Steer's Initial technical and cost efficiency assessment of capex expansion plans for Heathrow Airport

- The CAA's draft decision proposal to award costs to HWL up to November 2025 is based on an assessment of HWL's scheme feasibility conducted by Steer in Autumn 2025.

- We believe the Steer report to have missed significant shortcomings in the HWL scheme. These identified shortcomings are not matters of detailed design but go to the fundamental soundness and robustness of HWL's proposal, such that it would be inappropriate for consumers to bear the cost of its development.

- Firstly, HWL's landside and terminal concepts do not demonstrate operational efficiency or economy. Steer describes the Inter-Terminal Plaza (ITP) as the primary multimodal interface integrating public transport and passenger services. However, the T6 area layout does not credibly demonstrate how a MSCP, forecourt and public transport interchange could be delivered within a materially smaller footprint than Heathrow's scheme. This absence of spatial realism creates a material risk that the scheme would either underperform operationally or require later redesign and cost escalation. Likewise, Steer's analysis of terminal capacity highlights that HWL implicitly assumes approximately 11,000 m² per mppa, a figure inconsistent with international hub benchmarks and materially below what would be expected for a transfer-heavy Heathrow terminal. Evidence from peer airports such as Changi T1 and Istanbul Phase 1 indicates materially higher space provision per mppa, reinforcing the risk that HWL's proposal would constrain passenger experience, resilience and retail yield.

- Secondly, the proposal is not supported by credible capacity or deliverability evidence, undermining the case for economic regulation to support cost recovery. Steer's Table 4.1 adopts a Heathrow aircraft stand capacity of 82 mppa when Heathrow is already operating at circa 85.5 mppa, indicating a flawed baseline. More fundamentally, the assumption that a 2,800-metre third runway can support up to 769,420 ATMs per annum is not credible. A shorter or less capable runway would function as the system constraint, limiting mixed-mode operations in peaks and adverse weather. Industry discussions with NATS reinforce that such throughput is not realistically sustainable, meaning that the proposal overstates benefits while understating system risk.

- Thirdly, HWL's construction phasing and programme assumptions fail to protect users' interests. Phased replacement of Terminal 3 would introduce enduring inefficiencies for T2D, which is designed to operate only as part of a fully integrated T2 system. Partial delivery would strand oversized baggage, security and check-in infrastructure, fragment passenger flows and delay decarbonisation benefits, all while increasing disruption. Although Steer considers headline construction durations comparable to past projects, no explanation is provided as to how disruption to Terminal 5 operations would be avoided, despite Heathrow's evidence that MSCP5 is critical to maintaining T5's capacity.

- Lastly, the surface access strategy and consenting timeline lack credibility. Steer assumes DCO approval within three years of an amended ANPS, despite reliance on incomplete consultations, ground investigations and immature modelling. There is a material risk that surface access assessments would be based on provisional assumptions, weakening their robustness. HWL also fails to explain how ANPS mode-share targets can be achieved without Central Bus Station enhancements and the Southern Road Tunnel, neither of which are adequately reflected in scope, cost or programme.

- For these reasons, we maintain our position, HWL's proposal for Heathrow expansion is not credible, not mature, and would deliver a worse experience at a higher cost to passengers. It fails on fundamental design, financial, and operational grounds, and cannot meet the Government's objectives for timely, sustainable, and affordable expansion. Furthermore, we seek clarity on CAA's "additional review" to ensure there is a clear process and understating of the scope and implementation of this review.

- Since November 2025, HWL has materially altered its approach, now proposing to develop terminal infrastructure and to rely on an interdependent consenting strategy that seeks to "piggyback" on Heathrow's Expansion proposals. This approach is unprecedented within the NSIP regime and gives rise to fundamental consenting and deliverability barriers. HWL's proposals would require compulsory acquisition powers over land owned and operated by Heathrow as a statutory undertaker, where such acquisition would cause serious detriment to Heathrow's existing and future undertaking, including the continued operability of Terminal 5 and the delivery of Heathrow's own consented and planned infrastructure. In those circumstances, the statutory tests for granting compulsory acquisition powers would not be met, meaning such powers could not lawfully be granted. The inability to secure compulsory acquisition over Heathrow land would be fatal to HWL's scheme and cannot be mitigated through protective provisions, phasing or detailed design. As a result, there is no reasonable basis to conclude that HWL's revised consenting strategy is feasible or that its scheme has a credible prospect of obtaining development consent.

- This consenting and deliverability risk is relevant not only to the merits of HWL's scheme, but also to whether there is any reasonable basis for consumers to fund its early costs, as addressed further in paragraphs 118 to 130 above.

- These concerns warrant the CAA to:
  - recommission Steer, or an equivalent, to reassess the updated HWL scheme and explicitly consider the information presented by Heathrow.
  - commission legal advice on the feasibility of the proposed consenting strategy.

- The CAA should use these inputs to revisit its conclusion that HWL's scheme is (a) feasible and (b) is in the interests of consumers to fund because there is a reasonable expectation it could be delivered. If that threshold is not met, there would be no proper basis for concluding that recovery of HWL's costs is consistent with the CAA's general duties under s1 CAA12, in particular the duty to further the interests of present and future users and its obligations to have regard to the need to promote economy and efficiency and to act proportionately.