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Dear Colleagues

## **Decision - 2023 Airport Charges**

Thank you for your participation in the 2023 Heathrow Airport Charges Consultation process.

The absence of a final H7 determination from the CAA during 2022 had created a gap between the 2022 interim price cap and the price control mechanism to be used from 1 January 2023. As in the 2022 Airport Charges consultation process, this has provided significant challenges to the 2023 Airport Charges consultation process and meeting Heathrow's ongoing obligations under the Airport Charges Regulations 2011 ("ACR2011"). The CAA has commenced a consultation on an interim price cap for 2023, issued on 8 December 2022, which provides a clear direction and which informs this Decision document.

Despite the difficulties the timeline has posed, I thank you for your engagement throughout and the comprehensive feedback on our proposals. As you will see below, your feedback has been carefully listened to and has helped develop our thinking.

The CAA's Final Proposals were published prior to Heathrow's consultation period and informed the yield calculation that was consulted upon. However, the lack of a final determination for the H7 regulatory period prior to the 31 October 2022 meant that Heathrow had to delay the publication of the final 2023 airport tariff list and associated Conditions of Use. The absence of any guidance on a price control mechanism for 2023 meant that it was not practicable for Heathrow to publish its final charges two months prior to implementation, as ordinarily required by Regulation 13(2)(A) ACR2011.

In the Final Proposals, the CAA stated it expected to issue the decision on the H7 price control "in the Autumn of 2022"<sup>1</sup> and we expected to publish our decision document shortly afterwards. No direction on a potential price cap for 2023 was received until 8 December 2022 and the CAA has subsequently confirmed that its final H7 decision will not be published until 2023. We have therefore not been able to publish our decision document until now.

The CAA included in the consultation on 8 December 2022 that the holding price cap for 2023 should be £31.57, consistent with its Final Proposals. In our response to the Final Proposals we set out a range of errors made by the CAA that resulted in them significantly underestimating the required charge. We are disappointed that they have not yet addressed these errors in this interim decision. Further, the proposed price risks leaving Heathrow without sufficient cashflow to support investment in improving passenger service and resilience. We will submit our response to the CAA consultation and expect a more considered outcome when it makes its final decision

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<sup>1</sup> Economic regulation of Heathrow Airport: H7 Final Proposals – Summary (caa.co.uk)

in 2023. Nonetheless, we acknowledge airlines' desire for certainty and therefore will proceed to set the price for 2023 in line with the CAA's proposed interim price cap of £31.57.

Despite the challenges faced during the 2023 pricing process I thank you for your engagement throughout and the comprehensive feedback on our proposals. We have carefully listened to the range of feedback we have received throughout the consultation and taken into account the outcome of the CAA interim price control consultation.

We served 18 million passengers this summer, more than any other European hub, and the vast majority of Heathrow passengers experienced a good service this summer. This was achieved by everyone at the airport working together to serve passengers and was supported by the implementation of a temporary capacity cap which kept capacity and demand in balance.

While demand is stronger, it is not fully recovered and the global headwinds caused by macro economic factors, the war in Ukraine and the cost of living crisis mean that there is continued uncertainty on the demand profile for 2023 and beyond.

Nevertheless, our priority is to build back the airport eco-system to meet demand at peak times and to that end, the Build Back Capacity programme has been set up to swiftly & progressively build back capacity, resilience and service, while maintaining safety & security.

The tariffs for 2023 have been constructed to continue to support sustainable growth and domestic connectivity and reflect the outcome of a comprehensive consultation process. The acceleration of the sustainable aviation fuel (SAF) incentive ambition is another step towards the goal of decarbonising aviation.

### **Summary of charges**

I am pleased to publish Heathrow's decision document on 2023 airport charges and Conditions of Use. Effective from 1 January 2023, Heathrow will:

- recover the holding price cap for 2023, as consulted upon by the CAA on 8 December 2022, of £31.57 per passenger;
- Accelerate the sustainable aviation fuel (SAF) ambition for 2023 by increasing the targeted fuel mix from the 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;
- Recognise airline feedback which highlighted technical and implementation challenges and delay the introduction of cargo charging whilst we work with the community to resolve the issues raised during the consultation with an intent to introduce a revised mechanism in 2024;
- Take into account airline responses and reverse the proposed Noise/NOx rebalancing from 60/40 back to current ratio of 80/20 respectively. This reflects the latest engine technology developments which have introduced a trade off between NOx and carbon reduction, and airline concerns raised in both written feedback and bilateral sessions;
- Introduce standardised noise chapter charging but, taking into consideration airline feedback, 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;

- Remove the minimum departure charge for domestic movements to encourage improved domestic connectivity, in line with the Government's Levelling Up the United Kingdom agenda;
- Replace the proposed 50% noise discount for aircraft below 30 MTOW with a more targeted 2 year noise charge discount (50% in year 1 and 25% in year 2) for new scheduled Domestic routes or those that averaged fewer 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 a reduction over time demonstrates that we intend to support new connectivity but not subsidise it; and
- retain discounts for UK, CTA, European and transfer passengers to support domestic connectivity and increase direct and transfer passenger volumes which support long-haul flights and the UK's trade with the world.

Heathrow believes that the changes outlined above, and further explained in Appendix 1, reflect the right balance of charges to achieve our clear and transparent objectives of supporting sustainable passenger growth, encouraging the best use of the airport and incentivising Domestic connectivity whilst also supporting airlines and bringing passengers back to the airport. Thank you for your continued business. Our Aviation team will be pleased to engage with you on how we can best partner together on sustainable growth at Heathrow.

The remainder of this decision document is structured as follows:

**Appendix 1** details our final decision and provides responses to airline and airline representative body questions posed during the consultation process.

**Appendix 2** sets out the consultation process we have followed.

**Appendix 3** sets out the final prices effective from 1 January 2023.

**Appendix 4** provides a summary of airline responses to the proposed changes to the 2023 Conditions of Use and details our final decision.



Ross Baker

Chief Commercial Officer – Heathrow Airport Limited

## Appendix 1

### Heathrow Airport Decision

#### Calculation of the 2023 average charge on a per passenger basis

In its June 2022 H7 Final Proposals, the CAA set out a price control formula for the 2023 Maximum Allowable Yield (MAY).

In the September 2022 Airport Charges Consultation, we consulted with the airline community on a MAY of £31.57 based on Final Proposal price control formula, and with a view to adjust the MAY to take into account any changes arising in the CAA's Final Decision. At the time of the Airport Charges Consultation, the CAA's timetable targeted publishing the H7 Final Decision in Q4 2022.

The CAA has since confirmed that it will not reach a Final Decision by the end of 2022. In the absence of a Final Decision, on 8 December 2022, the CAA proposed an interim price cap for 2023, at £31.57. This is the same MAY Heathrow consulted on and on this basis, Heathrow will implement a price cap of £31.57 for 2023, starting from 1 January 2023.

#### Feedback

In respect of the MAY airline feedback focused upon the decision by Heathrow not to return any of the 'Additional K' (AK) factor in the yield calculation and challenged the forecast inflation calculation.

Heathrow is confident that the approach it has taken in regard to both aspects outlined above is compliant with the methodology set out by the CAA in the Final Proposals and we are maintaining that decision.

#### **Passenger volumes**

In our published consultation document, airport charges were calculated based on a forecast for 2023 of 65.2m passengers. Our passenger forecasting methodology is described in detail in the RBP Chapter 5, Demand, and summarised further below.

Airline feedback states that the revised passenger forecast of 65.2m is too low and have provided alternative figures of ~80m however flight schedule reductions for the first quarter of 2023 are already being seen and the economic outlook is continuing to deteriorate so it is unlikely for passenger volumes to be back at 2019 levels as some airlines are suggesting.

Our forecasting approach continues to be one which combines the advantages of using the full functionality of our proven, existing models, with a scenario-based approach that covers the range of outcomes, whilst giving the flexibility to update as we gain more information.

We welcomed the comments from the CAA in their consultation on the Way Forward document, that we have taken *"a reasonably well-considered and structured approach to passenger forecasting, consistent with good practice. In particular, HAL's use of specific modelling to take account of the impact of travel restrictions is based on evidence where available and appears to be reasonable"*. This was reiterated in their H7 Final Proposals document stating that Heathrow's



models represent *“a reasonable approach to modelling passenger volumes in the difficult and uncertain circumstances of the covid-19 pandemic”*.

Our modelling suite is built up of three distinct parts: travel restrictions model; capacity supply model and econometric model.

The capacity supply and econometric models were built pre-pandemic. In preparation for the Initial Business Plan, we had comprehensively reviewed our forecasting models with independent input to build on the improved accuracy of the Q6 models. This gives us confidence that the models are designed based on a robust forecasting methodology, sound mathematical techniques and industry best practice.

The travel restrictions model was initially created as a direct response to the challenges of forecasting passengers within the COVID-19 pandemic – which continues to be relevant considering there are still destination groups serving Heathrow under restrictions - however its functionality is much wider than that so is also being used to model non pandemic related travel restrictions such as the impact of the Russia-Ukraine War on demand. The model is described below and was used to create Heathrow’s current forecast for 2023.

The travel restrictions model breaks down Heathrow demand into 40 geographic markets (e.g., UK, Greece, Western US). For each geography it then forecasts a timeline of restrictions lifting, taking account of restrictions at either end of the route. For each level of restriction, we then assume a level of associated demand, which is specific to each geography. This level of demand is based, for the most part, on observed market behaviour since the pandemic began. The end output is a set of monthly volumes by market based on a set of scenario definitions.

We use this suite of forecasting models to build each forecast scenario individually and create a probabilistic output using Monte Carlo simulation. The output from each scenario is then combined using a weighting, to reflect that each scenario is not equally as likely as the other. This weighting means producing more Monte Carlo runs from those scenarios which are more likely. A full probabilistic range is then created from the weighted combination of the scenarios. The P10 is taken as the low case, the P50 as the mid and the P90 as the high. Our forecast of 65.2m passengers for 2023 is our P50 scenario.

### Feedback

Airline feedback suggested that the forecast for both passengers and movements was too pessimistic, and that Heathrow should use the CAA Final Proposals 2023 forecast.

It should be noted that, when calculating the tariffs for an individual year, the determining factors are not the total passenger volume but the underlying forecast ratios such as passenger and fleet mix, transfer percentage etc. Having articulated above the principles that underpin the Heathrow methodology, Heathrow is confident that the forecast generated by the proven models best represents, through the scenario-based probabilistic approach, a considered view of these elements for 2023.

## Passenger Charges

The European load factor, transfer passenger and the domestic connectivity discounts will be retained in 2023. All of these are key levers in stimulating passenger volume recovery through lower fares, supporting the hub status of the airport, the efficient use of airport capacity and providing important feeder traffic for long-haul services.

We are maintaining the existing destinations tariff structure, which has been previously consulted on of Domestic, Common Travel Area (CTA), European Economic Area (EEA) and the Rest of the World. The seasonality of passenger charges continues to be suspended.

Proportions of charges between Rest of the World and Europe/CTA/Domestic remain at 2022 levels, 75%/25% respectively.

### Feedback

Despite no change in this ratio, we have received the following feedback:

- A change in modulation from 75%/25% (LH/SH) to 80%/20% would support domestic routes; and
- Rest of the World (RoW) charges are too high when compared to European destination tariffs.

Heathrow will continue to review this ratio on a yearly basis to ensure that Heathrow has the right balance between most efficient use of assets (high load factor) and sustained feeder short haul traffic into long haul routes, thus supporting Heathrow's hub status.

## Domestic Connectivity

In line with National Connectivity Task Force recommendations and the Levelling Up agenda, to stimulate the development of new domestic routes we consulted on two proposals which were aimed at providing the conditions at Heathrow to drive regional connectivity.

### **1. Removal of Minimum Departure Charge (MDC) for Domestic routes**

#### Feedback

Community responses were limited with either neutral or supportive comments for the proposal. Feedback was received which requested reviews of the load factor assumptions which underpin the MDC calculations for all destinations.

Therefore, Heathrow will proceed with the removal of the MDC charge for domestic movements in 2023. The MDC for all other destinations will remain with the same underlying passenger assumptions as in 2022. However, Heathrow will incorporate a review of the underlying load factor assumptions into engagement on 2024 airport charges. Charges for 2023 are as follows:

Destination	2022 MDC	2023 MDC	Load factor equivalent
Domestic	£778.36	-	58 (2022), 0 (2023)
CTA	£820.20	£889.20	60
European	£1,610.84	£1,699.39	77
RoW	£2,745.50	£2,735.00	50

## 2. 50% movement charge reduction for aircraft with a Maximum Take-off Weight (MTOW) < 30 metric tonnes

### Feedback

Airline feedback highlighted that the incentivisation of smaller aircraft, whilst well founded, contradicted the best use of asset argument and that a more targeted scheme would be better.

As a result and having carefully considered the feedback received, Heathrow will not proceed with MTOW discount. However, regional connectivity continues to be one of Heathrow's strategic objectives and Heathrow will therefore implement a more targeted noise discount which will be available to all aircraft that:

- a) Will operate a new scheduled domestic route in 2023, where new means not operated in 2022; or
- b) Currently operate a domestic route where the average number of passengers per aircraft in 2022 were less than 100 pax.

The reduction will amount to 50% of the applicable movement charges in the 12 months following route inception and 25% in the following year. 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.

## Environmental Charges

### 1. Noise chapter standardisation

Following the introduction of the super low chapter in 2022 and the feedback received, Heathrow reviewed the structure of noise charges as part of the 2023 Airport Charges consultation process. The proposed changes were designed to respond to airline feedback, in particular:

- Standardisation: achieved via transparent and consistent multipliers which differentiate the price between chapters;
- Long term fleet planning: aided by the ability to more accurately forecast changes to noise related charges for aircraft as a result of a clear process for implementing changes to

bandings driven by a trigger when there are 50% of movements in the lowest noise chapter; and

- Shallower modulation between bands: which is especially important for new aircraft as it avoids disincentivising larger aircrafts from same model family i.e. A320 vs A321.

Feedback

The broad consensus was that the community were supportive of the principles however, some concerns were raised:

- By forecasting 49% in the ultra-low band in 2023, the trigger would be instigated too soon to update fleet planning decisions and Heathrow should introduce an 8<sup>th</sup> category which would create stability for at least the H7 period and probably a significant part of H8 as well;
- Multipliers in the lower noise chapters were still too steep and disincentivised certain aircraft;

Heathrow took into account both elements of the feedback received and having engaged further with the community during bilateral meetings, have adopted both proposed amendments to Heathrow’s initial proposals. The table below shows the changes driven by community feedback which include shallower multipliers and an additional 8<sup>th</sup> noise chapter.

Consultation			Decision		
EPndB	Name	Multiplier	EPndB	Name	Multiplier
<10	Ultra-high	8.0	< 10	Maximum	10.00
< 15	Super-high	4.0	< 14	Ultra-high	5.00
< 17	High	2.0	< 17	Super-high	2.50
< 20	Base	1.5	< 20	High	1.50
< 23	Low	1.0	< 23	Base	1.00
< 26	Super-low	0.7	< 26	Low	0.70
≥ 26	Ultra-low	0.4	< 29	Super-low	0.55
			≥ 29	Ultra-low	0.50

As a result of the changes to the fleet profile operating at Heathrow and the introduction of the new super low noise chapter, we have updated the mix of movements used to calculate Noise prices as follows:

Noise chapter	2019	2020	2021	2022 H1	2023
Maximum	0.0%	0.1%	0.0%	0.1%	0.0%
Ultra-high	8.9%	6.6%	4.6%	3.7%	2.0%
Super-high	25.7%	22.4%	17.5%	16.6%	18.0%
High	8.4%	8.6%	10.3%	7.9%	5.0%
Base	30.5%	25.2%	23.4%	30.4%	25.5%
Low	26.6%	37.1%	44.2%	5.2%	6.0%
Super-low	-	-	-	36.1%	19.0%
Ultra-low	-	-	-	-	24.5%

The rationale behind the noise bandings is aligned with the CAA guidance set out in CAP 1576<sup>2</sup> which states *“providing appropriate incentives for airlines to use ‘best in class’ aircraft, we continue to recommend that airports should disaggregate their ICAO noise categories fully into all subcategories available using cumulative margin for category allocation, consistent with ICAO guidance and with the recommendations given in CAP 1119. Noise categories should be no greater than 5 EPNdB wide and should be of equal width. Further sub-categorisation is not discouraged as long as the criteria for differentiation follow ICAO guidance in that it is based on noise certification data, i.e. cumulative margin”*

## 2. Nox/Noise ratio amendment

Recognising the increased focus on emissions in particular, by the UK Government<sup>3</sup> which has resulted in the Jet Zero strategy - the framework and plan for achieving net zero aviation by 2050, Heathrow consulted on rebalancing the ratio of movement charges recovered between noise and NOx, from the current 80% noise / 20% NOx, to 60% / 40% respectively. NOx released by aircraft contribute to global warming as well as negatively impacting local air quality therefore, Heathrow proposed to reflect our commitment to the reduction of NOx emissions within the pricing structure.

### Feedback

In consultation meetings, bilateral engagement and written responses, feedback was broadly opposed to this proposal. The primary driver was that the latest engines reduce carbon emissions at the cost of increasing NOx and the link between NOx reductions and carbon reductions has been broken.

As carbon reduction remains the highest priority in achieving net zero objectives and in light of the changes to the linear relationship between NOx and carbon which has resulted in a trade-off Heathrow has decided not to proceed with the proposed rebalancing and retain the 2022 levels of 80% Noise / 20% Nox.

This decision does not preclude the exploration of carbon related charging within aeronautical charges in 2024. Heathrow would like to engage the community in landing and take off cycles (LTO) and related measured fuel flows values as part of this process.

## Sustainable Aviation Fuel incentive

Climate change is the greatest long-term challenge faced by aviation. There are different initiatives which can contribute to decarbonising flying, but it is widely accepted that SAF will play a significant role in decoupling aviation growth and emissions in the near-term. To this end, in 2022 we introduced a multi-year sustainable fuel incentive recovered via the Emissions charge. The SAF incentive is designed to reduce the high-cost premium of SAF compared to standard

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<sup>2</sup> <https://publicapps.caa.co.uk/modalapplication.aspx?appid=11&mode=detail&id=7995>

<sup>3</sup> Jet Zero strategy: delivering net zero aviation by 2050 – GOV.UK ([www.gov.uk](http://www.gov.uk))

aviation fuel and encourage investment in 34 Classification: Internal SAF production, which in turn will help reduce the SAF premium and encourage further take up.

Following oversubscription of the SAF incentive in 2022, Heathrow proposed:

- An acceleration in the ambition of the sustainable aviation fuel incentive target from 1% to 1.5% in 2023 which would increase the incentive pot size from £23m to £37m;
- The introduction of a SAF incentive pot for Cargo operators worth £0.62m allocated by Freight Tonne Kilometre (FTK); and
- The replacement of the Available Seat Kilometre (ASK) metric currently used to apportion the incentive pot to airlines with the Revenue Passenger Kilometre (RPK).

### Feedback

Community responses were broad with some supportive and others querying market supply issues, Heathrow's role in promoting SAF alongside future government mandates and the cost relatedness of funding the incentive through the NOx charge. It was also requested that Heathrow clarify whether the definition of SAF and evidence of delivery remain unchanged for 2023.

Having considered the feedback, it is Heathrow's position that the importance of incentivising the use of SAF, the clear environmental benefits it delivers and the contribution towards achieving the net zero goals aligned to increased production and global supply support the accelerated ambition.

Heathrow confirms that the definition of SAF and evidence of delivery required are unchanged from 2022 and further details will be issued in the updated SAF incentive guidance document.

### **Cargo charge**

Heathrow proposed to introduce a weight-based arriving/departing cargo charge for both freighter and belly hold cargo with a minimum cargo charge to replace the existing minimum departure charge for freighters only. The intent was to promote the best use of airport assets and to recognise the role that cargo plays at Heathrow and within the hub proposition.

### Feedback

Airline feedback opposed the introduction of this charge with concerns relating to:

- Heathrow's attractiveness as a cargo hub vs competitors due to the increased price of cargo;
- The treatment of transhipped cargo;
- Messaging, information provision and definitions; and
- The potential adverse impact on the viability of some long-haul routes that are supported by belly hold cargo revenue;

Following consideration of the points raised and due to the community concerns with the proposed charge, the decision has been made to pause the implementation of the cargo charge



whilst Heathrow works with the community over the next year with the intention of introducing a revised mechanism in 2024 that addresses key concerns.

### **Future airport charges**

In the consultation document issued on 26 August 2022, Heathrow welcomed any feedback on the possibility of building into the charges regime, measures that were based on operational performance. The aim of this would be to incentivise efficient use of the airport and reduce both disruption and costs which would benefit the entire airport community. Illustrative operational metrics were mentioned but the list was not exhaustive:

- Check in transaction times;
- Failure to tip;
- Digital process improvement;
- Arrivals and/or departures punctuality; and
- Baggage delivery.

### Feedback

Airline community responses could be categorised under 3 broad themes:

1. Technical application of charges with queries around measurement of metrics, recording and collection of data and how could different passenger demographics driving different operational profiles be accommodated
2. The level of control that organisations have over performance metrics
3. A better understanding of the outcomes that Heathrow is trying to achieve would support engagement

Heathrow welcomes the level of feedback received and the engagement from the community on this matter. Heathrow will review responses received, build into any potential future propositions and seek to further engage on this topic to continue the dialogue with the airlines.

## Appendix 2

### Consultation Process Summary

In line with the timelines for consulting on airport charges set out in ACR2011, Heathrow commenced consultation on the 2023 airport charges tariff and the Conditions of Use by publishing the consultation documents on 26 August 2022.

An initial consultation meeting was held on 6 September 2022 with a follow up session held on the 28 September at the airline community's request. We requested that the airline community formally respond to the consultation proposal in writing by 30 September 2022 and we received 16 written responses.

The CAA's Final Proposals were published prior to Heathrow's consultation period and informed the yield calculation that was consulted upon. However, the lack of a final determination for the H7 regulatory period meant that Heathrow had to delay the publication of the final 2023 airport tariff list and associated Conditions of Use. The absence of any guidance on a price control mechanism for 2023 meant that it was not practicable for Heathrow to publish its final charges two months prior to implementation, as ordinarily required by Regulation 13(2)(A) ACR2011.

In the Final Proposals, the CAA stated it expected to issue the decision on the H7 price control "in the Autumn of 2022"<sup>4</sup> and we expected to publish our decision document shortly afterwards. No direction on a potential price cap for 2023 was received until 8 December 2022 and the CAA has subsequently confirmed that its final H7 decision will not be published until 2023. We have therefore not been able to publish our decision document until now.

However, Heathrow took the step of issuing a Direction Statement on the 30 October 2022 which provided direction on the future structure to support airline business planning for 2023 and in line with the extraordinary approach that we took in 2022. It set out the amendments that Heathrow were minded to make to the consulted upon structure. In addition, to provide further support to the airline community and allow airlines to reflect the potential PSC changes in 2023 ticket sales, Heathrow included an indicative tariff list based on the amended structure and using the consultation Maximum Allowable Yield of £31.57

The CAA included in the consultation on 8 December 2022 that the holding price cap for 2023 should be £31.57, consistent with its Final Proposals. In our response to the Final Proposals, we set out a range of errors made by the CAA that resulted in them significantly underestimating the required charge. We are disappointed that they have not yet addressed these errors in this interim decision. Further, the proposed price risks leaving Heathrow without sufficient cashflow to support investment in improving passenger service and resilience. We will submit our response to the CAA consultation and expect a more considered outcome when it makes its final decision in 2023. Nonetheless, we acknowledge airlines' desire for certainty and therefore will proceed to set the price for 2023 in line with the CAA's proposed interim price cap of £31.57.

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<sup>4</sup> Economic regulation of Heathrow Airport: H7 Final Proposals – Summary (caa.co.uk)

As a result of feedback received, we have made several amendments to our airport charges proposals, as are set out in this decision document. These include:

- suspension of the introduction of the cargo charge;
- reversal of the proposed rebalancing of the NOx/Noise ratio;
- amendment of the standardised noise chapter structure with shallower differentials and an additional chapter which drives a longer lead time for the 'trigger' to take effect; and
- replacement of the Maximum Take Off Weight discount with a more targeted Domestic connectivity incentive.

We have also made changes to the 2023 Conditions of Use as a result of feedback. The summary of this is contained in Appendix 4 to this document.

We have taken our decision with full regard to our legal and regulatory obligations and the impact of the potential changes. The charges have been set on a non-discriminatory basis, with relevant, objective and transparent criteria. This decision meets Heathrow's objectives to achieve our clear and transparent objectives of passenger growth, environmental targets, enhanced domestic connectivity and sustainable use of the airport whilst also supporting airlines and bringing passengers back to the airport.

### Appendix 3 Final Airport Charges – 2023

	Final 2023 £ GBP
<b>Charges on Movement</b>	
Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period (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
Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period (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
Helicopters (Departures & Landing)	£1,187.05
Fixed wing aircraft not exceeding 16 metric tonnes (Departures & Landing)	£2,348.72
Emissions charge (on landing)	£42.25
<b>Charges on Departing Passengers</b>	
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
<b>Charges on aircraft parking</b>	
Narrow bodied	£31.37
Wide bodied	£65.88

	Traffic Volume Units	Traffic Volume	Proposed Charge	Forecast Revenue
<b>Movement Charge</b>				
<b>Noise Charge</b>				
<u>Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period</u>				
Maximum	[Landings]	0	£14,046.20	£0
Ultra high	[Landings]	4,001	£7,023.10	£28,101,780
Super High	[Landings]	36,012	£3,511.55	£126,458,012
High	[Landings]	10,003	£2,106.93	£21,076,335
Base	[Landings]	51,017	£1,404.62	£71,659,540
Low	[Landings]	12,004	£983.23	£11,802,700
Super Low	[Landings]	38,013	£772.54	£29,366,323
Ultra Low	[Landings]	49,016	£702.31	£34,424,681
<b>Total</b>	[Landings]	<b>200,067</b>		<b>£322,889,371</b>
<u>Fixed wing aircraft exceeding 16 metric tonnes – outside Night Quota Period</u>				
Maximum	[Departures]	0	£14,046.20	£0
Ultra high	[Departures]	4,001	£7,023.10	£28,101,780
Super High	[Departures]	36,012	£3,511.55	£126,458,012
High	[Departures]	10,003	£2,106.93	£21,076,335
Base	[Departures]	51,017	£1,404.62	£71,659,540
Low	[Departures]	12,004	£983.23	£11,802,700
Super Low	[Departures]	38,013	£772.54	£29,366,323
Ultra Low	[Departures]	49,016	£702.31	£34,424,681
<b>Total</b>	[Departures]	<b>200,067</b>		<b>£322,889,371</b>
<u>Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period</u>				
Unspecified	[Landings]	0	£70,231.00	£0
Ultra high	[Landings]	1	£35,115.50	£35,116
Super High	[Landings]	6	£17,557.75	£105,347
High	[Landings]	3	£10,534.65	£31,604
Base	[Landings]	15	£7,023.10	£105,347
Low	[Landings]	15	£4,916.15	£73,742
Super Low	[Landings]	5	£3,862.70	£19,314
Ultra Low	[Landings]	5	£3,511.55	£17,558
<b>Total</b>	[Landings]	<b>50</b>		<b>£388,026</b>
<u>Fixed wing aircraft exceeding 16 metric tonnes – Night Quota Period</u>				
Unspecified	[Departures]	0	£70,231.00	£0
Ultra high	[Departures]	1	£35,115.50	£35,116
Super High	[Departures]	6	£17,557.75	£105,347
High	[Departures]	3	£10,534.65	£31,604
Base	[Departures]	15	£7,023.10	£105,347
Low	[Departures]	15	£4,916.15	£73,742
Super Low	[Departures]	5	£3,862.70	£19,314
Ultra Low	[Departures]	5	£3,511.55	£17,558
<b>Total</b>	[Departures]	<b>50</b>		<b>£388,026</b>
<b>Emissions Charge on landing</b>				
Total kg Nox rating	[kg]	4,702,044	£42.25	£198,661,367
Average kg Nox per landing	[kg]	23.5		£198,661,367
SAF Incentive				-£37,000,000
<b>Total Movement Revenue</b>	<b>(a)</b>			<b>£808,216,161</b>

Departing Passenger Charge				
<b>Departing OD Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	1,113,821	£14.57	£16,228,373
CTA	[Dep Pax]	914,152	£14.82	£13,547,729
European charge with single discount	[Dep Pax]	9,836,417	£22.07	£217,089,728
Other	[Dep Pax]	13,362,006	£54.70	£730,901,755
<b>Total</b>	[Dep Pax]	<b>25,226,397</b>		<b>£977,767,585</b>
<b>Departing Transfer Passenger Charge</b>				
European charge with dual discount	[Dep Pax]	585,465	£10.93	£6,399,130
CTA	[Dep Pax]	229,289	£11.12	£2,549,697
European charge with single discount	[Dep Pax]	2,102,834	£16.55	£34,801,905
Other	[Dep Pax]	3,957,220	£41.03	£162,364,747
<b>Total</b>	[Dep Pax]	<b>6,874,808</b>		<b>£206,115,478</b>
<b>Remote Stand Rebate</b>				
Remote Stand Rebate	[Dep Pax + Arr Pax]	3,580,915	-£4.00	-£14,323,662
<b>Total Departing Passenger Charge Revenue</b>	<b>(b)</b>			<b>£1,169,559,401</b>

Parking Charge				
Narrow bodied				
Chargeable Period	[Units of 15 minutes]	631,978	£31.37	£19,825,147
Wide bodied				
Chargeable Period	[Units of 15 minutes]	895,986	£65.88	£59,027,529
<b>Total Parking Charge</b>	<b>(c)</b>	<b>1,527,963</b>		<b>£78,852,676</b>

<b>Terminal Pax Flights: Total Revenue</b>	<b>£2,056,628,238</b>
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Non-Terminal Pax Flights (GA, Troops etc)				
<b>Non-Terminal Pax Flights</b>				
Movement Revenue	(e)			£1,153,220
Departing Passenger Revenue	(f)			£1,668,810
Parking Revenue	(g)			£112,513
<b>Total Non-Terminal Pax Flights Revenue</b>				<b>£2,934,543</b>

Total Regulated Revenue				
<b>Total Regulated Revenue</b>				
Movement Revenue	(a) + (e)			£809,369,381
Departing Passenger Revenue	(b) + (f)			£1,171,228,211
Parking Revenue	(c) + (g)			£78,965,189
<b>Total Regulated Revenue</b>				<b>£2,059,562,781</b>
<b>Total Passengers</b>				<b>65,233,191</b>
<b>Total Regulated Yield</b>				<b>£31.57</b>



### Appendix 4

#### Heathrow Conditions of Use 2023 – Summary of Proposals, Feedback and Decision

In this appendix we summarise the feedback received on our proposals to amend the Heathrow Airport Conditions of Use (COU) for 2023. In relation to each provision, we have set out a summary of our proposal, the feedback, our response to feedback and our decision. Given that we have summarised feedback, if a specific point raised has not been directly addressed, it does not mean that we accept the views or position put forward by respondents to the consultation.

Proposal	Feedback	Response	Decision
<b>CHANGES PROPOSED BY HEATHROW FOR CONSULTATION</b>			
Condition 2.1 – amendments to information required from airlines operating at Heathrow.	The AOC members and one other respondent stated that they thought that the information sought may not be compliant with GDPR rules, although they did not provide any detail as to their specific concerns and why the information requested or provision of it was in issue. They also said this condition should refer to data protection legislation.	We have previously responded to this concern and our view remains the same. The provision of contact information for an Airline is necessary for the safe and efficient operation of the Airport, and we do not agree that GDPR would prevent the provision of names, office addresses and contact details of relevant Airline colleagues. We expect these to continue to be provided. We have previously invited any Airline who had any concerns over this to contact us directly to discuss and this offer remains open.	Proposed changes will be made.
	One respondent said the definition of noise certificate needed to be better defined.	We have defined Certification Noise Levels in the COU as the noise levels set out on the certification documentation issued in accordance with ICAO Annex 16, Vol.1, Attachment G “Guidelines for the Administration of Noise Certification Document”. This ICAO standard process allows the national aviation authority to issue the relevant documentation. Where multiple certificates are held for the	

Proposal	Feedback	Response	Decision
		same aircraft registration, the levels for the MTOW operated to Heathrow should be provided.	
Condition 3.2(c)	Respondents raised questions regarding the proposed cargo charge and therefore the changes proposed to the CoU congruent with those proposals	Heathrow has listened to airline feedback and will not be amending the structure of cargo charging this year, therefore the proposed changes to the CoU are no longer required.	Proposed changes not being made.
Condition 6.3 – amendment to clarify airline obligation when operating restrictions are in place	<p>Respondents stated that the additional wording gave Heathrow additional power in respect of periods when capacity reductions were in place and that this was not accepted.</p> <p>Some respondents stated that the wording meant Heathrow did not have to follow existing governance processes in respect of capacity reductions.</p> <p>One respondent questioned the express inclusion of the reference to Local Rule A.</p> <p>One respondent stated that the CoU should guarantee slot alleviation where capacity reduction takes place.</p>	<p>We do not agree that the proposed wording gives Heathrow additional powers, it clarifies the existing position. The amendments as drafted do not override any existing obligations to follow agreed governance processes, nor is that Heathrow's intention.</p> <p>Heathrow does not control the grant of slot alleviation, this is a matter for ACL, we are therefore unable to guarantee it under the CoU. We will always work with airlines and ACL to ensure alleviation is granted where appropriate.</p>	Proposed changes will be made except that the express reference to Local Rule A will be removed as this is covered by the amendment referring to "Local Rules".
Condition 6.6 – amendment to wording regarding remediation action	One respondent stated that the additional wording was not	We do not agree that all consequences should be exhaustively listed in the CoU as this risks Heathrow being unable to respond appropriately to different issues. The additional wording provides	Proposed changes will be made.

Proposal	Feedback	Response	Decision
	appropriate as all consequences should be made clear.	<p>flexibility to ensure that airlines are meeting operational requirements and Heathrow can take enforcement measures as appropriate.</p> <p>We note that the condition contains an opportunity for airlines to make representations so there is ongoing dialogue regarding any issues.</p>	
Condition 10 – amendment to include the applicable obligations in respect of Border Security	<p>Some respondents said they did not understand the revised wording as it requires airlines to comply with UK law, which they already do.</p> <p>The AOC queried Heathrow’s right to carry out an audit where there were concerns about airline compliance with border security.</p>	<p>As confirmed during the consultation meeting the amended wording directly reflects the legislative requirements and does not place any additional burden on airlines. It has been included to remind those less familiar with the UK legislative position of their obligations and is entirely appropriate.</p> <p>Heathrow’s right to audit airlines which fail to comply with border security is appropriate and proportionate, it is essential that border security is fully complied with and we will work with airlines to ensure this happens.</p>	Proposed changes will be made.
Condition 12.4 – amendment to the process for the use of CUPPS and BRS	The AOC and one respondent stated that the proposed modification was too restrictive.	We do not agree that the wording is restrictive. The current drafting responds to feedback received via the ITSSB and provides a mechanism for consistency across airline operations. In addition, it provides that Heathrow may, where airlines have an appropriate alternative in place, provide express agreement to that alternative. This will ensure there is sufficient flexibility in the process whilst responding to the request from airlines made via the ITSSB.	Proposed changes will be made.
Schedule 1, condition 1.5 – amendment to reflect message requirements	One respondent asked whether it was necessary to send messages to both BRUNAXH and BRUNA7X	Messages only need to be sent to one of BRUNAXH and BRUNA7X	Drafting has been clarified.
Schedule 4, condition 9 – amendment to value of SAF	The AOC and some respondents did not agree with the proposal that Heathrow can reduce the	The amendment is appropriate to ensure that the calculation of the incentive pot reflects the amounts collected by Heathrow.	Proposed changes will be made.

Proposal	Feedback	Response	Decision
Incentive Pot is paid in certain circumstances	<p>value of the SAF Incentive Pot in situations where, due to external factors, Heathrow has not collected the value of the Pot.</p> <p>The AOC asked whether the definition of SAF remains unchanged.</p>	The definition of SAF remains unchanged	
<b>OTHER ISSUES RAISED IN CONSULTATION</b>			
Condition 1.1 and unilateral nature of COU.	<p>Various respondents expressed the view that a unilateral contract is not an appropriate mechanism for determining the acceptance of the COU. One respondent suggested that there should be a bilateral agreement negotiated between Heathrow and the responding airline.</p> <p>AOC members stated that they intend to operate at Heathrow as of 1 January 2023 without this being taken as their acceptance of the COU.</p>	<p>It would be entirely unworkable to negotiate a bilateral contract with each airline wanting to operate at Heathrow. As a result, Heathrow only offers the use of its Facilities and Services at Heathrow Airport to all airlines equally, on the same terms and conditions. An airline communicates unconditional acceptance of those terms and conditions by choosing to use the airport.</p> <p>We do not and cannot consent to any airline operating at Heathrow on terms different from those set out in our COU.</p> <p>It is not possible for any airline to exclude itself from the application of the COU by written notification and it is our view that the condition continues to function appropriately.</p>	No change to this provision.
Condition 7.7 – Time Sensitive Transfers.	AOC members and some respondents said that they felt that the term relating to prioritising time sensitive passengers was too broad as it did not contain specifics required	As for the 2019/20, 2020/21 and 2021/22 consultations, Heathrow has not proposed any changes to this provision and it has been previously consulted on, and it is our view that the condition continues to function appropriately.	No change to this provision.

Proposal	Feedback	Response	Decision
	for airlines to understand the scope of what is intended.	We do not wish to be prescriptive to airlines on what or how policies and procedures are implemented to facilitate the prioritisation of time-sensitive transfer passenger baggage and so do not propose to change this provision.	
Condition 11.3 - provision regarding emissions and fuel burn.	<p>AOC members and three respondents commented that they did not feel it was appropriate for Heathrow to place an “all reasonable endeavours” obligation on the use of Heathrow supplied FEGP and PCA.</p> <p>One respondent said it considered that commercial considerations were included in the test of reasonableness.</p>	<p>We welcome the various responses stating that Airlines wish to work with Heathrow to improve their performance on ground-based emissions and fuel burn.</p> <p>In respect of the use of FEGP and PCA we would repeat our response from the 2019/20 and 2020/21 consultations that the use of both are not intended to be subject to the “all reasonable endeavours” wording, this applies to “reduce on-stand emissions”. The inclusion of the wording “which could include” makes it clear that these are suggested alternatives to running APU, rather than mandated.</p>	No change to this provision.
Condition 15.2 – failure to adhere to payment terms.	One respondent said that their use of the airport was in accordance with custom and practice, which includes the payment terms used to settle debts.	<p>Airlines should be aware that Heathrow only offers the use of its Facilities and Services at Heathrow Airport to all airlines equally, on the same terms and conditions and that an airline communicates unconditional acceptance of those terms and conditions by choosing to use the airport. This includes the provisions as to payment and settling of debts. We do not consent to any airline operating at Heathrow on terms different from those set out in our COU.</p> <p>It is not possible for any airline to exclude itself from the application of the payment provisions COU or to settle debts on any terms other than those set out in the COU. We do not accept any statements that the airport is used based on custom and practice. The applicable terms are those as set out in the COU.</p>	No change to this provision.

Proposal	Feedback	Response	Decision
		It is our view that the condition continues to function appropriately.	
Condition 15.6 – failure to pay for specific services.	One respondent asked for the word “service” to be clarified and defined so as to understand the intent of the condition.	<p>Heathrow responded to this query during the 2019/20 and 2020/21 consultations. Heathrow has not proposed any changes to this provision; it has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>We repeat our previous response on this matter: Service means any service which Heathrow provides to the Airlines as part of the “Facilities and Services” under the COU, for example items such as (but not limited to): use of the airport infrastructure, WIFI, telecommunications, and utilities.</p> <p>The provision has been added so it is clear to Airlines that Heathrow is entitled to withdraw access to services which are not paid for in accordance with the payment requirements set out in the COU.</p>	No change to this provision.
Condition 19 – liability and insurance.	A number of respondents including AOC members commented on this provision and stated that they would like to see changes applied.	Heathrow has not proposed any changes to this provision; it has been previously consulted on, and it is our view that the condition continues to function appropriately. We will continue to consider the feedback received on this provision and may provide an update in due course.	No change to this provision.
Schedule 8 – Airline Welfare Protocol.	AOC members and two respondents queried why the airline welfare protocol is referred to as a “Rule of Conduct”.	<p>Heathrow responded to this query during the 2019/20 and 2020/21 consultations in the following terms, which continue to be accurate:</p> <p>Heathrow has not proposed any changes to this provision; the Airline Welfare Protocol has been previously consulted on, and it is our view that the condition continues to function appropriately.</p> <p>In respect of the use of the wording “Rule of Conduct”, this wording was introduced in 2014 following the CAA including an obligation in Heathrow’s licence to <i>“develop rules of conduct for</i></p>	No change to this provision.





Proposal	Feedback	Response	Decision
		<i>airlines...to follow particularly during disruption... The rules of conduct shall be set out in the... Conditions of Use".</i>	

END