



Airlines for America®

We Connect the World

September 9, 2025

Economic Regulation Team
Civil Aviation Authority
Aviation House
Beehive Ring Road
Crawley
West Sussex
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sent via email: economicregulation@caa.co.uk

Re: Heathrow Capacity Expansion – Consultation on Regulatory Policy Early Costs (CAP 3149)

Dear Economic Regulation Team,

Airlines for America (A4A)¹ welcomes the opportunity to provide comments on the UK Civil Aviation Authority's (CAA) consultation on regulatory policy for early costs of London Heathrow (LHR) capacity expansion (CAP3149). Many of our members operate, or soon plan to operate, extensive services at Heathrow and have a strong vested interest in its economic regulation.

Aviation is vitally important to the future of the UK's economic growth, underpinning trade, tourism and investment. We recognize the potential benefits of expanding capacity at LHR, particularly given its unique role as the UK's hub airport and main transatlantic gateway. Expansion of airport capacity, if well-designed and efficiently delivered, can make an important contribution to these national objectives. However, expansion cannot be pursued at any cost. LHR's charges and fees are already the highest in the world. It is important that any cost recovery is carefully scrutinized and consistent with the U.S – UK Air Services Agreement. Under Article 10, user charges must be reasonably related to the services or facilities provided. These charges would be for services or facilities that may or may not be delivered at some future date.

Therefore, we want to note that the outset, that we are opposed to the recovery of any early costs because they do not involve the provision of facilities and services.

We are focused on expansion being delivered in a way that is efficient and affordable, avoiding unnecessary and illegal costs for airlines and passengers.

We would also like to highlight Article 23 of the ICAO Manual on Charges which discourages prefunding, allowing it in exceptional circumstances under strict conditions². It also requires

¹ A4A's members are Alaska Airlines, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Delta Air Lines, Inc., Federal Express Corporation; Hawaiian Airlines; JetBlue Airways Corp.; Southwest Airlines Co.; United Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.

² https://www2023.icao.int/publications/documents/9082_9ed_en.pdf

exploration of potential contributions from non-aeronautical funds which the CAA does not appear to have conducted here.

We note the representations made by both Heathrow Airport Limited (HAL) and the Arora Group and welcome the submission of a proposal by a rival promoter. Without pre-judging the government's decision or the CAA's assessment of whether the proposal is credible and appropriately mature, an alternative submission provides a valuable new perspective and introduces an element of competition that should help drive efficiency, innovation and, ultimately, better outcomes for consumers. The project should prioritise efficiency, value and consumer benefit, regardless of who delivers it. We also note that, at this stage, the Arora Group has asked to be able to recover costs that are much lower than those sought by HAL and that it is appropriate for the CAA to give this difference significant weight when making its decision. It is important that the CAA ensures that all proposals assessed as credible and appropriately mature are given fair and balanced consideration, to secure the best possible value for money for airlines and passengers.

Given the above, our preference is for Option 4 and not allow the recovery of early costs. However, if you decide to go down another route and allow for some type of early costs, we would like the opportunity for further engagement.

Regulatory mechanisms and incentives for early costs:

In reviewing design features initially set out prior to 2020, we have identified the following features that would support the efficient delivery of the project:

- A recovery cap to protect consumers in the event of escalating planning costs. Previously, the CAA stated it would consider a request to adjust the cap, providing HAL could demonstrate that an adjustment was in the interest of consumers and had been discussed with airlines. We greatly appreciate this and think that the discussion with airlines is key to avoid escalating costs.
- The exclusion of lobbying costs to ensure that only genuine development or planning costs should be recoverable. This exclusion will ensure that airlines and consumers do not fund activities which provide no operational or planning value.
- Backwards-looking efficiency reviews to guarantee that only justified costs are added to the Regulatory Asset Base (RAB) and recovered from passengers.
- Independent scrutiny of costs to ensure transparency and provide confidence that spending is efficient.

Regulatory treatment of HAL's capex:

H7 was not designed for multi-billion-pound expansion costs. Even under a "business as usual approach," the current regulatory framework has resulted in Heathrow having some of the highest charges in the world. Expansion planning requires a tailored regulatory framework with stronger cost control, efficiency tests and consumer safeguards.

Mechanisms to allow other promoters with credible and appropriately mature proposals to recover costs:

We note that the CAA proposes a possible modification to the Licence for HAL to create a fund to recover its efficiently incurred early costs together with those of any promoter with a credible

and appropriately mature proposal, through the charges HAL levies on airlines. This would require HAL to administer and make appropriate payments to the other promoters. Any such fund must include strong conditions on efficiency, transparency and proportionality, so that airlines are not forced to pay duplicate or unjustified costs. Either the CAA or the entity tasked to independently oversee spending could ensure that these conditions are respected.

Thank you for your kind attention. We look forward to working with you. Please do not hesitate to contact us if you have any questions or require further information.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Glatz". The signature is fluid and cursive, with the first name "Keith" and last name "Glatz" clearly distinguishable.

Keith Glatz
Senior Vice President, International Affairs