

# Response to CAP 3195: Regulatory Models Consultation, Make UK's submission

## About Make UK

1. UK manufacturers are making the difference on the issues that matter. From pioneering renewable energy solutions that will secure the UK's future as a clean energy superpower, to creating the next generation of medicines and medical equipment to make the NHS fit for the future, our sector is essential to innovation, progress, and prosperity for all.
2. Manufacturing is not just the catalyst of economic change, helping the UK achieve the highest sustained growth in the G7. It's an engine for social advancement, providing high-skill, high-paid, jobs in every region and nation of the UK. Our members are committed to breaking down barriers to opportunity by investing in skills and ensuring a diverse and inclusive workplace.
3. While government is helping to lay the foundations for growth through a modern industrial strategy, it is businesses that must bring the ideas and investment to make success a reality. Make UK and our members are working with policymakers at every level, from Whitehall to town halls, to increase productivity, accelerate adoption of new technologies, and empower local communities to realise their full potential.
4. Yet there is more we can do, together. By increasing the manufacturing sector from 10% of UK GDP to 15%, we can add an extra £142bn to the UK economy, increasing exchequer contributions to fund public services, while also driving a substantial uplift in long term domestic and foreign investment.

## Introduction

5. We advocate for our members who depend on a regulatory environment that delivers critical national infrastructure on time, at scale, and without burdening taxpayers. Heathrow expansion is a strategically important, privately financed project with nationwide benefits: jobs, supply chain opportunities, trade connectivity, and productivity gains. Our response focuses on ensuring the regulatory framework enables timely delivery of a third runway within a decade, consistent with Government ambition, and maximises consumer outcomes over the long term.

### **1) Do you agree with our assessment of how the regulatory model has performed to date in terms of protecting the interests of consumers?**

6. The Regulatory Asset Base (RAB) model has consistently delivered strong outcomes for consumers, demonstrated through the efficient delivery of complex infrastructure such as Heathrow's Terminals 5 and 2, both completed on time and

on budget with clear improvements in service and resilience. It has also supported sustained charge stability and efficiency, with Heathrow's regulated charges falling by around 19% in real terms in recent years, reflecting the model's ability to drive cost discipline while enabling major investment.

7. Under the RAB framework, Heathrow has achieved world-class service and connectivity, and is recognised as the most connected airport globally by OAG in 2025, which has enhanced consumer experience through shorter journey times, smoother connections, and fewer disruptions. Importantly, the CAA's periodic price controls and oversight provide ongoing consumer safeguards, ensuring value for money while allowing Heathrow to invest for the long term.
8. Overall, the RAB model has protected consumers by striking the right balance between affordability, service quality, and sustained long-term investment—something alternative regulatory models have yet to demonstrate at the scale required of the UK's hub airport.

## **2) Do you agree with our assessment of how the current regulatory model might perform on a forward-looking basis?**

9. Yes. On a forward-looking basis, the RAB model remains the only regulatory framework capable of meeting the Government's ambition for an operational third runway within a decade, as well as the financial realities of delivering a multi-billion-pound expansion.
10. The RAB provides the regulatory certainty required for shareholders to commit around £33bn of private investment without relying on taxpayer funding, while its stability lowers financing risk and reduces the cost of capital, benefits that ultimately flow to consumers through more efficient charges. Alternatives under consideration, such as competitive tendering or price benchmarking, would introduce significant delivery and execution risks, creating delays incompatible with the Government's timescales. By maintaining a single integrated operator, the RAB also enables whole-airport optimisation across stand allocation, scheduling, baggage, security, and resilience, ensuring smoother passenger journeys and stronger on-time performance.
11. Overall, the current model (strengthened where appropriate through targeted enhancements such as improved governance or multi-period commitments) is best placed to deliver additional capacity on time while improving connectivity and securing long-term value for consumers.

## **3) Do you agree with the framework for evaluation we have proposed?**

12. Broadly yes. We agree with the overall structure of the CAA's proposed evaluation framework but believe it should be strengthened to better reflect the factors that truly matter for consumers and the delivery risks associated with expanding a UK hub airport.

13. While a balanced scorecard assessing consumer outcomes, efficiency, financeability, governance and deliverability is the right foundation, the framework should place clearer emphasis on deliverability at pace, explicitly recognising the Government's target for an operational third runway within a decade. It should also capture whole-airport system effects, as integrated operations, rather than split-terminal models, which are essential for strong connections, queue management, baggage resilience and on-time performance.
14. In addition, the framework should explicitly assess implementation and transition risks, including procurement complexity, legal challenges and the interface issues that arise when multiple operators are involved. Consideration of investor confidence and cost-of-capital impacts is also vital, as each regulatory model will affect the availability and price of finance differently. We also recommend broadening consumer benefit metrics beyond price alone to include connectivity, new routes, frequency, minimum connection times, resilience and quality of experience.
15. Finally, the framework should reflect the nationwide economic impact of expansion, such as the fact that around 60% of projected benefits are outside London and the South East, alongside 30+ new routes and a 50% uplift in cargo capacity, which are all ultimately consumer-relevant through their wider welfare and productivity gains.

#### **4) Are there additional elements we should consider as part of the analytical framework to better ensure options align with consumers' interests?**

16. **Yes.** We recommend expanding the analytical framework to include additional elements that better capture consumer outcomes and delivery risk for a project of this scale. This should incorporate network and connectivity metrics, including new routes, particularly to underserved markets, minimum connection times, bank structure efficiency, and onward travel time savings.
17. The framework should also assess operational resilience and integration, recognising the critical role of cohesive terminal, baggage, and security systems, particularly during periods of operational stress such as adverse weather or air traffic control disruption. Consideration of transition risks during construction is equally important, including potential consumer disruption, phasing challenges, and how different regulatory models propose to mitigate these.
18. We also recommend conducting financeability stress tests to understand how regulatory uncertainty could affect the cost and availability of capital, influencing both affordability and project timelines. The framework should account for distributional impacts across the UK, tracking where economic benefits—including jobs, supply chain spend, and improved trade connectivity—will accrue, noting that around 60% of benefits are expected outside London and the South East. Given Heathrow processes over £200bn of goods annually and expansion

could increase cargo capacity by around 50%, cargo and trade facilitation should also feature, as faster and more reliable trade flows directly support consumer and business welfare.

19. Finally, Heathrow's established airline co-design and governance arrangements, built around extensive engagement on major projects, should be embedded as a core assurance mechanism in evaluating regulatory models.

## **5) Do you agree with our description of the regulatory models we have identified?**

20. Largely yes, with important caveats. While the broad descriptions of the regulatory models are accurate, they should place far greater emphasis on the significant delivery and consumer-outcome risks associated with alternatives to the RAB model. For example, competitive tendering for terminals or split-operation structures risk degraded consumer experience and slower delivery, as the overwhelming majority of leading global hub airports—93 of the top 100—are operated by a single integrated organisation, enabling whole-airport optimisation.
21. Evidence from split-terminal airports such as JHK and LAX shows lower passenger satisfaction, particularly on overall service quality and the ease of connecting, compared with integrated Heathrow operations. Similarly, benchmarking-heavy approaches may be suitable for mature or steady-state assets but do not provide the robustness, investor confidence, or financing certainty required to deliver transformational capacity at pace.
22. Moreover, the procurement and implementation complexity of alternative models is substantial and likely incompatible with delivering an operational runway within the Government's ten-year timeline. In summary, the descriptions should more clearly highlight the practical delivery, integration, and financeability risks of alternative approaches when compared with the proven stability and performance of the RAB model.

## **6) Are there additional variants of the current regulatory model that we should consider?**

23. Yes, the RAB should be enhanced rather than replaced. There are several credible "RAB-plus" variants that would strengthen the model while preserving its core advantages in financeability, consumer protection and timely delivery. These include introducing multi-period commitments to give clearer long-term regulatory pathways, with commitments linked to defined milestones to reinforce investor confidence without reducing consumer safeguards.
24. The framework could also benefit from targeted uncertainty mechanisms, with specific reopeners for risks such as planning or significant scope changes,

avoiding the need for broad risk premia in allowed returns. In addition, the use of outcome-based incentives, focused on connectivity, punctuality, resilience, security processing times and overall customer satisfaction, would sharpen performance accountability.

25. There is also scope to strengthen governance and formalise airline co-design, building on Heathrow's existing approach to ensure major capital programmes receive customer backing before construction. Further enhancements could include phased or ring-fenced project modules to allow more granular scrutiny and staged approvals while preserving an integrated airport operating model, as well as the introduction of charges glide-paths to smooth charge profiles through construction and ramp-up phases, protecting consumers and airlines from volatility.
26. Finally, clarity on the treatment of early costs, as considered in the separate consultation, would ensure prudent, consumer-beneficial early expenditure can be efficiently recovered within the RAB.

#### **4) Recommendations**

- Retain and enhance the RAB. It is the only model compatible with delivering an operational third runway within a decade, at scale, with private finance and without taxpayer funding.
- Prioritise deliverability and system integration. A single integrated operator is critical for consumer outcomes (connectivity, punctuality, resilience) and to avoid the transition risks of split-terminal approaches.
- Strengthen, don't reset. Implement a "RAB-plus" approach with clearer multi-period commitments, specific uncertainty mechanisms, outcome-based incentives, and formalised airline co-design.
- Keep consumers front and centre—broadly defined. Evaluate not only price but also connectivity (30+ new routes), journey time savings, service quality, resilience, and nationwide economic benefits (~60% outside London & the South East; ~50% increase in cargo capacity; £33bn private investment).
- Avoid delay from untested models. Regulatory certainty is essential now to mobilise capital, hold down financing costs, and deliver the runway (and its consumer and economic benefits) on time.

## For further information

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Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region and Wales. Collectively we represent over 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate and grow. From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enables businesses to remain safe, compliant and future-focused.

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