

Deutsche Lufthansa AG, Lufthansa Aviation Center
Airportring, 60546 Frankfurt/Main, Germany

Civil Aviation Authority

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

Ihr Zeichen/Your Reference

Unser Zeichen/Our Reference
FRA GK/AI

Telefon/Phone
+49 151 58954394

Datum/Date

19. Januar 2026

Response to CAP3195 Consultation – Working Paper On Regulatory Models for Heathrow Airport

Dear Sir/Madam,

We welcome the opportunity to provide input on the CAP3195 consultation regarding the Regulatory model for Heathrow Airport. Lufthansa Group, a major stakeholder that flies from 11 European departing destinations with approximately 60 flights into London Heathrow per day, we share the general concern about the rising level of airport charges and the risks posed by major capital expenditure projects and as such welcome the CAA undertaking this review.

Case for Change

Given the: (i) high level of charges already experiencing; (ii) the significant level of investment being proposed by Heathrow; and (iii) levels of service currently received, there is a clear case for change. The evidence presented by the CAA and other parties, as set out within the Consultation, clearly demonstrates that the existing regulatory framework is not fit for purpose. It lacks effective incentives to control costs and ensure efficient delivery. Without reform, expansion will exacerbate these failings, leading to even higher charges, reduced competitiveness for UK aviation, and ultimately, poor outcomes for our customers. The costs being proposed for an expanded Heathrow are deeply concerning and it is clear, if left unchecked, risks being prohibitively expensive.

As such, we strongly support the need to change the current framework.

Our Key Positions

- **We reject light-touch regulation and price benchmarking:** These approaches are inappropriate for Heathrow given its significant market power.
- **Introduce competitive pressure:** While competition cannot necessarily be introduced at Heathrow for all aspects of airport services, maintaining all decisions and delivery in the hands of a single entity and assuming it will work in the consumer interest is not acceptable or working. The CAA should identify specific scopes, functions, or infrastructure elements that could be delivered or operated by other parties

to improve efficiency and innovation. Competition may include design and build of infrastructure, as well as the delivery of terminal services and other on airport activities currently operated by Heathrow.

- **Strengthening regulatory oversight and targeted incentives:** The CAA must implement a step-change in capex scrutiny and governance with mechanisms to prevent cost overruns, excessive profits and service failings. Incentives must be sought to align cost recovery with the delivery of benefits, reward genuine outperformance and penalize failings. Incentives must also create the appropriate behaviours for cost efficiency in Heathrow, rather than incentivizing the growth of the Regulated Asset Base (RAB) and therefore the growth in charges.
- **Ensure cost-relatedness and discipline:** Costs must be transparent, demonstrably required and charges must remain aligned with actual costs, consistent with ICAO principles.
- **Stronger emphasis on affordability:** Whilst the CAA must have regard for financeability, the framework must ensure a stronger emphasis on containing the level of charges.
- **Protect consumers and airlines:** Expediency must not override the CAA's statutory duties to further the interest of consumers. Government policy cannot be allowed to compromise affordability, transparency or the implementation of the appropriate changes required.
- **Early Cost Recovery:** We oppose the proposal to recover early planning costs before firm approval. These risks allocating significant, uncertain financial burdens to airlines prematurely introducing financial risk, reducing transparency, and higher fares due to cost pass through.

Additional Considerations

Whilst recognising the CAA is responding to Government policy, in its role as an independent regulator it should not rule out exploring alternative financing mechanisms, including government-backed options, to ensure expansion is feasible and continues in the consumers' interest.

Next Steps

We are convinced that building on the above key positions, a tailored, hybrid option of encouraging and inserting competition combined with enhanced and effective economic regulation is required.

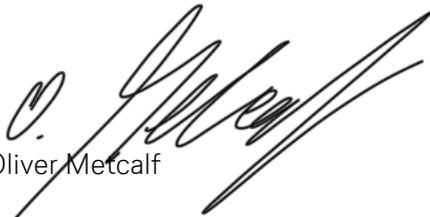
We support the CAA's efforts to engage with users and urge the ongoing, continued consultation post submission as the long list of options is refined. We stand ready to contribute ideas and expertise to ensure Heathrow develops in a way that is efficient, affordable, and

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sustainable, which in turn will ensure Heathrow can be an attractive hub for aviation to grow and connect trade and people with the UK.

Thank you for considering our views. We look forward to continued dialogue on this critical issue.

Yours sincerely



Oliver Metcalf

Director International Charges & Incentives
Lufthansa Group
Oliver.Metcalf@dlh.de



Ajay Nadasen

Senior Manager International Charges
Lufthansa Group
ajay.s.nadasen1@dlh.de

Mitglied der IATA/Member of IATA

Telefon/Phone +49 69 696-0
lufthansagroup.com

Deutsche Bank AG, Köln
Kto. Nr. 106 141 500
BLZ 370 700 60
IBAN DE95 3707 0060 0106 1415 00
SWIFT-Code DEUT DEDK XXX

Citibank N.A., New York
(nur Zahlungen/only payments in USD)
Kto. Nr. 405 628 92
BLZ 021 000 089
SWIFT-Code CITI US 33

USt-ID-Nr./Tax ID number DE 122 652 565

Sitz der Gesellschaft/Corporate Headquarters
Deutsche Lufthansa Aktiengesellschaft, Köln

Registereintragung/Registration
Amtsgericht Köln HRB 2168

Vorsitzender des Aufsichtsrats/
Chairman of the Supervisory Board
Dr. Karl-Ludwig Kley

Vorstand/Executive Board
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