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24<sup>th</sup> June 2025

Dear Gavin and Nigel

### **Airline community comments on H8 Constructive Engagement (Round 2)**

Thank you for your letter dated 27 May 2025 setting out your reflections and concerns in relation to the progress achieved in Constructive Engagement (CE) and the CAA activity being undertaken in advance of HAL publishing its Business Plan.

### **Constructive Engagement**

As we set out in our guidance on CE, the purpose and desired outcome for Round 2 was to understand the views of HAL and airlines on HAL's proposed approach to forecasting key building blocks and to developing key incentives, ahead of HAL finalising its business plan.

With that in mind we are pleased that you consider the discussions across traffic forecasts and the Measures Targets and Incentives (MTI) framework to be useful albeit some important issues are yet to be resolved in these areas.

We note your concerns around the prioritisation of capital and investments. We consider that the H8 capex envelope needs to be grounded in sound prioritisation and robust cost efficiency assessment. We are developing our framework to consider these matters and will continue to engage with both airlines and HAL as we develop our thinking. In addition, round 3 of constructive engagement will provide a valuable opportunity to consider these issues further ahead of the CAA's Initial Proposals next year.

In relation to HAL's ideas with respect to the incentives for commercial property investment, we are mindful of the additional regulatory complexity that would be likely to result from any differential treatment of assets and/or revenues of specific investments. That said, and as stated in the Final Method Statement we remain open to considering any practical proposals that we consider would be in consumers' interests and we encourage airlines to continue dialogue on this issue with HAL.

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Overall, our impression has been that the CE exercise so far has been useful in identifying the issues that need to be resolved as part of the H8 review process, and in understanding the airlines' concerns with regard to matters such as prioritisation, deliverability and affordability.

We appreciate the airlines' positive engagement thus far. As we are still at a relatively early stage of the H8 review, we encourage all parties to continue the positive collaboration through the next stages of the process, with the focus of the next phase being HAL's proposals in its business plan. We will continue to encourage HAL to provide information in a form and in as much detail as required to facilitate well-informed discussion and decisions, with a particular focus on capital expenditure and prioritisation.

### **Other building blocks**

Following submission of HAL's Business Plan in July 2025, we will consider further which areas of the regulatory framework would benefit from early engagement ahead of the CAA's Initial Proposals in March 2026. In relation to the weighted average cost of capital the H8 Final Method statement set out key issues for consideration in appendix B and we would welcome further stakeholder representations on these matters. We are also continuing to discuss the Other Regulated Charges framework with HAL and other stakeholders.

We welcome your comments on the work we have been doing on HAL's opex and commercial revenues and note your concerns about the potential impact business rates could have in H8. We have recently commenced our own engagement with the Valuation Office Agency to understand these issues in greater detail and have engaged consultants with expertise in this area to support us in scrutinising the evidence that HAL puts forward in its business plan.

We hope this response has been helpful, the H8 team would be happy to meet with you to discuss these issues further. Please contact Rob Toal if you wish to make arrangements for such further discussions.

We intend to publish your letter and this response on the CAA website in the coming days.

Yours sincerely



**Selina Chadha**  
**Group Director, Consumers & Markets**