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Via email to: economicregulation@caa.co.uk

RESPONSE TO CAP3286 – HEATHROW CAPACITY EXPANSION UPDATE ON THE APPROACH TO THE REGULATORY FRAMEWORK

The Heathrow Passenger Forum (HPF) welcomes the opportunity to provide some further comments on CAP3286 and would like to thank the CAA for accepting this response after the formal consultation deadline.

This response should be read alongside our submission of 15th June 2026 to CAP3251. The views expressed in that submission remain our starting point and, having considered the CAA's updated position together with the further work undertaken by Steer and Centrus, our fundamental thinking has not changed.

Since that submission, the HPF has also developed and shared with the CAA our proposal for the establishment of a 'Passenger Capital Review Group (PCRG)' as part of Heathrow's future capital governance arrangements.

That proposal was developed initially through our involvement in the H8 process but deliberately contemplated a role for structured passenger engagement in Expansion as well. We refer to it again in this response because the CAA's emerging thinking around enhanced capital governance creates an obvious opportunity to connect these two pieces of work.

We continue to support the CAA's review of the regulatory framework for Heathrow expansion. Expansion will be a project of exceptional scale, cost, complexity and duration. It is entirely appropriate that a regulatory model designed principally around

the operation and development of today's two-runway airport is reconsidered in that context.

Our overriding interest remains the passenger. The regulatory framework should promote efficient and timely investment, appropriate competition and financeability, but these are ultimately means to an end. The test of the framework must be whether it delivers an airport that works effectively for present and future passengers: providing good service, resilience, value, choice and a consistently high-quality end-to-end journey.

Our Overall Position

In our previous response we favoured an evolutionary approach rather than revolutionary structural change. We remain of that view. That does not mean preserving existing arrangements where they can clearly be improved. There is a strong case for better capital governance, more independent scrutiny, stronger incentives, greater transparency and appropriate use of competition. Expansion provides an opportunity to improve the way Heathrow is regulated and to address some of the weaknesses of the current framework.

But change should solve a clearly identified problem and deliver a demonstrable consumer benefit. Complexity and extended time to change regulatory process should not be introduced for its own sake, and competition should not be regarded as an objective independent of the passenger outcome it produces. The further work undertaken since CAP3251 reinforces our view that there is considerable merit in strengthening the existing integrated model before pursuing more fundamental fragmentation of the airport.

Consumers will only fully benefit from expansion once the new runway and associated infrastructure has been brought into service. As a result, it is important that the CAA carefully considers as it progresses its work whether it is inadvertently extending the date when consumers will ultimately receive the benefit, they are funding.

We therefore broadly support the direction now proposed by the CAA, particularly the further development of:

- enhanced capital governance and incentives
- greater independent assurance and scrutiny;
- a longer-term regulatory framework for expansion
- appropriate competitive procurement; and
- further analysis of the implications of direct competition before any such arrangements are required.

There is, however, an important additional principle which we believe should now run through all of this work. The passenger interest needs to be represented within the governance of Expansion, not simply measured after decisions have been taken.

From Consumer Protection to Consumer Participation

The CAA's primary statutory duty is to further the interests of users of air transport services. We believe the emerging regulatory framework presents an opportunity to consider not simply how those interests are protected by regulation, but how independent passenger insight can contribute to better decisions in the first place.

That distinction is important. Passenger engagement should not be something that happens at the end of a process when a proposal is largely complete. Its greatest value is often earlier, when priorities are being determined, alternatives considered, trade-offs made and investment programmes shaped. This has been one of the important lessons from the HPF's involvement in the H8 Constructive Engagement process.

It was also the thinking behind the Passenger Capital Review Group proposal already shared with the CAA. The PCRG was designed around four principles:

Proportionality - Passenger engagement should concentrate on strategic programmes, portfolio priorities and significant passenger-facing investment rather than detailed project management.

Early Engagement - Passenger insight is most valuable before decisions become fixed and while meaningful opportunities still exist to influence programme development.

Transparency - Meaningful engagement requires sufficient information to understand the rationale for investment; the trade-offs being made and the passenger benefits expected.

Accountability -Where independent passenger observations or recommendations are made, there should be transparency about how they have informed the decision or why an alternative approach has been taken.

We believe these principles are equally relevant to Expansion.

Enhanced Capital Governance

We strongly support the CAA's proposed work on enhanced capital governance. Expansion will involve very significant expenditure which will ultimately have consequences for airport charges, airline economics and, directly or indirectly, passengers.

It is therefore essential that expenditure is properly challenged before commitments are made rather than relying primarily on retrospective regulatory scrutiny. The proposed new capital committee could represent a significant improvement.

However, if that committee is intended to further the overall interests of consumers, we believe real consumers should have a meaningful and independent place within the governance arrangements that surround it.

One of the points we made in our response to CAP3251 was that the existing constructive engagement process remains dominated by the two principal commercial interests: Heathrow and the airlines. Both obviously have legitimate and important roles. But neither Heathrow nor the airlines can automatically be assumed to represent the passenger interest independently. The passenger needs a voice of their own.

We are not suggesting that passengers should approve capital projects, determine investment priorities or replace the responsibilities of Heathrow, the airline community or the CAA. Nor do we believe passenger engagement should create another bureaucratic approval stage. Indeed, the PCRG proposal was deliberately designed not to do those things.

Its purpose is much simpler: to strengthen the quality of decision-making by providing a structured, proportionate and informed passenger perspective at those points where it can add value.

The Passenger Capital Review Group

We therefore suggest that, as part of the work now proposed in CAP3286, the CAA considers whether the principles and structure of the PCRG could provide the basis for the independent passenger component of future Expansion capital governance. The CAA already has a copy of our detailed proposal, so we do not repeat it in full here.

In summary, the model envisages a small group of independent passengers, initially drawing upon the expertise already assembled within the HPF and its H8 Sub-Committee, providing strategic scrutiny of significant capital programmes and passenger-facing investment.

The group would operate in an advisory capacity. It would not approve projects. It would not delay investment. It would not duplicate airline governance. It would not replace CAA oversight. And it would not alter existing commercial or regulatory accountability. Instead, it would provide something which is currently much less structured: an informed and independent passenger perspective at the point decisions are being shaped.

For H8 we envisaged a relatively light-touch arrangement aligned with Heathrow's capital planning cycle. Expansion may require a more flexible approach given the scale and duration of the programme. We are not wedded to every detail of the model. What matters is the principle.

The passenger voice should become a routine, constructive and valued element of capital governance rather than an occasional external commentary upon it.

Better Decisions, Not More Governance

We think it is important to emphasise that this is not an argument for more governance for its own sake. Good passenger engagement should make governance better, not heavier.

Early independent challenge can identify unintended consequences before they become embedded in a design. It can question whether an investment genuinely addresses the passenger problem it is intended to solve. It can bring experience from other airports and other regulated sectors. And it can help distinguish between what passengers actually value and what organisations assume they value.

Early engagement can therefore reduce rather than increase later challenge. This is particularly important for a programme as long and complex as Heathrow Expansion, where decisions taken relatively early may influence passenger experience for several decades.

Start With the Outcome, Not the Asset

We also support the proposed independent assurance of expansion costs. However, that assurance should consider not simply whether a proposed asset can be delivered efficiently, but whether the proposed expenditure represents the most effective way of achieving the required passenger or operational outcome.

There can sometimes be a tendency with major infrastructure programmes to begin with an asset and then justify it. We would prefer the process to begin with the outcome. What

passenger or operational problem are we trying to solve ? What outcome are we trying to achieve ? What alternatives have been considered ? Could existing assets, technology, operational redesign or smaller interventions achieve the same or a better result ? Only then should the scale of the capital solution be determined. This is particularly important where passengers will ultimately contribute towards the cost.

Protecting Today's Passenger While Building Tomorrow's Heathrow

Expansion will take many years to plan and deliver. Throughout that period Heathrow must continue operating as one of the world's major international airports. The passenger travelling through Heathrow in 2030 should not receive a poorer experience because the industry is concentrating on the Heathrow of 2040 or beyond.

We therefore believe the CAA should explicitly consider the relationship between expansion expenditure and business-as-usual investment. Essential renewal, maintenance, resilience and passenger-service improvements should not be deferred simply because a future expansion project may eventually replace an existing asset.

Equally, passengers should not be required to fund significant short-life investment where an asset is genuinely approaching replacement through expansion. This will require judgement and transparency.

We suggest that future capital governance should require a clear distinction between:

- investment required irrespective of expansion;
- expenditure directly attributable to expansion
- existing investment which can genuinely be avoided or deferred because of expansion; and
- passenger benefits expected during each phase of the programme.

Each phase of Expansion should leave the airport better than it found it. Passengers should not be asked to endure a decade or more of disruption in return for a distant promise of benefit at the end.

Capital Incentives and Cost Control

We support the CAA's intention to develop stronger and more tailored incentives for capital efficiency and mechanisms capable of protecting consumers from inappropriate cost escalation. We would, however, caution against allowing the debate around efficiency to become too narrowly focused on the lowest initial capital cost.

A cheaper solution is not necessarily better value if it creates higher operating costs, poor resilience, reduced accessibility, operational complexity or an inferior passenger experience over its lifetime. Whole-life value should therefore be an important consideration.

For major projects, assessment should consider cost, passenger benefit, resilience, maintainability, adaptability and operational performance together. Expansion infrastructure will remain in use for decades. Decisions made to secure relatively modest savings during construction could impose costs or service disadvantages on several generations of passengers.

A Longer-Term Regulatory Framework

We continue to see merit in exploring a longer-term regulatory framework for Expansion. A project of this scale does not fit naturally into a sequence of conventional five-year regulatory periods. Long-term investment requires a degree of certainty, and unnecessary uncertainty can itself increase financing costs which ultimately find their way back to consumers. However, long-term certainty for investors must be matched by long-term protection for passengers.

Our principle would be straightforward: risk should sit with the party best able to manage it, and consumers should not become the default holder of risks simply because a project is large or long term. Any longer-term arrangement should also operate in both directions.

If circumstances move materially against investors, there may be situations in which adjustment is justified. Equally, where circumstances move materially in their favour, passengers should participate in that benefit.

We therefore support further analysis demonstrating transparently what consumer value is created by moving from a conventional five-year approach to a longer-term arrangement. The test should not simply be whether a longer framework makes Expansion easier to finance. It should demonstrate that the resulting financing structure produces an appropriate and measurable benefit for consumers.

Competitive Procurement

We support competition where it can demonstrably improve efficiency, innovation or service. We therefore have no objection in principle to the CAA considering competitive procurement across a wider range of appropriate assets. But the word "appropriate" matters.

The lowest procurement price should not become the overriding consideration where an asset forms part of a complex and highly interdependent operational system. The assessment of assets suitable for competitive procurement should therefore include passenger and operational considerations alongside financial ones.

In particular, we suggest considering:

- operational criticality;
- relationships with common airport systems;
- consequences of failure;
- responsibility during disruption;
- interoperability with existing and future systems;
- passenger assistance and accessibility requirements
- data and information sharing;
- whole-life maintenance responsibilities; and
- clarity of accountability experienced by the passenger.

Competitive procurement can be entirely compatible with an integrated airport. Indeed, properly designed competition within an integrated framework may capture many of the benefits of competitive pressure without creating unnecessary fragmentation of the passenger journey. That remains an attractive direction in our view.

Direct Competition – Model 7b

Our previous response expressed scepticism about Model 7b and particularly about the proposition that competition between terminals would necessarily translate into meaningful consumer choice. We remain cautious. Passengers generally choose an airline, route, schedule and price. Their terminal is overwhelmingly determined by the airline they have chosen.

It therefore remains difficult for us to see a strong direct "consumer pull" between terminal operators of the kind that exists in more conventional competitive markets. The further Steer work is helpful because it acknowledges that arrangements involving multiple developers or operators may be technically feasible while also recognising the additional complexity and risks, they can introduce.

For passengers, that distinction matters. Something being technically capable of working is not the same as it representing the best consumer outcome. A passenger transferring between flights does not care which organisation owns a baggage system, operates a terminal, controls a common facility or holds a particular contract.

They simply expect Heathrow to work. The passenger experiences Heathrow as one airport and one journey. The more organisational interfaces that sit behind that journey, the greater the importance of ensuring that they remain invisible to the passenger. Our concern is therefore less about ownership in itself and more about fragmentation of responsibility.

One Airport, One Journey, Clear Accountability

We believe this should become an important principle within the CAA's further assessment. A regulatory structure may look perfectly logical on an organisational chart. Passengers do not travel through organisational charts. They travel through an airport.

That airport involves a complex sequence of interdependent experiences: surface access, check-in, security, passenger assistance, retail, wayfinding, baggage, border processes, airline operations and, for connecting passengers, movement between flights and sometimes terminals. Passengers experience those things as a single journey.

Where different organisations are responsible for different components, the regulatory framework needs to ensure that the interfaces between them are seamless and that responsibility never becomes ambiguous. This is particularly important when things go wrong.

Accountability During Disruption

We believe disruption should therefore become an explicit test within the CAA's further work on multi-operator models. Airports are complex systems and some disruption is inevitable. The passenger interest is not served simply by designing a model that works efficiently on a normal Tuesday afternoon. It must also work at 0700am when flights have been cancelled, bags are displaced, passengers require rebooking, passenger assistance users need support and normal operating boundaries become blurred.

In those circumstances accountability must be immediate and obvious. There should never be a situation where a passenger is disadvantaged because two airport operators, contractors or infrastructure owners disagree about where responsibility sits.

Before any fragmented operating model is adopted, we suggest the CAA should be satisfied that there is clearly defined responsibility for the end-to-end passenger outcome, supported by enforceable common standards, information-sharing requirements and escalation arrangements. This is particularly important for Passenger Assistance Service Users and Transfer Passengers, the two groups we highlighted in our original response as being particularly vulnerable to additional friction.

Learning From Other Airports

We support the CAA's proposed further examination of international examples. However, we believe comparison should extend beyond headline satisfaction measures or simply establishing that airports with multiple terminal operators exist. The important question is how those arrangements work in practice. We would therefore encourage analysis of:

- transfer passenger performance;
- misconnected passengers and baggage;
- minimum connection times
- passenger assistance handovers
- disruption recovery;
- baggage-system interfaces;
- common-use systems
- security and border interfaces;
- information consistency
- responsibility for wayfinding and passenger communications; and
- arrangements where the failure of one operator affects passengers using another operator's facilities.

It would also be useful to distinguish between airports which have developed historically with multiple terminals and operators and an established integrated airport which is subsequently separated. They are not necessarily the same proposition.

Service Quality

We welcome the continuing prominence given to service quality within the CAA's assessment. We would encourage the next phase of work to go further by defining what successful passenger outcomes would actually look like under each regulatory arrangement. Cost and financing impacts can often be modelled numerically.

Passenger impacts can consequently become less visible because they are harder to monetise. That should not make them less important. We suggest the CAA develops a passenger outcome framework alongside its financial and technical assessment.

Measures might include resilience, transfer performance, baggage reliability, passenger assistance, waiting times, accessibility, information during disruption and overall journey predictability.

This would allow different regulatory options to be tested against the same practical question. What difference would the passenger actually experience ? This would also provide a stronger basis for evaluating whether the eventual regulatory framework has delivered what was promised.

Affordability and Consumer Benefit

We agree that affordability is an important part of the consumer interest. But affordability should be considered alongside service quality and timely delivery rather than in isolation. Passengers want competitive fares and reasonable airport charges, but they also value reliability, resilience, good facilities and a functioning airport. The objective should therefore be value rather than simply lowest cost.

Where the CAA assesses potential savings from competition or alternative financing structures, we suggest those benefits are considered alongside any additional coordination, interface, resilience or service risks. That would help ensure that a financial saving which appears attractive in isolation is not achieved by transferring hidden costs or risks elsewhere in the passenger journey.

Additional Analysis We Would Encourage

CAP3286 asks whether there are additional areas of analysis the CAA should undertake as it develops its more detailed work programme. From a passenger perspective we would particularly encourage the following.

1. End-to-End Passenger Journey Assessment

Each material regulatory model should be tested against representative passenger journeys, including departing, arriving, connecting and Passenger Assistance Service Users. Those journeys should be tested both during normal operations and significant disruption.

2. Fragmentation and Interface Risk

For models involving different operators, the CAA should identify the principal operational interfaces created and establish who owns each risk, how performance would be measured and how accountability would work when an interface fails.

3. Independent Passenger Participation in Capital Governance

The CAA should consider how an independent passenger voice can be embedded within the enhanced capital governance arrangements. As part of this work, we suggest the CAA considers the PCRG proposal already provided by the HPF and whether its principles could be adapted for Expansion.

4. International Evidence

International comparator work should examine detailed operational outcomes, governance arrangements and disruption performance rather than simply establishing that multi-operator airports exist. Particular attention should be given to whether those arrangements are genuinely comparable with Heathrow.

5. Measuring Consumer Benefits

For every material change to the regulatory framework there should be a clearly articulated consumer benefit and, wherever practicable, a method of measuring whether that benefit has subsequently been delivered.

6. Expansion Versus Business-as-Usual Investment

The CAA should examine how the regulatory framework will protect necessary investment in today's airport while avoiding duplication or inefficient short-life expenditure as Expansion approaches.

7. Governance During the Transition

Expansion will not happen in a single moment. The CAA should therefore consider how responsibilities, passenger protections and accountability will operate through each stage of transition from today's airport to the expanded Heathrow. The journey towards Expansion matters as much to current passengers as the eventual destination will matter to future passengers.

A Coherent Framework

We agree with the CAA that the eventual solution should be a coherent regulatory framework rather than a collection of disconnected mechanisms. That coherence is particularly important from the passenger perspective. Capital governance, procurement, financing, operational responsibility, service standards and economic incentives will interact.

Optimising one element in isolation could create problems elsewhere. We therefore encourage the CAA to retain an explicitly whole-system view as the framework develops. The same principle should apply to the relationship between H8 and Expansion. They are different regulatory exercises, but they concern the same airport and, increasingly, overlapping periods of investment and planning.

There is an opportunity here to build continuity. If a more structured passenger voice improves capital governance during H8, that experience should inform Expansion.

Equally, lessons from developing the Expansion framework should help improve the way passenger interests are represented in Heathrow's ongoing regulatory arrangements. The PCRG potentially provides one bridge between those two worlds.

Conclusion

We welcome the progress the CAA has made since CAP3251 and broadly support the direction now being taken. Our previous preference for evolutionary rather than revolutionary change remains.

We support stronger capital governance, independent assurance, better incentives, greater transparency, appropriate competitive procurement and further consideration of a longer-term regulatory framework.

We also understand why the CAA needs to develop Model 7b sufficiently to ensure that the regulatory framework can respond should circumstances require it.

Before greater structural separation is introduced, we believe there should be compelling evidence that it will produce a better outcome for passengers than could be achieved through stronger governance, incentives and competition within an integrated airport model.

It is important that the CAA ensures that the regulatory change process doesn't inadvertently cause an overall delay in when consumers ultimately enjoy the benefits that expansion will deliver.

We would also encourage the CAA to take the next logical step in its thinking about consumers. Protecting consumers through regulation is essential. Giving independent passengers an appropriate voice within the decisions that regulation governs can make that protection stronger. The HPF's Passenger Capital Review Group proposal was developed with exactly that objective in mind.

The passenger experiences Heathrow as one airport and one journey. Whatever regulatory, ownership and financing arrangements ultimately sit behind it, that journey must remain coherent, resilient and accountable.

The prize remains the one we identified in our previous response: a regulatory framework which is better suited to future passenger needs, is transparent and efficient, encourages innovation and investment, and keeps the consumer at the heart of the equation.

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.

ABOUT HPF

The Heathrow Passenger Forum monitors the end-to-end passenger experience. It considers any issue in connection with Heathrow Airport that would impact passengers and reports its conclusions and recommendations to CISHA and the airport. The Forum does this in four ways: (1) Monitoring the procedures and facilities available to passengers and making recommendations for their improvement to Heathrow Airport. (2) Holding quarterly meetings to receive briefings and opinions from Heathrow Airport stakeholders and external experts and using the outcomes and insights to make

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recommendations to CISHA and the airport. (3) Providing a passenger perspective on airport developments and (4) Contributing to government and CAA consultations that impact the Heathrow passenger.