



**London Airline Consultative Committee (LACC)**

Spaces Victoria  
25 Wilton Road  
London  
SW1V 1LW  
Tel: +44 (0) 20 8757 3936  
Email: [lavers@iata.org](mailto:lavers@iata.org)



**Heathrow AOC Limited**

Room 2040-2042, D'Albiac House,  
Cromer Road  
Heathrow Airport  
TW6 1SD  
Tel: +44 (0) 20 8745 4242  
Email: [Gensec@aoc-lhr.co.uk](mailto:Gensec@aoc-lhr.co.uk)

Economic Regulation  
Civil Aviation Authority

Sent by email to: [economicregulation@caa.co.uk](mailto:economicregulation@caa.co.uk)

10<sup>th</sup> September 2026

**Re: Response to CAA H8 Passenger Forecast Shock Factor Issues**

The Airline Community welcomes the opportunity to comment on the CAA's further consultation regarding the treatment of the passenger forecast shock factor for H8.

This response should be read alongside the Airline Community's response to the H8 Initial Proposals (CAP3232) and the supporting passenger forecasting review undertaken by Skylark Consulting<sup>1</sup> ("Skylark Report"), which are hereby incorporated. This response should also be read alongside the submissions made by individual airlines to both the Initial Proposals, as well as this follow up consultation.

The positions set out below build on, and where necessary refine, those previously submitted in light of further analysis by the CAA and relevant developments. Nothing in this response should be taken as prejudicing, qualifying or departing from the positions set out in our response to CAP3232. Rather, this submission should be read as supplementary to, and consistent with, those earlier views.

Importantly, this response is provided without prejudice to the Airline Community's continuing position that the shock factor should be removed from the H8 traffic forecast entirely, the principal arguments for which are summarised below.

Should the CAA nevertheless decide to retain a shock factor, the Airline Community considers that a number of changes are required to improve the methodology. In particular: (i) the March 2025 power outage should not be classified as a shock event; (ii) Option C (2022) should be adopted as the preferred historical series; and (iii) 2026 data should be excluded from the H8 shock-factor calculation. Taken together, these changes would at least represent a material improvement to the current approach.

**1. Inclusion of a shock factor is not appropriate for H8**

Whilst the consultation focuses on the appropriate treatment of certain events and the composition of the historic series, it does not address the more fundamental issue raised by airlines and the Airline Community through the Initial Proposals; namely whether the shock factor remains justified as a matter of regulatory policy.

---

<sup>1</sup> "Heathrow H8 CAA Round 4 Initial Proposals: Passenger Forecast review for LACC" dated May 2026



### 1.1 The case for the shock factor has not been established

The consultation focuses on how the shock factor should be calculated. However, the more fundamental question remains unanswered; whether the shock factor continues to be justified as a matter of regulatory policy at all.

As set out in the Airline Community response to the CAA's H8 Initial Proposals and Skylark Report, the shock factor was originally justified by the CAA as a mechanism intended to improve the accuracy of forecast passenger volumes rather than as a risk-compensation mechanism. The relevant test should therefore be whether the shock factor has achieved that objective in practice.

The consultation does not provide evidence that the shock factor has improved forecast accuracy. Indeed, the evidence considered during H8 points in the opposite direction. The review undertaken by Skylark concluded that the application of the shock factor in recent regulatory periods has contributed to the systematic under-forecasting of traffic rather than improving forecast accuracy, with Q6 and H7 passenger outcomes materially exceeding the relevant regulatory forecasts; exacerbated by the application of the shock factor.

Furthermore, the consultation does not adequately address the concern that the shock factor duplicates protections already embedded elsewhere within the regulatory framework, particularly when it comes to passenger forecasts, the Traffic Risk Sharing ("TRS") mechanism.

The cumulative effect of these, and wider adjustments – such as asymmetric risk allowance – is a framework that repeatedly adjusts for downside traffic outcomes while providing limited recognition of upside risks. The consultation does not explain why this layering of protections remains necessary or proportionate.

The consultation is notable however and, without prejudice to the above, welcomed, in that the CAA recognise many of the issues with the shock factor raised by airlines. In particular:

- the disproportionate influence of the 1991 Desert Storm event;
- the declining severity of historical shock events;
- the increasing resilience of the aviation sector; and
- the possibility that the historic series may no longer be representative of future outcomes.

These observations support a broader reassessment of the shock factor itself rather than simply a recalibration of its inputs.

### 1.2 Growing evidence of resilience undermines the rationale

The Airline Community considers that recent traffic outcomes provide compelling evidence that modern aviation markets are substantially more resilient than the historic events underpinning the existing methodology would suggest.

This was one of the central findings of the review undertaken by Skylark, which highlighted improvements in airline network flexibility, technology, disruption management, operational resilience and recovery planning across the sector, and is fully supported by the Airline Community.



In addition, it is also important to consider the significant expenditure undertaken by HAL in response and to mitigate the impact of such events<sup>2</sup> since the inclusion of a shock factor.

We note the CAA's own consultation similarly highlights the trend towards smaller traffic impacts from shock events over time and acknowledges that recent evidence may no longer support a simple continuation of the historical series dating back to 1991. In support, we would highlight examples of recent traffic performance that provides further evidence of this resilience:

- Heathrow handled a record level of traffic during 2025 despite the North Hyde power outage.
- Heathrow traffic has remained resilient during the 2026 Middle East conflict despite disruption to Middle East markets.
- Traffic increasingly demonstrates an ability to adapt through route substitution, network flexibility, passenger re-accommodation and reallocation of demand.
- Longer term, we saw the faster return of traffic to Heathrow compared with other UK and comparator hub airports post Covid, as covered in length as part of the H7 settlement.

We would also highlight examples of HAL's own comments with regards to the overall performance and improved resilience of the airport:

*"Against a backdrop of continued global uncertainty, our teams delivered resilient operations, improved passenger outcomes and built momentum behind our long-term growth ambitions<sup>3</sup>." and*

*"The Middle East conflict has disrupted flight and passenger activity in affected regions, with a 25% decline in Middle East traffic versus last year. However, airlines and passengers have adapted to ongoing network challenges, resulting in strong growth across Asia Pacific and Africa, alongside robust performance in short-haul markets and the North Atlantic. .... Despite the wider geopolitical challenges, Heathrow's network has further expanded with eight new routes launched this Spring across Europe, Asia and North America ..... Heathrow continues to attract new airlines with three new carriers added to the Summer schedule: Alaska Airlines, ITA Airways and Pakistan International Airlines.<sup>4</sup>"*

### 1.3 Regulatory developments: Dublin

In addition to comments on whether the shock factor is performing as intended, and the improved overall industry resilience, since the CAA consulted on its H8 Initial Proposals, we note the recent draft determination issued by the Irish Aviation Authority ("IAA") in respect of Dublin Airport's request for a shock factor to be applied. In that determination, the IAA rejected proposals for an asymmetric traffic risk allowance and concluded that the centreline traffic forecast should represent an appropriate "fair bet" that balances upside and downside risks at an overall level. The IAA also

<sup>2</sup> For example, £32.4m (2011) on winter resilience equipment in response to the 2010 Begg "Winter Resilience Inquiry" <https://mediacentre.heathrow.com/pressrelease/detail/3940>

<sup>3</sup> Thomas Woldbye, HAL CEO, HAL 2025 Annual Report

<sup>4</sup> HAL June 2026 Investor Report



recognised that traffic risk cannot be assessed in isolation and that airports have a range of mechanisms available to mitigate the financial consequences of demand shocks<sup>5</sup>.

Notwithstanding the similar regulatory frameworks, the underlying principle is highly relevant. Forecasts should represent an unbiased central estimate of expected outcomes. Downside adjustments should not be applied simply because adverse events have occurred historically, particularly where the evidence increasingly demonstrates the sector's ability to recover and adapt.

For these reasons, the Airline Community continues to challenge that a separate shock factor remains necessary or justified within the H8 framework.

## 2. Response to the Consultation Questions

### 2.1 Question 1: Treating the 2025 Power Outage as a shock event

As a preliminary point and for the avoidance of doubt, given the material financial consequences of the power outage for airlines, the comments set out below are made solely for the purposes of the CAA's assessment of whether the event should be treated as a "shock event" in the calculation of the H8 passenger forecast. They should be read without prejudice to, and as entirely separate from, any wider matters arising from the outage, including any ongoing or potential discussions, claims, legal proceedings, liability assessments, or financial recovery and redress processes.

The Airline Community does not consider that the March 2025 power outage should be treated as a shock event for the purposes of the shock factor calculation on the basis of actual performance, shock factor definition, and assumption uncertainty.

The defining characteristic of a shock event is that it creates a non-recoverable reduction in passenger demand, yet the evidence does not support that conclusion in this case. As the CAA records, Heathrow handled 84.5 million passengers during 2025, which was 1.6m (1.9%) above the CAA's H7 shocked forecast. Furthermore, Heathrow recorded its highest ever passenger ATM total, including passenger ATMs accounting for approximately 99% of the annual movement cap.

Taken together, these outcomes are difficult to reconcile with the proposition that the event generated a material and non-recoverable loss of demand in 2025.

The Airline Community are also concerned that the event differs fundamentally from the types of events historically included within the shock factor series. The March 2025 outage was:

- airport-specific;
- infrastructure-related;
- operational in nature;
- part of HAL's supply chain and a contracted service to HAL; and

---

<sup>5</sup> Paragraphs 6.85 – 6.99; Draft Determination on the Maximum Level of Airport Charges at Dublin for 2027 – 2031.

[https://www.iaa.ie/docs/default-source/publications/corporate-publications/consultations/draft-determination-on-the-maximum-levels-of-airport-charges-at-dublin-airport-for-2027-2031.pdf?sfvrsn=453b208c\\_4](https://www.iaa.ie/docs/default-source/publications/corporate-publications/consultations/draft-determination-on-the-maximum-levels-of-airport-charges-at-dublin-airport-for-2027-2031.pdf?sfvrsn=453b208c_4)



- without prejudice to the material financial consequences for airlines, demand impact largely mitigated through airline and airport recovery actions.

In its findings, NESO<sup>6</sup> concluded that the wider electricity system operated within applicable standards and that the outage stemmed from a specific asset-management failure and the configuration of Heathrow's electrical resilience arrangements. The review's recommendations included a focus on strengthening resilience, operational continuity and recovery capability (such as improved switching arrangements and contingency planning), rather than suggesting any enduring reduction in passenger demand.

The event is therefore clearly better characterised as a resilience and operational continuity incident than as a passenger-demand shock of the type historically contemplated by the shock factor methodology.

Finally, the estimated impact is also highly sensitive to methodological assumptions, with the consultation identifying a range between approximately -0.1% and -0.3%. Such sensitivity reinforces the uncertainty associated with claiming a measurable and permanent demand loss.

Accordingly, the Airline Community does not support inclusion of the March 2025 power outage as a shock event.

## 2.2 Question 2: Which options for the shock events should be used

Without prejudice to our position that the shock factor should be removed altogether, the Airline Community supports Option C, using 2002 as the starting point for the historical series.

The proposed removal of the 1991 Desert Storm event is a welcome and necessary improvement.

The CAA has previously recognised that the 1991 decline coincided with an economic downturn and therefore does not represent a purely non-economic shock. The largest event in the dataset should not continue to drive the outcome where it is acknowledged not to satisfy the conceptual basis of the methodology.

However, exclusion of Desert Storm points towards a broader conclusion.

The aviation sector has changed fundamentally since the early 1990s and even since the early 2000s. Airlines now benefit from:

- significantly greater operational flexibility;
- sophisticated disruption-management systems;
- stronger network resilience;
- improved revenue management;
- enhanced forecasting and planning capability; and
- materially improved airport resilience.

---

<sup>6</sup> North Hyde Review Final Report by National Energy System Operator (NESO)  
<https://www.neso.energy/document/363891/download>



Option C therefore provides the most relevant and representative dataset for assessing future risks during H8.

We note that this position also closely aligns with that previously expressed by HAL when this question was last considered in the settlement of Q6 and where the CAA summarised HAL's position in the Q6 Final Proposals that *"2000 to date (2013) was the appropriate base period for consideration and inclusion as Heathrow had effectively been capacity constrained since 2000/2001."*<sup>7</sup>

Should the CAA conclude that a longer historic series remains necessary, Option B would nevertheless represent a material improvement over the current methodology and would align with the fixed rolling-period approach proposed in the Skylark Report.

### 2.3 Question 3: Whether 2026 data should be excluded from the shock factor calculation

The Airline Community supports the CAA's proposal to exclude 2026 data from the H8 shock factor calculation.

The consultation is correct that: a full year of data will not be available; the effects of the Middle East conflict remain ongoing; and the eventual recovery profile cannot yet be observed. As such, inclusion of partial-year data would therefore create unnecessary methodological inconsistency.

More importantly, the emerging 2026 evidence further demonstrates the resilience concerns outlined above. Traffic impacts appear materially smaller than those implied by many historical shock events and increasingly illustrate how modern airline networks adapt by reallocating capacity and demand across markets rather than suffering permanent passenger losses.

For those reasons, 2026 should not form part of the H8 shock factor calculation.

Yours sincerely

Gavin Molloy  
Chair  
London (Heathrow) Airline Consultative  
Committee (LACC)

Nigel Wicking  
CEO  
Heathrow Airline Operators Committee  
(AOC)

cc: Judith Corbyn and Elise Weeder, CAA

---

<sup>7</sup> Paragraph 3.21, CAA Q6 Final Proposals (CAP1103), October 2013