

This note documents further modelling that took place between our Final Proposals and Final Determination specifically relating to commercial revenues.

1. CEPA

The Civil Aviation Authority (CAA) commissioned CEPA and Taylor Airey in 2021 to provide support with its assessment of HAL's forecasts of efficient operating expenditure (opex) and commercial revenues over the H7 price control period (2022 to 2026) and in determining an alternate set of forecasts where appropriate for the Initial and Final Proposals stages of the price review. CEPA has led the review of HAL's forecasts of commercial and cargo revenues.

CEPA carried out further modelling to support the CAA's Final Determination of the H7 price control for commercial revenues.

The following input assumptions were revised as part of this technical update:

- Passenger volumes, affecting both the opex and commercial revenue forecasts. Both the previous and revised assumptions have been provided by the CAA.
- CPI and RPI, affecting both opex and commercial revenue forecasts. These assumptions have an indirect effect on the real value of the opex and commercial revenue forecasts, where individual opex or commercial revenue lines are indexed to an input price indicator that is not CPI. The previous assumptions were from OBR's March 2022 EFO, while the revised assumptions are from the OBR's November 2022 EFO.

2. CAA

CAA has made another adjustment to CEPA's modelled outputs of commercial revenues. For each year in H7, we increased the commercial revenues forecast to account for £1.5m (nominal) of bus and coach revenues transferred from ORCs. This increased the commercial revenues forecasts by 7.5m (nominal) for H7.

It is also worth noting that the forecasts provided for Rail income include other adjustments originally allocated to other cost categories, which in total account for £24m over H7.