

Selina Chadha
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Civil Aviation Authority
By email: selina.chadha@caa.co.uk

17 July 2025

Subject: Early Costs for Expanding Heathrow

Dear Selina

Thank you for your letter from 14 July, responding to our initial correspondence from 26 June with regards to early costs being incurred with the programme to support the development of Heathrow's capacity expansion. This follows from Government's January 2025 invitation for Heathrow expansion proposals¹ (Expansion Programme). We appreciate your swift response on this matter.

We also appreciate your confirmation that the CAA envisage consulting on the wider approach to the recovery of expansion-related costs in the first half of August 2025.

We agree with the importance of a robust regulatory process, with adequate review and consultation, to support the timely and efficient delivery of Heathrow's Expansion Programme. However, timely decision making is vital given Government's timeframes we are all working to. It is also key to unlock significant benefits to consumers: in addition to enabling the economic growth and wider benefits sought by Government, the Expansion Programme will increase capacity and connectivity, enhance competition and support lower fares, and improve cargo handling, thus helping to further CAA's primary duty. Effectively, we do not believe that, at this stage and under a compressed timeline, a detailed review and consultation for this early expenditure is necessary to provide the assurance in principle we requested. We note that the Airports National Policy statement is still policy – *"it will remain in place until it is withdrawn, amended or replaced"* (ANPS 1.21). The CAA has previously supported significant cost recovery by Heathrow as the licensed entity, towards a DCO under the ANPS. Furthermore, the Government has made clear its priority for early delivery of the Expansion Programme in its Letter to potential promoters of Heathrow expansion.²

Our June request was motivated by the exceptional circumstances driven by Government's timelines and sought for 'assurance in principle' – while also committing to provide the additional relevant detail as part of a more comprehensive request for increase in the H7 capex envelope in July. This was intended to provide Heathrow's Board with comfort in principle that appropriate and efficiently incurred early costs would be recoverable through aeronautical charges, with detailed assessment of the expenditure managed subsequently through the normal governance process. Agreement in principle was sought as the regular governance process would not be complete before the amount needed was to be spent, to maintain the Government's ambition for 2029 DCO approval.

To complement our initial letter, we now share the information requested in your letter. Firstly, you have asked for detailed information on early costs incurred by Heathrow up until July to

¹ In January 2025 the Government has invited Heathrow to submit proposals to expand the airport by summer 2025. The Government also set the goal of securing Development Consent Order (DCO) approval for a third runway by 2029. These targets have been reinforced in a [Letter to potential promoters of Heathrow expansion](#) in June 2025.

² [Letter to potential promoters of Heathrow expansion](#)

support our submission of expansion plans to Government, estimated in £10 million. Additionally, you have requested a detailed breakdown of the additional expenditure (estimated as a further £10 million) that we expect to incur up to the end of September 2025. These investments are necessary to continue with critical path activities to preserve the option of a DCO approval in 2029 while further discussions between Heathrow and Government take place.

We share this information in the file submitted together with this letter. We will also send you a separate joint letter with the AOC in which, in line with the normal governance process, we escalate to the CAA the decision in relation to Heathrow's expenditure of £10 million (seed funding) requested to airlines in April 2025 to support the early development of the Expansion Programme.³

The information shared is the best cost information available at this early stage of work and demonstrates our focus on ensuring efficient and effective expenditure to deliver to Government and to our consumers. We consider that this should enable the CAA to give early assurance that on-going expenditure to preserve the Government's desire for DCO approval within this Parliament is in the interest of consumers and therefore that Heathrow, as the licensed airport operator, should anticipate recovery of appropriate efficient costs.

If you have any queries or would like to discuss these elements further, please do not hesitate to contact me.

Yours sincerely



Ross Baker

Chief Customer Officer – Heathrow Airport Limited

³ At the June Joint Steering Board Heathrow and airlines agreed that the matter should be escalated to the CAA after it has not been possible to get agreement on this expenditure through the standard governance process.