

27<sup>th</sup> October 2021

Dear Colleagues

## **2022 Airport Charges**

The CAA's timetable for agreeing a new regulatory settlement has created a gap between the end of the Q6 settlement and the beginning of H7. The absence of a price control condition from 1 January 2022 has presented significant challenges to this year's airport charges consultation process. In particular, the publication of the CAA Initial Proposals was delayed beyond the date relevant to Heathrow's ongoing obligations under the Airport Charges Regulations 2011 ("ACR2011").

Despite the difficulties that this 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 Initial Proposals were published during Heathrow's consultation period but after the deadline for feedback to be submitted. The proposals contained a draft licence modification to implement an interim price control that will apply from 1 January 2022 until the H7 licence modifications take effect; as a result Heathrow must now delay the publication of the final 2022 airport tariff list and associated Conditions of Use. Heathrow is of the view that the inclusion of CAA's own consultation on the interim price control in the Initial Proposals means it is no longer practicable for Heathrow to publish its final charges two months prior to implementation, as ordinarily required by Regulation 13(2)(A) ACR2011.

Heathrow is taking this extraordinary step to ensure that continued engagement with both airlines and the regulator can take place to better understand the implications of the Initial Proposals and the impact on the 2022 airport charges. We are committed to ensuring that our final decision reflects upon both the CAA's proposals and airline views. We can assure you that feedback has been fully reflected on and, where appropriate, taken on board, and we will publish the final charges as soon as possible once we have had the opportunity to engage further.

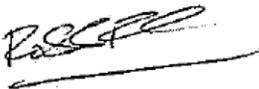
Notwithstanding the inherent uncertainty caused by the overlap of the CAA's consultation and Heathrow's, we have been carefully considering the feedback received from airlines regarding the overall structure of charges that was consulted upon. In order to provide some direction on the future structure and support airline business planning for next year, Heathrow is minded to make the amendments set out below to the consulted upon structure. These amendments are subject to the final outcome of the CAA consultation and any subsequent implementation of a licence modification.

Heathrow plans to:

- introduce a sustainable fuel incentive which will encourage the use of sustainable aviation fuel at Heathrow and contribute towards the decarbonisation objective but with a lower initial incentive amount than included in our consultation as a direct response to airline feedback;
- adjust the modulation of passenger charges between Rest of the World and European destinations to take into account airline feedback;
- increase the proportion of the yield recovered from movement charges by 5% with a subsequent lowering of the percentage recovered via the passenger charge which continues to support our ongoing objective of incentivising sustainable flying at Heathrow and the most efficient use of airport infrastructure;
- take into account airline feedback and not introduce a separate charge for cargo nor introduce the proposed sustainable build back incentive;
- maintain emphasis on environmental charges by introducing a new 'Super Low' noise chapter, following airline feedback we will adjust the way we have structured the new chapter; and
- retain discounts for UK, European and transfer passengers to support domestic connectivity and increase direct and transfer passenger volumes.

Heathrow believes that this is the right approach to achieve our clear and transparent objectives of passenger growth, environmental targets and sustainable use of the airport whilst also supporting airlines and bringing passengers back to the airport. This update is not Heathrow's final decision; as above this will be published as soon as practicable and will contain further detail on both airline feedback and Heathrow's final decision. In the meantime should any airline wish to discuss this further please contact [airline\\_relations@heathrow.com](mailto:airline_relations@heathrow.com).

Yours faithfully



**Ross Baker**  
Chief Commercial Officer – Heathrow Airport Limited