

30th July 2026

By email: economicregulation@caa.co.uk

Interim-Director for Consumers and Markets
UK Civil Aviation Authority

Re. CAP3286 – Consultation on Heathrow's Economic Regulatory Framework

Dear Tim,

I am writing on behalf of IAG Cargo in response to the Civil Aviation Authority's consultation on CAP3286.

As one of the UK's leading air cargo businesses, IAG Cargo relies on Heathrow operating efficiently, competitively and at a cost that enables airlines and cargo operators to invest, grow and support the UK's international trade. We therefore welcome the CAA's decision to pursue fundamental reform of Heathrow's economic regulatory framework.

The current model is no longer fit for purpose. It has failed to provide the incentives necessary to drive efficient investment, strong cost discipline or consistently high levels of service. These are not issues that can be resolved through incremental change. Rather, they are structural shortcomings that require fundamental reform if Heathrow is to meet the needs of consumers, airport users and the wider UK economy over the long term.

A regulatory framework that incentivises greater efficiency and improved service quality will reduce the cost of doing business at Heathrow, improve operational performance and create the right conditions for sustainable investment. For cargo operators and freight forwarders, greater efficiency translates directly into lower operating costs, more reliable operations and improved service for customers. More broadly, it strengthens the competitiveness of UK businesses that depend on fast, reliable access to global markets and reinforces Heathrow's role as the UK's primary international gateway.

We also support the CAA's objective of introducing greater competition into Heathrow's regulatory framework to address the harmful structural incentives created by the existing model. However, for reform to deliver its full potential, competition must be applied comprehensively rather than selectively.

In particular, competition should extend across existing assets, not solely future developments. Competition between terminals offers the greatest opportunity to improve efficiency, enhance service quality and deliver better value for airport users. Restricting competition to new assets alone would leave many of today's structural inefficiencies untouched and would fall short of addressing the concerns that the CAA has rightly identified.

Likewise, limiting competition to procurement and delivery would represent only a partial solution. Heathrow Airport Limited would continue to determine the design, scope and specification of capital projects, where many of the inefficiencies and cost pressures originate. Effective competitive discipline should therefore extend across the full investment lifecycle to ensure that capital expenditure is appropriately challenged before costs are incurred.

We welcome the proposal to establish a capital committee as an important step towards stronger governance of capital investment. However, the committee will only be effective if it is supported by enhanced regulatory powers and a willingness by the CAA to exercise them. The tools available under the current framework have not proved sufficient to deliver the level of scrutiny and accountability required. The success of the new governance regime will therefore depend on decisive regulatory oversight that places consumers and airport users firmly at the centre of investment decisions.

Looking ahead, Heathrow's future competitiveness will depend not only on expansion but on ensuring that any expansion is delivered efficiently and at an affordable cost. A more efficient Heathrow will enable IAG Cargo to continue investing in its UK operations, supporting freight capacity, facilitating international trade and contributing to economic growth. Ensuring that future investment is subject to effective competitive discipline is essential if the benefits of expansion are to be realised without imposing unnecessary costs on airport users and, ultimately, consumers.

CAP3286 presents an important opportunity to establish a regulatory framework that better aligns Heathrow's incentives with the interests of consumers and airport users. We encourage the CAA to seize that opportunity by implementing the fundamental reforms proposed and ensuring that competition, robust capital governance and effective regulatory oversight are embedded throughout the framework.

We appreciate the opportunity to contribute to this consultation and look forward to continued engagement as the proposals develop

Yours sincerely,

A handwritten signature in black ink that reads 'E. Adam'.

Emma Adam
Chief Financial Officer