vueling

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Dear Rob,

Vueling response to CAP3279: proposed 2027 holding price cap for Heathrow

Vueling welcomes the opportunity to comment on the CAA's proposed holding price cap for Heathrow Airport Limited (HAL) in 2027.

We support the detailed submission and recalculation provided by our sister airline British Airways, together with the positions set out in our response to the CAA's H8 Initial Proposals.

This response should be read alongside the detailed response submitted by our sister airline British Airways and our response to the CAA's H8 Initial Proposals (CAP3232).

Vueling does not support the proposed cap of £28.398 per passenger. Several material elements of the H8 framework remain contested, including the shock factor in the traffic forecast as an example. In these circumstances, it would not be prudent to embed disputed assumptions in an interim cap and require airlines and passengers to fund them in advance. The CAA should instead use the lower end of its Initial Proposals range until those issues have been resolved through the H8 process. **We therefore consider £26.685 per passenger to be the more appropriate level**. That figure would allow HAL to recover efficient costs while reducing the risk that passengers fund an overstated allowance before the H8 settlement is finalised.

As a low-fare airline operating short-haul services between Spain and Heathrow, Vueling is particularly exposed to late and material changes in airport charges. The proposed increase from £26.22 in 2026 to approximately £28.40 in 2027 would affect tickets already sold and business plans already set. Uncertainty over the price control formula also makes it more difficult for Vueling to take informed decisions on pricing, capacity, frequencies and future investment. These decisions must be taken sufficiently far in advance and are particularly sensitive in a low-fare operating model, where there may be limited scope to absorb unanticipated cost increases. Any subsequent true-up cannot remove the immediate impact on fares, route economics, frequency and consumer choice.

The 2027 holding cap should not be considered in isolation or treated as inconsequential simply because later reconciliation is possible. It sits within a wider context of continuing cost pressure on airlines and consumers, including the final H8 settlement, which may result in further increases across the control period, and potential expansion-related costs from 2028.

Front-loading charges in 2027 would compound those pressures and leave airlines with less time and scope to take mitigating action. Where increases are ultimately found to be necessary, Vueling supports a smoother profile across H8 that better reflects airline planning cycles and aligns the timing of charges with the delivery of investment and the associated benefits for passengers.

Proposed adjustments

Vueling asks the CAA to revise the calculation in four respects:

- **Starting point**: **Use £25.790 in 2024 CPIH prices**, the lower end of the CAA's Initial Proposals range, rather than the £26.615 midpoint. This is a more prudent basis while the underlying H8 assumptions remain contested.

- **Terminal Drop-Off Charge: Return the known 2026 over-recovery through a £0.65 per-passenger reduction**, updated for inflation as appropriate. This arises under the existing H7 arrangements and need not await decisions on the future H8 mechanism.

- **k factor: Include 2025 cargo revenues in the recovery calculation.** Cargo-only services use common airport infrastructure, so excluding their revenues would understate total recovery. The resulting correction identified by British Airways is approximately £13 million.

- **Service level bonus**: Retain the 2025 service bonus only as an established H7 adjustment, while **publishing the data and methodology** behind the 0.230% figure and £0.063 per-passenger amount.

- **Inflation:** Vueling also supports a full true-up to outturn inflation, provided the CAA explains clearly when and how the X2027 factor will be recalculated and reflected in charges.

These changes produce the following reconciliation:

Formula term	CAA proposal	Vueling position
Starting point (2024 CPIH)	£26.615	£25.790
Expected 2027 inflation adjustment	£28.951	£28.053
B2025 service bonus	£0.063	£0.063
TDOC2027	£0.000	-£0.650
K2027	£0.616	£0.781
M2027 holding cap	**£28.398**	**£26.685**

Treatment of later adjustments

Where adjustment terms cannot be fixed until the H8 Final Decision, they should reflect the policy ultimately adopted, be supported by transparent assumptions that airlines can scrutinise, and be corrected promptly, including through the 2028 charge where practicable.

Use of the CAA's traffic forecast for the holding cap should not be taken as acceptance of the shock factor or of any overlapping traffic protection. Similarly, setting an interim cap for 2027 should not prejudge the appropriate level or profile of charges over H8, particularly while elements of the final settlement and the treatment of potential expansion-related costs remain unresolved.

Conclusion

Vueling requests that the CAA set the 2027 holding cap at £26.685 per passenger. This would provide a balanced interim outcome, protect consumers from avoidable over-recovery and preserve HAL's ability to recover efficiently incurred costs. Given the limited notice before 2027 charges apply, we encourage the CAA to publish its decision as early as possible.

Vueling remains available to discuss any aspect of this response.

Yours sincerely,

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Vueling