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31st October 2022

Dear Colleagues,

2023 Airport Charges

The absence of a final H7 determination from the CAA has created a gap between the 2022 interim price cap and the introduction of a final price control mechanism to be used from 1 January 2023. This has presented challenges to the 2023 Airport Charges consultation process and meeting Heathrow's ongoing obligations under the Airport Charges Regulations 2011 ("ACR2011"). As always, we have worked hard to balance our statutory obligations against airlines' desire for commercial certainty and we thank you for engaging with us to help achieve this. As you will see below, your responses to our consultation have been carefully listened to and have helped develop our thinking.

The CAA's Final Proposals were published prior to Heathrow's consultation period, however, the H7 final decision has been delayed and to date, there is no price control mechanism in place for 2023. We are actively and urgently engaging with the CAA on its intention regarding the 2023 price cap and understand that an interim price cap for 2023 is possible but we do not yet have certainty; it is therefore not practicable for Heathrow to publish its final charges two months prior to implementation, as ordinarily required by Regulation 13(2)(A) ACR2011. We are of the view that it is in the interest of all parties to delay the publication of the final 2023 airport tariff list and associated Conditions of Use until we receive further direction on the 2023 cap from the CAA after which we will publish the final charges as soon as possible.

Notwithstanding the inherent uncertainty caused by the lack of a price control, we have been carefully considering the feedback received from airlines regarding the overall structure of charges that was consulted upon. In order to provide direction on the future structure, to support airline business planning for next year and in line with the extraordinary approach that we took in 2022, Heathrow sets out below, the amendments that we are minded to make to the consulted upon structure. These are subject to any subsequent CAA direction or licence modification

Heathrow, taking into account airline feedback, plans to:

- Delay the introduction of cargo charging whilst working with the community to resolve the technical and implementation based challenges raised during the consultation with an intent to introduce a revised mechanism in 2024;
- Continue with the standardisation of noise chapter charging but take into consideration airline feedback and introduce an additional noise chapter between 26-29 EPNdB with smoother multipliers across the chapters which results in reduced differentials between aircraft of the same family and provides a longer lead time to the EPNdB move trigger;
- Continue with the proposed increase in sustainable aviation fuel (SAF) ambition for 2023 by increasing the targeted fuel mix from 1% signalled in the 2022 Decision

Document to 1.5%. This reflects the positive response to the scheme in 2022 and Heathrow's continued commitment towards the decarbonisation of aviation;

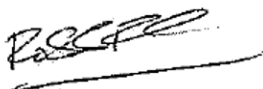
- Reverse the proposed Noise/NOx rebalancing from 60/40 back to current ratio of 80/20 respectively. This is in response to airline's highlighting the latest engine technology developments which introduced a trade-off between NOx and carbon reduction in written responses and bilateral sessions;
- Implement the proposed removal of the minimum departure charge for domestic movements to support domestic connectivity and the viability of smaller routes to the UK's hub airport; and
- Refine the proposed 50% noise charge discount for aircraft below 30mt MTOW with a more targeted 2 year noise charge discount (50% in year 1 and 25% in year 2) for Domestic routes not currently in operation or those that averaged less than 100 pax per ATM in 2022. By setting out a multi year commitment, we provide confidence to airlines considering investing in new Domestic routes that there is continued support beyond year 1 and that a reduction over time demonstrates that we intend to support new domestic connectivity but not subsidise it.

To provide further support to the airline community and allow airlines to reflect the potential PSC changes in 2023 ticket sales, Heathrow has included an indicative tariff list based on the structure outlined above and using the consultation maximum allowable yield of £31.57.

It is Heathrow's view that the provisional charges for 2023 could be used by airlines within the GDS with immediate effect and until such time as Heathrow finalises the tariffs following further CAA direction.

Following a robust consultation process and, as a result of airline feedback, the changes made to the proposed charges structure, Heathrow believes that the proposals are the right approach to achieve our clear and transparent objectives of supporting sustainable passenger growth, encouraging the best use of the airport and incentivising increased Domestic connectivity. This update is not Heathrow's final decision; as above that will be published as soon as practicable following direction from the CAA and will contain further detail on both consultation responses and Heathrow's final decision. In the meantime, should any airline wish to discuss this further please contact airline_relations@heathrow.com.

Yours faithfully



Ross Baker
Chief Commercial Officer – Heathrow Airport Limited

Appendix: Proposed Airport Charges Tariffs effective 1 January 2023

| Charges on Movement | 2023 |
|---|------------|
| Day Charge (Departures & Landing) | |
| Maximum | £14,046.20 |
| Ultra high | £7,023.10 |
| Super High | £3,511.55 |
| High | £2,106.93 |
| Base | £1,404.62 |
| Low | £983.23 |
| Super Low | £772.54 |
| Ultra Low | £702.31 |
| Night Charge (Departures & Landing) | |
| Maximum | £70,231.00 |
| Ultra high | £35,115.50 |
| Super High | £17,557.75 |
| High | £10,534.65 |
| Base | £7,023.10 |
| Low | £4,916.15 |
| Super Low | £3,862.70 |
| Ultra Low | £3,511.55 |
| Emissions charge (on landing) | £42.25 |
| Charges on Departing Passengers | |
| Origin and Destination | |
| European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i> | £14.57 |
| Common Travel Area | £14.82 |
| European charge with single discount <i>(with EU load factor discount)</i> | £22.07 |
| Other | £54.70 |
| Transfer and Transit | |
| European charge with dual discount <i>(with EU load factor and UK connectivity discount)</i> | £10.93 |
| Common Travel Area | £11.12 |
| European charge with single discount <i>(with EU load factor discount)</i> | £16.55 |
| Other | £41.03 |
| Remote Stand Rebate | -£4.00 |
| Minimum charge - Domestic | £0.00 |
| Minimum charge - Common Travel Area | £889.20 |
| Minimum charge - European | £1,699.39 |
| Minimum charge - Other | £2,735.00 |
| Charges on aircraft parking | |
| Narrow bodied | £31.37 |
| Wide bodied | £65.88 |