall be</p>	<p>SER after the event</p> <p>“The applicability and duration of the exclusion in respect of these events shall be as agreed with the</p>	<p>This exclusion should only be used for extremely unusual events caused by circumstances outside of HAL’s control that cannot be covered under other exclusion categories.</p>	<p>The TRF is required to review HAL’s reasons and decide whether it is reasonable to agree to this exclusion. The TRF may defer to the PEB.</p>

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Reason for exclusion and requirements	Type of exclusion	What HAL must do	What the TCM/TRF does
as agreed with the AOC where such agreement can be made retrospectively.	AOC where such agreement can be made retrospectively”.	HAL must set out reasons why the event should qualify for an exclusion and the elements that it considers should be subject to that exclusion.	