

Classification

Your ref. CAP3195
Your date 09-01-2026

Telephone

Our ref. DR19012026
Our date 19-01-2026
E-mail

Dear Civil Aviation Authority

Sent via email to: economicregulation@caa.co.uk
Type subject here

Subject: AFKL response to CAP3195 Consultation – Regulatory Model for Heathrow Airport

Dear Sir/Madam,

We welcome the opportunity to respond to the CAP3195 consultation on the regulatory model for Heathrow Airport. Air France and KLM as key stakeholders share the CAA's concerns regarding the rising level of airport charges and the significant risks associated with major capital expenditure. We therefore strongly welcome the CAA's decision to undertake this review.

Given (i) the already high level of charges being experienced, (ii) the scale of investment proposed by Heathrow, and (iii) the levels of service currently delivered, there is a compelling case for change. The evidence presented by the CAA and other stakeholders within the consultation clearly demonstrates that the existing regulatory framework is not fit for purpose. It lacks effective incentives to control costs and ensure efficient delivery. Without reform, Heathrow expansion risks exacerbating these shortcomings, leading to even higher charges, reduced competitiveness for UK aviation, and ultimately poorer outcomes for consumers. The costs currently proposed for an expanded Heathrow are deeply concerning and, if left unchecked, risk becoming prohibitively expensive.

Air France and KLM therefore strongly support the need for fundamental reform of the current framework.

Our Key Positions

- **Rejection of light-touch regulation and price benchmarking:** These approaches are inappropriate for Heathrow given its significant and enduring market power.
- **Introduction of competitive pressure:** While competition may not be feasible across all aspects of Heathrow's operations, maintaining all decision-making and delivery within a single entity and assuming outcomes will align with consumer interests is neither acceptable nor effective. The CAA should identify specific scopes, functions, or infrastructure elements that could be delivered or operated by third parties to drive efficiency and innovation. This could include the design and construction of infrastructure, terminal services, and other on-airport activities currently operated by Heathrow.
- **Stronger regulatory oversight and targeted incentives:** A step-change in capital expenditure scrutiny and governance is required. Mechanisms must be introduced to prevent cost overruns, excessive returns, and service failings. Incentives should align cost recovery with the delivery of benefits, reward genuine outperformance, penalise underperformance, and promote cost efficiency rather than incentivising growth of the Regulated Asset Base and associated charges.

- **Ensuring cost-relatedness and discipline:** Costs must be transparent, demonstrably necessary, and charges must remain aligned with efficiently incurred costs, consistent with ICAO principles.
- **Greater emphasis on affordability:** While financeability remains important, the regulatory framework must place significantly greater emphasis on containing the overall level of charges.
- **Protection of consumers and airlines:** Expediency must not override the CAA's statutory duties to further the interests of consumers. Government policy must not compromise affordability, transparency, or the implementation of necessary regulatory reforms.

Additional Considerations

While recognising that the CAA is responding to Government policy, its role as an independent regulator should allow it to explore alternative financing mechanisms, including government-backed options, to ensure that expansion remains feasible and aligned with consumer interests.

Next Steps

Air France and KLM believe that a tailored, hybrid approach—combining the introduction of competitive pressure with enhanced and effective economic regulation—is required. We support the CAA's engagement with users and strongly encourage continued consultation beyond the submission stage as the long list of options is refined.

We stand ready to contribute ideas and expertise to help ensure Heathrow develops in a manner that is efficient, affordable, and sustainable, enabling it to remain an attractive aviation hub that supports trade and connectivity for the UK.

Thank you for considering our views. We welcome continued dialogue with the CAA on this critical issue.

Yours faithfully,

Danny Ravesteijn

Director Airport Affairs International Stations
Air France-KLM