

Heathrow Airport Limited  
The Compass Centre, Nelson Road,  
Hounslow, Middlesex TW6 2GW  
T: +44 (0)844 335 1801  
W: [heathrow.com](https://www.heathrow.com)

3<sup>rd</sup> November 2022

Dear Colleagues,

### **2023 Other Regulated Charges**

The absence of a final H7 determination from the CAA has created a challenge for the 2023 Other Regulated Charges price setting process.

The CAA Final Proposals agree with Heathrow in that a marginal cost approach to ORCs is correct, but have amended the approach to move only annuities, allocated costs and business rates attributable to airlines out of ORCs and into the airport charge. This means that the proposals assume fixed costs for non-airline users of ORCs will continue to be recovered through ORCs.

At this stage, the marginal cost approach set out in the Final Proposals remains under consultation with no final decision made by the CAA. It has also been clear from discussions on 2023 ORC pricing that there is no agreement among the community on how this approach could be implemented and that there is widespread disagreement with the approach taken by in the Final Proposals.

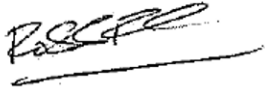
Heathrow are of the view that the CAA's approach to setting ORCs differentially between airline and non-airline users is arbitrary and that non-airline is not non-passenger. In addition to this, several significant obstacles exist in implementing the CAA Final Proposals methodology for 2023 including year on year variances in airline and non-airline share not reflected in what is paid by users and the potential for competitive disadvantage created by differentiated pricing by organisation.

With such fundamental challenges and disagreement and without certainty on this matter from the CAA, it is not practicable for Heathrow to publish final 2023 ORC tariffs on the basis set out in the Final Proposals. For this reason, in the absence of any further direction from the CAA, we expect to finalise ORC prices for 2023 at the end of November on the basis of a full marginal cost approach, as used for prices in 2022 and as set out in our consultation documents. We are of the view that this is in the interest of all parties as it provides certainty on prices for 2023.

Heathrow will also incorporate into the 2023 final tariffs: a revised full year outturn for 2022 that is based on the latest passenger forecast information as requested by airlines, amendments to chargeable unit forecasts taking into account consultation feedback and updated cost inflation assumptions.

Should any member of the community wish to discuss this further please contact [halorc@heathrow.com](mailto:halorc@heathrow.com).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Ross Baker', with a horizontal line underneath it.

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