

January 19, 2026

Sent via email to: economicregulation@caa.co.uk

Subject: **Response to CAP3195 Consultation – Heathrow Airport Regulation**

Dear Sir/Madam,

Air Canada welcomes the opportunity to respond to this consultation and commends the CAA for initiating a review of Heathrow’s regulatory model.

As an airline operating at Heathrow, we have a direct stake in ensuring that the framework delivers value for passengers and supports efficient airline operations. This review is both timely and necessary.

The Case for Change

Heathrow remains among the most expensive airports worldwide, yet service quality has deteriorated does not align with premium pricing.

Past investment projects have raised questions about value for money, and the existing framework lacks the incentives and governance needed to ensure efficiency and protect consumers from cost volatility. We strongly support the CAA’s conclusion that fundamental change—not incremental adjustments—is required.

Priorities for a Future Framework

From an airline perspective, the regulatory framework must deliver tangible improvements in cost efficiency, service quality, and transparency. We urge the CAA to embed the following principles:

- **Targeted Use of Competition**
 - Introduce competition where it can demonstrably reduce costs and improve service delivery, including third-party delivery models and mandated procurement processes.
- **Sharper Incentives and Better Risk-Sharing**
 - Design incentives with the Airlines and community that reward genuine outperformance and penalize controllable failings. Risk allocation should protect airlines and consumers, ensuring costs are recovered only as benefits are delivered.



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- **Cost Discipline and Transparency**
 - Strengthen governance through independent scrutiny of major projects. Airlines must have access to clear business cases and project information to ensure accountability and prevent cost escalation. Regular updates to Airlines and community on major projects and the performance/capacity benefits achieved.
- **Service Quality Focus**
 - Implement binding performance metrics by specific functional operations and customer experience that matter to passengers and airlines and maintain these standards throughout construction and operational phases.
- **Finance ability Balanced with Affordability**
 - While finance ability is important, affordability for consumers and airlines must be a central consideration. The framework should prioritize efficiency and cost control over unchecked capital expenditure.

Regulatory Approach

We caution against any move toward lighter-touch regulation. Heathrow's significant market power demands a robust regulatory framework that combines effective oversight with targeted competition, supported by strong governance and transparency.

In addition, we believe there is significant value in benchmarking global best practices to inform the development of a more efficient and effective regulatory model. By analyzing approaches adopted in comparable jurisdictions, we can identify proven frameworks and innovative solutions that enhance transparency, reduce complexity, and deliver better outcomes for all stakeholders

Looking Ahead

We encourage the CAA to reflect these priorities in its assessment framework and ensure that consumer interest, efficiency, and competition remain at the heart of its decisions.

Thank you for considering our views. Air Canada looks forward to continued engagement as this process moves forward.

Best regards,

Michael Perry

Director, Airport Strategy & Development