Stewart Carter
Programme Director
Consumers and Markets
Civil Aviation Authority
Sent by email to: economicregulation@caa.co.uk & stewart.carter@caa.co.uk June 11th, 2026

Dear Stewart,

Re: WestJet's response on CAA's Consultation on Heathrow Regulatory Options (CAP3251)

Thank you for the opportunity to submit further views on the CAA's latest proposals on improvements to Heathrow's regulatory model, as set out in your recent consultation (CAP3251) ("the Consultation"), issued on 15th May 2026.

This submission is made by WestJet.

In light of the challenging timetable set by the CAA to respond, not least overlapping with a number of other critical CAA consultations, we reserve the right to submit further comments and evidence in due course.

Introduction and recap

The airline community previously responded in January 2026 to the CAA consultation on its working paper "CAP3195" which examined whether Heathrow's current economic regulatory model remains suitable, particularly in the light of potential airport expansion and the need to protect consumers from inefficient costs (recognising that the CAA's Primary Duty is to the consumer).

The CAP3195 working paper importantly admitted that there was enough evidence to revisit the current framework because of long-standing concerns over high airport charges, weak cost control, limited competitive pressure, and questions over whether the existing model would support efficient delivery of major new capacity.

CAP3195 set out a wide range ("longlist") of possible regulatory approaches. These included variants of the current model as well as more structural options that could introduce stronger delivery incentives, more contestability, or different arrangements for funding and building expansion infrastructure.

The CAA framed the review around its statutory duties, meaning any model must ultimately further the interests of consumers—not simply enable expansion, but ensure it is delivered efficiently, affordably and with appropriate service outcomes.

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The AOC and LACC response (submitted 20th Jan) welcomed CAP3195 as an important opportunity for the CAA to reset Heathrow's economic regulation in the interests of passengers, airlines, and the wider UK economy. It also set out that any future expansion programme must sit within a regime that drives efficiency, improves accountability, and prevents consumers paying for poor delivery. If Heathrow expansion proceeds, it must be governed by a framework that is tougher on cost, stronger on performance, and more credible in protecting users from monopoly power than today. WestJet's view is that reform should be substantive and structural, not incremental.

However, the CAA should not wait for, nor be contingent upon Heathrow expansion before implementing regulatory reform at Heathrow. Addressing the failings that the CAA itself recognise is equally import for today's consumers, and we expect the CAA to take this into account in progressing this important work.

WestJet strongly support the CAA in confirming the case for regulatory reform at Heathrow, by taking forward the "longlist" of proposals in CAP3195 to a "shortlist" for consultation (CAP3251), and our views on the shortlist are set out below and summarised in Appendix 1.

Why reform is needed

- As set out at length, Heathrow's current economic regulatory regime is failing consumers, with charges significantly above peer airports and service quality that does not provide value for money.
- We therefore support the CAA's conclusion that the case for reform is strong but contend that the CAA still understates the scale of the problem and the extent of consumer harm.
- The existing regulatory regime is preventing the CAA from meeting its statutory duty to protect users' interests on cost, quality, continuity, range and availability of airport services.
- These poor outcomes are attributed to HAL's substantial market power and incentives under the present regulatory model, which the current governance, capex and service quality mechanisms have failed to control.
- Reform is in fact needed now for Heathrow's current two-runway airport, not just for future expansion.
- Weak governance today in fact serves to delay expansion; airlines fundamentally lack confidence in HAL's capex proposals without stronger oversight.

Preferred reform package

WestJet strongly supports a package of those proposed reforms within the CAA shortlist that combine the insertion of competition with a major strengthening of capital governance, rather than relying on incremental change.

- Competition is often highlighted as a way to reduce prices, but it also drives innovation, responsiveness, service quality and accountability. Across aviation globally, competitive markets have pushed operators

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to adopt new technology, boost performance, build resilience and react faster to shifting customer needs.

- Introducing stronger competitive pressure at Heathrow could unlock similar gains—especially as the airport faces significant transformation over the coming decades. Where it can be applied safely and effectively, competition should be seen as a catalyst for better outcomes, not a risk to avoid.
- Heathrow's planned investment program is on an unprecedented scale, demanding strong challenge, transparency and clear accountability at every stage. Major infrastructure projects succeed when decisions are well-structured, scrutiny is rigorous and stakeholders are actively engaged. This builds confidence in scope, cost and sequencing, while reducing the risk of inefficiency or misaligned investment.
- We therefore support measures that strengthen independent oversight of Heathrow's capital program and enhance stakeholder involvement in both planning, assurance and delivery. To that end, the proposed new governance committee in Model 1a is welcomed as a step toward a stronger capital investment committee model, but we stress that it must have real authority, including the ability to withhold approval and escalate issues to the CAA.
- Under the existing regime, HAL faces insufficient jeopardy for inefficiency - effective governance should create genuine accountability for HAL and any other promoters' management and investors, ensuring they bear the consequences of inefficiency rather than consumers and must be a key factor within the overall package of reform.
- Driving affordability for airlines and consumers needs to be a key CAA objective for the regulatory reform outcomes. This is a once in a generation opportunity to create an affordable, value for money Heathrow for the UK and consumers that delivers enhanced resilience and customer service levels.
- We strongly believe that users of both new and old infrastructure should benefit from competition. The CAA should ensure the benefits of competition are delivered widely and without delay to existing facilities and terminals as well as new terminals when they are built.

Direct competition to HAL

In the airlines response to CAP3195 the airline community called on the CAA to identify specific scopes, functions, or infrastructure elements that could be delivered or operated by other parties to improve efficiency and innovation, noting that competition must include (but not be limited to) design and build of infrastructure, as well as the delivery of terminal services and other on airport activities currently operated by Heathrow. Furthermore, WestJet strongly believe that benefits from competition should not be limited to new infrastructure but existing as well.

Whilst the CAA has addressed some of these concerns, it has not engaged fully on the ask, not least given the rejection of Model 8. Instead, the CAA has placed too much weight on HAL's concerns about "fragmentation" and operational risk. Heathrow already runs as a multi-operator environment, with hundreds of service providers, independent terminals and airline-led coordination in places. Terminals are clearly separable, and effective coordination under a competitive model could be achieved through incentives, regulatory oversight or, if needed, a neutral third party—without relying on HAL as the single controlling entity. Comparable models operate successfully in other sectors and major international airports (eg: JFK, Atlanta, Munich).

Whilst there are details to be worked through, ultimately, regulation should prioritize consumer outcomes, not just operational and ownership simplicity. Maintaining HAL's monopoly may appear simpler, but it has demonstrably harmed—and will continue to harm—consumers. The challenges of introducing competition are manageable and evidence from other global airports shows it can be delivered safely and effectively. While the CAA may question its powers to deliver this, it could seek additional authority via forthcoming legislation (e.g. the Civil Aviation Bill) or refer the matter to the CMA. Alternatively, a contractual separation model could deliver similar advantages, enabling both competition in and for the market while HAL retains ownership. This approach broadens the benefits beyond simple user switching and can be structured to preserve certainty over the recovery of past capital investment.

The consultation itself highlights "*Direct competition, in general, always has the potential to improve consumer outcomes by incentivising parties to offer their best proposition to users. This could include lower costs or a superior service offering in areas that matter to consumers. While there are challenges in terms of the implementation of and underlying economics underpinning this model, we will work with stakeholders to understand whether and how the benefits of this model could be achieved in subsequent stages of our work*.[1]"

Given the above, it is absolutely right that the CAA must continue to engage and develop this as part of its shortlist of options.

Long term regulation

The CAA has included Model 3 on the basis that it could reduce unnecessary uncertainty and prevent undue increase in the cost of capital and stated this as a favoured approach to determine the longer-term cost of capital for expansion. WestJet are firmly of the view that long-term regulation is not the answer for addressing the underlying regulatory issues raised which instead the CAA should be prioritizing.

[1] Paragraph 1.56 of the consultation

New Frameworks in Setting Charges

We welcome the CAA's rejection and agree these should not form part of the shortlist of options.

Conclusion

Overall, the review is a once-in-a-generation opportunity to redesign Heathrow's regulatory model so that all users benefit from a more affordable, efficient and responsive airport.

We therefore urge the CAA to introduce reform as soon as practical to ensure we do not continue to be locked into the existing regulatory framework, recognizing the harm it does to the consumer and operators at Heathrow.

Yours sincerely,

Chris White-DeVries

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Appendix 1: Key features of regulatory models and WestJet's summary position:

Regulatory model	**Summary Description**	**CAP3251 Shortlist?**	**Key Elements**	**WestJet position**
Regulatory model 1a	Changes to capex governance processes	Yes - 1a/2/4a Package to encourage capital efficiency	· New senior Capital Committee chaired by an independent person appointed by the CAA · Supported by independent technical experts and layered assurance inputs. · Airline and HAL representatives. · Greater transparency where possible	Support – reforms current regulatory framework . Would prefer CAA to directly chair the committee.
Regulatory model 2	Targeted adjustments to the existing incentive regime	Yes - 1a/2/4a Package to encourage capital efficiency	· New incentive arrangements consistent with "fair bet" principle for rational investor.	Support – reforms current regulatory framework
Regulatory model 3	Long-term regulatory framework for expansion	No	· a longer-term cost of capital for expansion activities *and/or* · >5yr price control period *and/or* · a cap and collar mechanism on longer term investor returns (ie max and min lifecycle returns)	The benefits are not sufficiently demonstrated – does not address current problems and risks worse consumer outcomes

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Regulatory model 4a	Enhanced CAA scrutiny of HAL's procurement	Yes - 1a/2/4a Package to encourage capital efficiency	· Procurement experts to advise capital committee. · Wider scope than current IFS role. · Emphasis on transparency and assurance that HAL is pursuing efficient, value-for-money outcomes.	Support – reforms current regulatory framework
Regulatory model 4b	Mandate Design and Build contract	Yes	· HAL would be required to tender competitively for design and construction of certain packages of works. · HAL retain ownership, financing, and operational responsibility. · E.g. IST (new), LGA, EWR, SIN	Support - facilitates greater competition.
Regulatory model 5b	Design, Build, & Operate	Yes	· As 4b but tender to include Operation of the facility · E.g. UK Water sector	Support - facilitates greater competition

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Regulatory model 7b	Direct competition for airport operation services – Third Party continues to own and operate assets	Yes	· HAL to compete with alternative developer to design, build, finance, own and operate an asset, such as a new terminal. · Would enable Heathrow West to apply for Development Consent Order (DCO) to expand Heathrow. · E.g. JFK	Support - required to enable both CAA's own recognition of a credible alternative promotor as well as promote further opportunities to insert competition
Regulatory model 8	Transfer of ownership and operation of an existing asset	No	· Third party operates and maintains existing asset. · Either as upstream supplier to HAL or direct competitor · CAA does not consider it has current powers to force HAL to divest assets – in the "too difficult" box.	Recognize work needed to implement, but CAA should continue to consider this option for longer term benefits.

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