

Heathrow Airport Limited 2022 actual income variance analysis for Specified Facilities

Year ended 31 December
2022

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1. Introduction

This report provides users with explanations of variances between 2022 actual results for 'Specified facilities – transparency and trading statements' document to those in the preceding regulatory year in 2021, per condition C2.8 of Heathrow's Economic Licence.

In previous regulatory years (2014-2018) actual results have been compared to those included within the CAA forecast for specified facilities outlined in table G.4, page 278, 'Economic regulation at Heathrow from April 2014: Notice granting the licence'.

However, given that there is no 2022 CAA forecast for specified facilities, actual results for 2022 have been compared to the actual results in 2021.

The variance analysis has been made against customer share elements of the actuals for the year ended 31 December 2022.

2. Summary of ORC Income Actuals vs Prior Year

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	209,078				
(Under)/over recovery	(44,165)				
Prior year underlying income	253,243				
Current Year Actuals					
Current year income	244,331				
(Under)/over recovery	(1,444)				
Current year underlying income	245,775				
Variance to explain	(7,468)				
2022 Commentary:					
<p>Variance primarily driven by the removal of the airline share of rates, annuity and allocated costs and the removal of the following ORCs: Bus & Coach, Common IT, Check-In desks and Heating & Gas. Partially offset by volume related cost increases, terminal reopenings and higher utility supply prices.</p>					

3. Baggage Systems

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	96,151				
(Under)/over recovery	(11,389)				
Prior year underlying income	107,540				
Current Year Actuals					
Current year income	128,488				
(Under)/over recovery	26,147				
Current year underlying income	102,341				
Variance to explain	(5,199)				

2022 Commentary:

Variance primarily driven by the removal of rates and allocated costs, offset by higher maintenance and utilities costs due to increased passenger & bag numbers.

4. Hold baggage screening (HBS)

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	4,986				
(Under)/over recovery	(17)				
Prior year underlying income	5,002				
Current Year Actuals					
Current year income	9,575				
(Under)/over recovery	1,925				
Current year underlying income	7,650				
Variance to explain	2,647				
2022 Commentary:					
Variance driven by higher staff costs as increased bag volumes have driven higher screening time.					

5. Passengers with Reduced Mobility (PRM)

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	31,004				
(Under)/over recovery	1,114				
Prior year underlying income	29,890				
Current Year Actuals					
Current year income	40,007				
(Under)/over recovery	6,833				
Current year underlying income	33,174				
Variance to explain	3,284				

2022 Commentary:

Variance primarily driven by the number of PRMs increasing from 473k in 2021 to 1.5m in 2022 (some terminals were still closed in 2021).

6. Staff car parking

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	16,131				
(Under)/over recovery	(4,834)				
Prior year underlying income	20,965				
Current Year Actuals					
Current year income	19,532				
(Under)/over recovery	32				
Current year underlying income	19,500				
Variance to explain	(1,465)				

2022 Commentary:

Variance primarily driven by the removal of the airline share of rates, annuity and allocated costs, offset by higher costs due to an increased customer share and bussing operation costs.

7. Staff ID cards

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	1,677				
(Under)/over recovery	(670)				
Prior year underlying income	2,347				
Current Year Actuals					
Current year income	3,964				
(Under)/over recovery	987				
Current year underlying income	2,977				
Variance to explain	630				

2022 Commentary:

Variance primarily driven by increased resourcing costs to process a higher number of full ID and temporary pass applications partially offset by the removal of the airline share of annuity and allocated costs.

8. Fixed electrical ground power (FEGP)

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	12,874				
(Under)/over recovery	1,245				
Prior year underlying income	11,629				
Current Year Actuals					
Current year income	3,828				
(Under)/over recovery	1,288				
Current year underlying income	2,540				
Variance to explain	(9,089)				

2022 Commentary:

Variance primarily driven by the removal of annuity and allocated costs and lower ORC low voltage electricity price.

9. Pre-conditioned air (PCA)

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	221				
(Under)/over recovery	(18,650)				
Prior year underlying income	18,871				
Current Year Actuals					
Current year income	417				
(Under)/over recovery	(18,592)				
Current year underlying income	19,009				
Variance to explain	138				

2022 Commentary:

Variance primarily driven by the removal of annuity and allocated costs.

10. Airside Licences

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	1,161				
(Under)/over recovery	(388)				
Prior year underlying income	1,549				
Current Year Actuals					
Current year income	1,225				
(Under)/over recovery	(244)				
Current year underlying income	1,469				
Variance to explain	(80)				

2022 Commentary:

Variance primarily driven by the removal of the airline share of annuity and allocated costs, offset by higher costs due to increased customer share and increased audit costs (ISAGO).

11. Waste, recycling and refuse collection

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	2,501				
(Under)/over recovery	(144)				
Prior year underlying income	2,645				
Current Year Actuals					
Current year income	2,556				
(Under)/over recovery	138				
Current year underlying income	2,418				
Variance to explain	(227)				

2022 Commentary:

Variance primarily driven by the removal of the airline share of annuity and allocated costs, offset by higher costs due to the increased number of passengers and the reopening of Terminal 4.

12. Taxi feeder park

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	849				
(Under)/over recovery	(1,420)				
Prior year underlying income	2,269				
Current Year Actuals					
Current year income	5,287				
(Under)/over recovery	1,029				
Current year underlying income	4,258				
Variance to explain	1,989				

2022 Commentary:

Variance primarily driven by the impact of the London Living Wage increase and additional staff required due to the opening of previously closed terminals.

13. Electricity

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	36,219				
(Under)/over recovery	(6,539)				
Prior year underlying income	42,758				
Current Year Actuals					
Current year income	25,572				
(Under)/over recovery	(17,597)				
Current year underlying income	43,169				
Variance to explain	411				

2022 Commentary:

Variance primarily driven by increased costs due to higher usage and higher supply prices partially offset by the removal of the airline share of annuity and allocated costs.

14. Water and sewerage

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	4,647				
(Under)/over recovery	(2,509)				
Prior year underlying income	7,156				
Current Year Actuals					
Current year income	3,266				
(Under)/over recovery	(3,611)				
Current year underlying income	6,877				
Variance to explain	(279)				

2022 Commentary:

Variance primarily driven by the removal of the airline share of annuity and allocated costs, partially offset by higher costs due to an increased customer share.

15. HAL's contribution to the funding of the Heathrow Airline Operators Committee (AOC)

	12 months Jan to Dec 2022 £'000s	12 months Jan to Dec 2023 £'000s	12 months Jan to Dec 2024 £'000s	12 months Jan to Dec 2025 £'000s	12 months Jan to Dec 2026 £'000s
Prior Year Actuals					
Prior year income	657				
(Under)/over recovery	35				
Prior year underlying income	622				
Current Year Actuals					
Current year income	614				
(Under)/over recovery	220				
Current year underlying income	394				
Variance to explain	(228)				

2022 Commentary:

Variance primarily driven by the removal of allocated costs, offset by increased costs related to increase in passengers and terminal reopenings.