Heathrow
West

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HWL / Heathrow Expansion

Response to the CAA's Consultation on a Short List of Regulatory Models (CAP 3251)

This response to CAA consultation CAP 3251 is submitted by Heathrow West Limited ("**HWL**"). HWL is part of the Arora Group, which, as the CAA is aware, is a founding member of Heathrow Reimagined. HWL endorses the separate submission made by Heathrow Reimagined to CAP 3251 and does not repeat those views here.

This response addresses discrete points specific to HWL as a prospective DCO applicant, with its own proposals for capacity expansion at Heathrow. In summary:

- The CAA has a once-in-a-generation opportunity to reform the regulatory regime at Heathrow. Introduction of direct competition for airport operation services – regulatory model 7b ("**Model 7b**"), offers the most effective means of addressing the underlying regulatory challenges and should be pursued with genuine commitment.
- The CAA should assess Model 7b on its own merits, not just in the context of expansion. Model 7b addresses fundamental failings of the current regulatory regime. Irrespective of expansion, the CAA must fix the underlying issues with the current regime.
- The CAA already possesses the legal powers to implement Model 7b. The Government's confirmation at Second Reading of the Civil Aviation (Consumer Protection and Regulatory Reform) Bill ("**Civil Aviation Bill**") provides further support for this position.
- Operational challenges associated with Model 7b are surmountable and fall within the CAA's regulatory competence. The CAA should not allow short term implementation challenges to outweigh the long-term benefits of competition; novelty is not a legitimate ground for exclusion.
- Implementation work to accommodate a rival promoter is overdue and must commence without further delay. HWL stands ready to engage constructively with the CAA in respect of this work.

1. MODEL 7B MUST REMAIN ON THE REGULATORY AGENDA

Model 7b is the most effective solution

1.1 The CAA has itself recognised that Model 7b "*has the potential to deliver significant consumer benefits*" through incentivising both HAL and the alternative developer to deliver more efficiently and to improve service standards.[1] The CAA also correctly acknowledges that direct competition "*always has the potential to improve consumer outcomes by incentivising parties to offer their best proposition to users.*"[2] HWL agrees with both these statements. Model 7b is the most powerful regulatory intervention available to address what the CAA and multiple other stakeholders have identified as the fundamental and harmful incentives inherent in the current single-RAB, single-operator model.

1.2 The CAA's own analysis, and the evidence and submissions provided by stakeholders including the Heathrow Reimagined campaign and airlines, confirms the imperative for change. The CAA observes that:

1.2.1 HAL's charges are high compared to other airports and will only increase with expansion, service quality has remained below pre-pandemic levels, and there is evidence of capital inefficiency.[3] These failures are not marginal; they are systemic. Model 7b addresses them at their root by fundamentally removing HAL's monopoly over airport operation services and introducing genuine competitive discipline.

1.2.2 The characteristics of major capital programs, such as Heathrow expansion, limit the CAA's ability to accurately forecast efficient costs in advance of planning and development, and to set effective incentives for cost efficiency. These limitations are compounded by the challenges the CAA has itself observed in regulating BAU terminal operation at Heathrow.[4] Model 7b provides the most comprehensive and effective solution to these issues. If implemented, it will facilitate benchmarking of HAL's solutions and service quality; enable further optioneering and provide a measure against which the CAA can determine HAL's efficient costs more effectively.

1.3 The CAA has a once-in-a-generation opportunity to reform the regulatory regime at Heathrow. Perceived implementation difficulties must not divert the CAA from pursuing the model best placed to deliver enduring consumer benefits. The scale of the challenges at Heathrow, combined with the imperative for change driven by expansion, warrants regulatory reform of the magnitude that Model 7b represents.

Model 7b should be decoupled from expansion

1.4 In CAP 3195, the CAA stated that "*[a]t this stage it is not clear that naming a statutory undertaker as an appropriate person should lead us to remove particular models in the long-list*".[5] HWL is concerned that CAP 3251 appears to row back from that approach by linking the future consideration and implementation of Model 7b to the outcome of the revised ANPS process.

[1] CAP 3251, paragraph 1.52.

[2] CAP 3251, paragraph 1.56.

[3] CAP 3251, paragraphs 1.12, 2.15, 2.70 and 2.81.

[4] CAP 3251, paragraph 2.10 and CAP 3195, paragraphs 2.70-2.74.

[5] CAP 3195, paragraph 1.5.

Heathrow West

1.5 HWL is aware that the CAA must consider the broader context in which this workstream is being carried out, including the Government's announcements concerning the Airports National Policy Statement ("**ANPS**"). However, this should not be to the exclusion of wider considerations, including the fundamental importance of facilitating competition at Heathrow. Any decision to name a statutory undertaker should not materially affect the CAA's assessment of regulatory models on their own merits. We note in this respect that the CAA has stated that implementation of Model 7b "*would be dependent on this model being allowed for under any revised ANPS*"[6] while also signalling that further consideration of the wider issues raised by the model will "*tak*[e] *account of any new information that the Government provides in its consultation on the revised ANPS.*"[7] HWL is concerned that this risks the CAA subordinating its independent regulatory judgment to the outcome of a parallel political process. If and to the extent that the CAA has subordinated its judgment in this way, the CAA's decision-making process could be subject to legal challenge.

1.6 HWL urges the CAA to expressly decouple its consideration of Model 7b from expansion. Model 7b should not be assessed purely or even primarily by reference to expansion. While expansion is now part of the agenda, this does not negate the underlying and well-documented failures of the current regulatory regime at Heathrow which warrant the implementation of Model 7b irrespective of the ultimate decision on expansion. The CAA has itself confirmed that there is sufficient evidence to warrant revisiting the current regulatory model applied to HAL. That conclusion stands on its own merits.

The CAA has the requisite legal powers to implement Model 7b

1.7 HWL notes, and endorses, the confirmation provided during the Second Reading of the Civil Aviation Bill that the CAA already possesses the powers necessary to implement all of the shortlisted regulatory models, including terminal competition.[8]

1.8 However, HWL does not agree that the deployment of Model 7b is necessarily dependent on a competing promoter obtaining a Development Consent Order ("**DCO**"). While we accept that a DCO is likely to be required in an expansion context – where the CAA is right to recognise that the DCO would be used to obtain the requisite land and does not, of itself "*appear to represent an insurmountable obstacle with respect to development of this model*"[9] – after careful consideration, HWL is of the view that the CAA has the legal powers to implement contractual separation of *existing* terminals by way of HAL's licence provided there is a strong case for change. As we have noted elsewhere in this response, the scale of the challenges at Heathrow,

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[6] CAP 3251, paragraph 6.203.

[7] CAP 3251, paragraph 8.5.

[8] In response to a question raised by Lord Harper during the Second Reading on 2 June 2026, Lord Hendy of Richmond Hill, the Minister of State for Rail at the Department for Transport explained that, "[o]*ur current position is that the CAA has not identified any new powers needed to implement the options that have been put forward.*" See the Hansard transcript of the debate, available here: Civil Aviation (Consumer Protection and Regulatory Ref - Hansard - UK Parliament.

[9] CAP 3251, paragraph 1.54.

combined with the imperative for change driven by expansion, warrants regulatory reform of the magnitude that Model 7b represents.

1.9 The legal power to implement Model 7b therefore exists for both new terminals, and existing terminals through contractual separation.

1.9.1 Where a third party obtains a DCO for a new terminal, the CAA has power to impose licence conditions requiring HAL to enter into the necessary contractual arrangements to accommodate and facilitate that competition — including in relation to wholesale services, access and interoperability.

1.9.2 In the case of existing terminals, the same broad power enables the CAA to require Heathrow Airport Limited ("**HAL**") to enter into long-term concession or licence arrangements with a third party, which could include a right to directly provide services to airport users and directly recover its required revenues.[10]

1.10 Against this backdrop, the CAA must urgently commence implementation work to accommodate a rival promoter within the regulatory framework. This work is now critically overdue and cannot be deferred further – see further Section 2 below.

Operational challenges are surmountable

1.11 The CAA has identified certain operational challenges associated with Model 7b, including issues relating to coordination, fragmentation of accountability, and the potential need for non-discrimination arrangements in respect of wholesale services provided by HAL to a rival terminal operator. The CAA has also noted the concern that an independent operator could behave in a manner that would undermine the operation of effective competition — for example, where a terminal was owned and operated by an incumbent airline.[11]

1.12 HWL acknowledges these considerations; however, they are overstated and can be effectively mitigated through stakeholder engagement, careful planning and robust system design. The CAA itself has acknowledged that challenges of this nature "*should be surmountable where all parties work together to drive successful outcomes*."[12] The non-discrimination point, while a legitimate regulatory design question, is a feature common to many regulated sectors and is well within the CAA's competence to resolve. It is not a reason to abandon or deprioritise Model 7b.

1.13 HWL further notes the CAA's own recognition that Heathrow is already a multi-operator environment, with numerous different service and infrastructure providers. While HWL accepts that the introduction of a second licensed operator raises different considerations from the existing arrangements, the fundamental point is that coordination across complex operational interfaces is

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[10] In the alternative, regulatory Model 8 would also be an effective route for implementing direct competition at existing terminals, as explained in further detail in the Heathrow Reimagined submission in response to CAP 3251. Implementing this model need not delay or distract from capacity expansion. Provided Model 8 remains on the CAA's shortlist, it could be used to give effect to direct competition for existing terminals on a different timeline to other regulatory reforms at Heathrow.

[11] CAP 3251, paragraphs 6.202, 6.212, 6.227 and 6.230.

[12] CAP 3251, paragraph 6.21.

not novel at Heathrow. What is required is focused engagement with relevant stakeholders, including HWL, to design the regulatory and operational framework. Given that these matters fall squarely within the CAA's regulatory competence and the potential benefits of the model, there is no justification for the CAA to continue deferring this engagement by reference to Government policy decisions that are outside of its control.

Caution against favouring established models

1.14 The CAA should not allow short term implementation challenges (which can in any event be overcome) to outweigh the long-term wider and enduring benefits of competition. The CAA's reluctant acceptance of Model 7b on the shortlist risks skewing its assessment of it. The tone of CAP 3251, including the relatively cautious treatment of Model 7b compared to Models 4b and 5b, suggests a degree of institutional conservatism that is not warranted by the evidence.

1.15 The CAA's own reasoning illustrates this concern. It states that "*it is not clear that this model offers clear advantages over other short-listed models (particularly regulatory models 4b and 5b)*"[13] while simultaneously acknowledging that Model 7b may be the pragmatic way forward if an alternative developer obtains a DCO. This framing treats Model 7b as a contingency rather than an opportunity, which does not reflect the strength of the consumer case in its favour.

1.16 Whilst Model 7b inevitably raises different – and in some cases novel – considerations compared to other competitive options, the CAA must guard against closing its mind to it on that basis alone. Novelty is not a legitimate ground for exclusion. The CAA's own admission that *"there is a strong case to revisit the current regulatory model"*[14] – a point echoed by Lord Harper during the Second Reading of the Civil Aviation Bill, who noted that "*the CAA has, in effect, conceded – the existing economic model for regulating Heathrow is not fit for purpose*"[15] – provides strong justification for a far-reaching approach. Model 7b offers precisely that. Where Model 7b introduces dynamic, "in the market" competition, providing continuous incentives for both HAL and the alternative developer to adapt efficiently to changes in market conditions, Models 4b and 5b offer only "competition for the market" at a single point in time. The CAA should not allow familiarity and ease of implementation to override the superior consumer benefits of Model 7b.

2. IMPLEMENTATION WORK MUST COMMENCE WITHOUT FURTHER DELAY

2.1 HWL reiterates in the strongest terms the arguments set out in Section 2 of its January 2026 response to CAP 3195. The commencement of implementation work, specifically, work to design a regulatory framework capable of accommodating a rival promoter, is overdue.

2.2 The CAA has stated that it "*expect*[s] *to start our work on implementing the regulatory framework to support expansion later in the summer of 2026.*" Given the operational and coordination complexities that the CAA itself has acknowledged in relation to Model 7b, this work should

[13] CAP 3251, paragraph 6.236.

[14] CAP 3251, paragraph 2.111.

[15] Comments made by Lord Harper during the Second Reading of the Civil Aviation Bill. See the Hansard transcript of the debate, available here: Civil Aviation (Consumer Protection and Regulatory Ref - Hansard - UK Parliament.

commence without further delay. The CAA recognised in October 2018 the need to develop the regulatory framework in a timely way to cater for the possibility of a third party being granted a DCO, both to support efficient investment and to ensure consumers are properly protected.[16] That recognition should now translate into action.

2.3 The CAA has previously assessed HWL's proposals as sufficiently credible and mature to warrant detailed consideration. HWL is committing significant resources to the development of its competing DCO application. The regulatory framework will itself be a key consideration in the determination of HWL's DCO, informing crucial aspects of HWL's case, including how its proposals will fit into the overall expansion plan and matters such as access to common facilities operated by HAL.

2.4 Each month of delay narrows the window within which a rival promoter can be meaningfully accommodated. The CAA has acknowledged that "*given the possibility of such a developer emerging, it would not be appropriate for us to rule out this regulatory model at this stage*."[17] But retaining Model 7b on a shortlist whilst failing to progress implementation work amounts to *de facto* deprioritisation.

2.5 If the regulatory framework has not been sufficiently developed to accommodate an alternative promoter by the time a DCO is determined, HWL risks being effectively timed out. As we stressed in our January response, it is imperative that the CAA does not unwittingly preclude the very competition that many of its alternative regulatory models are intended to promote. This would be an unacceptable outcome — not only for HWL, but for the consumers and airlines who stand to benefit from genuine terminal competition at Heathrow.

2.6 HWL calls upon the CAA to:

2.6.1 confirm its shortlist includes Model 7b and commence engagement with HWL on the design of the regulatory framework;

2.6.2 publish a detailed timetable for the implementation workstream, with clear milestones against which progress can be measured;

2.6.3 commit to progressing Model 7b implementation in parallel with, not subsequent to, its work on other regulatory models and the ANPS process; and

2.6.4 as part of the framework design, move quicker to address the issues raised in Section 3 of HWL's January response regarding the level playing field between competing promoters, including appropriate mechanisms for coordination, information sharing and access to data, so as to guard against HAL's ability and incentives to use delay and information asymmetry to foreclose competition.

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[16] Economic regulation of capacity expansion at Heathrow: policy update and consultation (CAP 1722), paragraph 3.25. More generally, see paragraph 3.27 for the CAA's initial view on the phasing of the work required to shape the regulatory framework required to accommodate a competing promoter.

[17] CAP 3251, paragraph 1.55.

Heathrow West

3. CONCLUSION

3.1 HWL urges the CAA to approach Model 7b with the diligence and ambition that the regulatory challenges at Heathrow warrant. The model is legally implementable, offers the most powerful consumer benefits of any option under consideration, and addresses the root causes of HAL's harmful incentives in a way that no other shortlisted model can achieve.

3.2 The CAA must decouple its assessment of Model 7b from the ANPS process, avoid favouring established models over less-tested alternatives, and commence implementation work with immediate effect. Continued delay risks prejudicing HWL's ability to participate in expansion and is not in consumers' interest.

3.3 HWL stands ready to engage constructively and at pace with the CAA on all matters relating to the implementation of Model 7b.

Yours sincerely,

Carlton Brown

CEO

Heathrow West Limited