

Consumers and Markets Group



Ross Baker
Chief Customer Officer
Heathrow Airport Limited
By email: ross.baker@heathrow.com

14 July 2025

Dear Ross

Re: Early costs for expanding Heathrow

Thank you for your letter of 26 June 2025 on the early costs that HAL will incur in relation to capacity expansion at Heathrow airport ("expansion").

It is important that the regulatory framework, including the policy around recovery of early costs, should be developed and subsequently implemented in a way that furthers the interests of consumers', including in respect of facilitating the timely and efficient delivery of expansion.

The Government has requested plans for expansion by the end of July 2025. Therefore, issues around the recovery of early costs will need to be considered in this context and extend to the consideration of the recovery of costs incurred by both HAL and any other potential promoters that may emerge in response to the Government's invitation for proposals¹.

We intend to support the timely delivery of capacity expansion and this will require a regulatory process which is both robust and agile. In this context, we consider that identifying the most appropriate approach to allowing for HAL to recover efficiently incurred costs will require consultation, that this should to be undertaken as soon as is reasonably practicable and that the consultation should encompass both the request in your letter of 26 June letter and the further submission that we understand HAL intends to make on early costs later in July 2025.

To appropriately support this approach and our consultation, we will need further information on the £20 million cost estimate set out in your letter and the further estimates of early costs that we understand from your letter will be provided in your July submission.

¹ [Letter to potential promoters of Heathrow expansion - GOV.UK](#)

Civil Aviation Authority

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So that we can consult on these matters in as full and effective manner as possible, HAL should provide the further information on the following elements identified in your letter:

1. A detailed breakdown of the expenditure (estimated in your letter at £10 million) that HAL has incurred/expects to incur up to submission of its expansion plan to Government at the end of July 2025, including details of how these costs are being incurred and what outputs are expected to be delivered as a result. This information should include detail on HAL's approach to assuring itself that this expenditure has been efficiently and effectively incurred and is genuinely incremental to the resources allowed for as part of the H7 price control; and
2. On a similar basis a detailed breakdown of the additional expenditure (estimated in your letter as a further £10 million) that HAL expects to incur up to the point in time described in your letter as the "agreement of an MOU with Government".

Without prejudice to any decision that the CAA may be asked by HAL to make in response to a request in relation to any capex allowance in accordance with Conditions C1.10 to C1.15 of HAL's licence, please also provide the information that would be required in support of any such application in accordance with Condition C1.14 of the licence. That information should include the extent to which any increase in capital expenditure that HAL is seeking to incur is driven by its estimate of early expansion costs separately from other capital expenditure over the remainder of the H7 period. Such information should also set out how it compares to the capital expenditure allowances set by the CAA for the H7 price control period and the capital expenditure incurred by HAL during that period to date.

Please provide your response to the above requests by Tuesday 22 July 2025. We envisage consulting on these matters and our wider approach to the recovery of early costs in the first half of August 2025.

Yours sincerely



Selina Chadha

Group Director of Consumers & Markets