IC ADVISORY LTD

Economic Regulation Team
Civil Aviation Authority
Aviation House, Beehive Ring Road
Crawley, West Sussex RH6 0YR

By email: economicregulation@caa.co.uk

15th June 2026

Dear Sir/Madam,

Re: Response to CAP3251 Heathrow Consultation

Heathrow is on the verge of an exciting and unprecedented expansion, with the opportunity to recover its position as the world's pre-eminent air transport hub – a position it has forfeited over the past 30 years due to its inability to supply the airline market with sufficient terminal and runway capacity. Unlike airports serving primarily point-to-point traffic, the commercial success of a hub airport rests on the fostering of a complex ecosystem of airlines and their ground-based suppliers: an ecosystem which allows fierce competition for customers between rival airlines at the hub, and with airlines operating from rival hubs; and at the same time promotes sophisticated cooperation between airlines and their suppliers to facilitate tens of millions of seamless passenger connections across the hub every year.

The ultimate test of success for Heathrow's regulatory model, and for the CAA's statutory duty to consumers, and for the Government's ultimate aim of stimulating UK economic growth through Heathrow expansion, will therefore be whether Heathrow succeeds *as a hub*. Unfortunately, while the CAA's consultation on a shortlist of regulatory models (CAP3251) offers a number of technically-sophisticated regulatory alternatives, none of them is explicitly tested against the demanding real-world practicalities of successful air transport hub operations. Indeed, in the 180-page consultation document, the phrase '*hub airport*' only occurs seven times – and only once in the context of the CAA's own assessment. Neither the CAA, nor its independent experts, nor indeed Heathrow Airport Limited (or its shareholders) has any broad experience in successful air transport hub operations.

The Heathrow Reimagined group has precisely that experience. It consists of the airlines accounting for the majority of flying at Heathrow, including the fiercest of commercial rivals; their major ground suppliers; and infrastructure providers with both a highly successful track record at Heathrow, and innovative plans for its future development. They, not the airport, bring Heathrow its customers. They make up the large majority of the existing operational expertise at Heathrow, and are also experienced operators at all of the other major hubs around the world. All are willing to commit their own capital to their plans, and to a future Heathrow with an appropriate regulatory regime. As they repeatedly emphasise in their consultation submission, they also have the most to lose from poor regulation, and from future abuse of HAL's dominant market position.

To our knowledge it is unprecedented in the history of aviation for such a group to come together unanimously at a major hub to call for change. Their proposals are clear: greater control by users of the airport over the scope and phasing of future capital expenditure; competition between terminals; and root-and-branch reform of the regulatory model to allow the hub to succeed sustainably and commercially. Their submission should be treated not simply as one-among-many, to be critiqued against technical regulatory benchmarks. Rather, in our view, it should be treated as an invitation for the CAA to explore fully the practicalities of making Heathrow a commercially successful air transport hub, with a uniquely-experienced group of companies who have innovative, workable solutions for phasing infrastructure, and implementing terminal competition.

Heathrow Reimagined stresses that complete regulatory reform – not incremental improvements to the existing regulatory model – is the prerequisite for the future success of Heathrow as a global hub. In doing so, it is simply echoing the striking critique of RAB-based regulation by the Competition Commission in its decision, more than a decade and a half ago, to force the break-up of BAA. The CAA itself was fundamentally reformed in the aftermath of that decision. Since then, however, passenger charges at Heathrow have come to exceed those of any other rival hub. The RAB-based building-block system itself no longer functions as intended: regulatory deprecation, for example, an anchor-building block and key benchmark for business-as-usual CAPEX, is now simply an arbitrary HAL management assumption, with no conformity to generally-recognised accounting standards. The system was not fit for purpose in 2010; it no longer functions as intended; and is certainly not fit for a potential doubling of the airport's capital base.

The offer from Heathrow Reimagined of full co-operation in the design of a pragmatic regulatory regime for Heathrow deserves the CAA's full engagement.

Yours faithfully,

Ian Clayton FRAeS
Director
ian.clayton@icadvisory.co.uk