

10th September 2025

Via email to: economicregulation@caa.co.uk

HEATHROW CAPACITY EXPANSION – CONSULTATION ON REGULATORY POLICY ON EARLY COSTS CAP 3149

This response, from the Council for the Independent Scrutiny of Heathrow Airport (CISHA), relates to CAP 3149 and the appropriateness of scheme promoters (essentially Heathrow Airport Ltd and Arora Group) being able to recover early costs as they respond to the Government's policy commitment to capacity expansion at Heathrow Airport.

We have encouraged all interested parties to submit their own responses to this consultation.

(1) Context

Heathrow Airport's Impact

Heathrow Airport ('Heathrow') has a significant impact on the communities surrounding it—both positive and negative. While the airport plays a crucial role in the local economy, providing thousands of jobs and transport connections, it also generates environmental and social costs, including noise pollution, air quality concerns, and pressure on local infrastructure. Any change brings with it significant uncertainty; the expansion process needs to be one which is resourced in a way which helps all who are affected to understand what is envisaged and how and when they can react and should provide mitigations for the costs of uncertainty and blight which are being currently borne by communities.

The Impact of The Regulatory Framework On the Airport's Community Investment

The impact of the regulatory framework on the airport's community investment Heathrow's investment approach is heavily influenced by the regulatory framework it operates within, and many community investments have not featured explicitly in the regulatory discussions to date. CISHA's research suggests that (i) the primary duty should be exercised with a greater understanding of the value that passengers put on such community investments, (ii) compared to international bench marks, Heathrow has a unique impact on the local community given its scale of operation and proximity to population centres and (iii) there are compelling grounds to

place greater weight on the secondary duties which can be used to mitigate impacts in the community .

Expansion will make these costs more damaging – even at this early stage in the process. It is notable that the [Airports Commission Final Report](#) set out a clear need for a significant level of community compensation e.g. “Heathrow Airport Ltd should be held to its commitment to spend more than £1 billion on community compensation”. In addition, communities are already experiencing uncertainty, blight, well-being effects and the potential for discouraged public (and private) investment in the CPZ/WPZ.

By design, the regulatory process places limits on Heathrow’s ability to recover costs, unless spending is deemed efficient and in line with the CAA’s application of its duties, creating a risk that economically and socially valuable community-focused investments are deprioritised or delayed.

CISHA’s research shows that Heathrow’s mitigation activities span several areas, including noise insulation schemes, air quality monitoring, surface access improvements, and decarbonisation efforts. These investments are largely funded through operating expenditure, with only a limited number supported as capital projects through the regulatory settlement. While Heathrow has secured a dedicated allowance for carbon and sustainability measures in its most recent price review (H7), other forms of mitigation—particularly those that benefit local communities—are often less explicitly recognised in how the regulatory framework is currently operated. At the same time, the regulatory process places constraints on Heathrow’s ability to recover costs unless spending is deemed efficient and in line with the CAA’s duties, creating a risk that valuable community-focused investments are deprioritised or delayed.

This early period of the expansion process creates new costs: uncertainty, blight and well-being costs; meanwhile the uncertainty also creates disincentives for public sector investments in the area. These costs are already being acutely felt by many in the local community.

This makes this consultation essential, so that early costs associated with the Government’s stated policy of expansion are recoverable efficiently both from a consumer (passenger) perspective but also from a community perspective. We encourage CAA to have regard to both its primary and secondary duties in formulating its approach to recognising the costs of expansion, particularly as they do not seem to throw up obvious tensions with each other in this context. We very much welcome the CAA’s leadership here and on the upcoming review of the overarching regulatory framework.

(2) Our Views On The Principle of Recovery

We support the CAA's view that it is in the interests of consumers (and the community) to adopt an approach that is consistent with the recovery of efficient costs where this provides clear benefits to consumers (and the community) by delivering an effective, transparent and timely DCO process.

Notwithstanding Heathrow Airport Limited's work on the previous expansion effort pre-pandemic this renewed effort is on the back of the Government's initiative to support capacity expansion at Heathrow Airport. So, costs need to be efficient, transparent and recoverable. If multiple promoters are in play for a protracted period of time, then the issue of duplicate costs risks could become untenable. Under those circumstances we would expect a 'hard stop' to be placed on incurring those costs, guided either by a decision by government perhaps around the revised ANPS approval or a modest (perhaps 12-18 month) time limit on the period that duplicate costs can be incurred over.

(3) Options for Recovery of Early Expansion Costs

We support Option 3 where an assessment shows that both Heathrow Airport Limited and other scheme promoters have passed a threshold of credibility with appropriately mature proposals. We feel this helps achieve some risk / reward equilibrium since it supports a degree of competition of scheme which will ultimately be beneficial to the consumer and arguably the community. However, the judgement on a scheme promotor having achieved a level of credibility and an ongoing reason to remain 'in the mix' is critical if cost duplication is to be avoided. If the decision was taken to only allow the recovery of Heathrow Airport Limited's efficient costs then our preferred option is 1b.

Incentivising costs to be recognised at a higher rate if the DCO application is successful would appear to have a beneficial impact in terms of strengthening promoters' incentives to "do community engagement well" notwithstanding changes which come about through amendments to planning law.

(4) Heathrow Airport Limited Administered Fund

We support the suggestion that Heathrow Airport Limited's licence is modified to allow the creation of a fund from which their early incurred costs and those of appropriate alternative scheme promoters can be recovered. It seems sensible for Heathrow Airport Limited to

administer this fund, but we suggest, in the context of other scheme promoters potentially having a call on the fund, that some form of independent oversight is included.

(5) Thoughts on Property Costs and Community Investments

The impact on the villages around Heathrow (covered in some detail by the Sunday Times 070925) is, of course, a major issue and one which appears to have one of the biggest draws on early costs. Given the regulatory precedents for covering early property costs, and the damaging consequences of the uncertainty and blight for local residents, we are supportive of any efforts to ensure that property schemes are available. They should provide choice, to ensure residents and business can make significant life decisions about where to live and operate. Incentivising voluntary rather than compulsory purchase may result in a different dialogue and pace.

At the same time early costs incurred on property will also mean that the community and quality of life may start to erode for those who stay. As such there is a strong case for the provision of essential and life-enhancing services in the community, for example health and well-being related. Steered by local priorities, investments should be made in the local area as well, to mitigate the early impacts of expansion on communities. And, of course, we need to consider the community needs in the weeks, month and years ahead when it comes judging what community investments are required and how these are prioritised.

Finally, we support and urge the CAA to actively fulfil both the primary duty to consumers, and secondary duties around environmental and community impacts in all aspects of ‘regulating expansion’. To the extent that CAA believes that its current powers are insufficient to ensure that the full range of effects on economic, community and social welfare are incorporated into regulatory decision-making we believe it is critical to raise these with the government to ensure that a fit for purpose regime can be developed

Yours faithfully

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ABOUT CISHA

CISHA ensures independent oversight of the way Heathrow Airport engages with stakeholders. The Council and its forums work with stakeholders to make progress on the issues that matter to them. We hold the airport to account and work to help ensure it is the best neighbour it can be. We fulfil the role of an Airport Consultative Committee (ACC) as set out in Section 35 of the Civil Aviation Act.

CISHA membership is made up of six forums: Local Community Forum (LCF), Noise & Airspace Community Forum (NACF), Heathrow Airport Transport Forum (HATF), Heathrow Sustainable Economic Growth Taskforce (HSEG Taskforce), Heathrow Air Quality Working Group (HAQWG), and Heathrow Passenger Forum (HPF). CISHA quarterly meetings also include representation from other stakeholders such as the local councils, airlines, the business community, and airport user groups.

Funding for community investments and mitigation at Heathrow – OXERA report for CISHA

This report, commissioned by CISHA, examines how Heathrow currently invests in mitigating its local impacts, how these investments are funded under the economic regulatory framework overseen by the Civil Aviation Authority (CAA), and how this approach compares to international best practice. It also considers how funding for community investments can be improved as part of the upcoming H8 regulatory review. [Full report](#).