



Airlines for America®

We Connect the World

January 20, 2026

UK Civil Aviation Authority
Aviation House
Beehive Ring Road
Crawley
West Sussex
RH6 0YR

Re: Working Paper on Regulatory Models – CAP 3195

Dear CAA Economic Regulation Team,

Airlines for America (A4A)¹ welcomes the opportunity to respond to the UK Civil Aviation Authority's (CAA) working paper on the review of regulatory models at Heathrow Airport (CAP 3195). A4A is the principal trade organization for the leading U.S. airlines, both passenger and cargo. Our members operate extensively to and from the UK each day, and they maintain long-standing partnerships with all major British carriers serving the transatlantic, the world's most important aviation market.

Heathrow remains one of the most important international gateways for our members. According to the U.S. Department of Transportation, nearly 1.76 million annual round-trip passengers, or approximately 59,000 travelers each day, flew between the U.S. and London in 2024. Ensuring that Heathrow remains efficient, affordable, and internationally competitive is a priority for A4A members and critical to supporting this vital economic bridge between the U.S. and the UK.

A4A strongly supports the CAA's review of the current model and evaluation of future approaches to ensure that Heathrow is globally competitive and affordable for users. Heathrow's charges are among the highest in the world, and future infrastructure and expansion projects will drive them even higher and amplify these concerns. Without stronger governance, transparency, and competitive delivery mechanisms, airlines and consumers will face even higher charges.

The CAA's working paper sets an important foundation for assessing whether the current regulatory model continues to serve consumers or whether alternative approaches may better promote cost discipline, transparency, and value for money. A4A welcomes the CAA's acknowledgment that changes to the regulatory model are needed and appreciates the CAA's ongoing dialogue with airlines during this process.

¹ Members of the association are Alaska Airlines Group, Inc.; American Airlines Group, Inc.; Atlas Air, Inc.; Delta Air Lines, Inc.; Federal Express Corporation; JetBlue Airways Corp.; Southwest Airlines Co.; United Continental Holdings, Inc.; and United Parcel Service Co. Air Canada is an associate member.

This review is both timely and necessary. The Civil Aviation Act 2012 requires CAA to act in accordance with its duty to “further the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services” and to promote competition in the provision of airport operation services.”² It is important to note CAA must fulfill this responsibility when contemplating any changes to the current regulatory regime. Additionally, the CAA must respect its obligations under the U.S.-UK Air Transport Agreement (ATA) which specifies that charging principles must be cost-related, transparent and non-discriminatory.³

The CAA invited stakeholders to provide their views to a number of questions. A4A provides its answers to those questions below.

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

A4A generally agrees with CAA’s assessment that the current Regulated Asset Base (RAB) - based model has not protected the interests of consumers. The CAA correctly identifies that Heathrow’s charges have risen substantially and are high compared to other similarly situated airports. The current model has not sufficiently constrained Heathrow’s charges. The high charges impose a disproportionate cost burden on U.S. airlines because long-haul charges far exceed short-haul charges without cost-related justification for the extent of the difference. These high charges ultimately harm consumers through higher ticket prices and threaten transatlantic connectivity reducing consumer choice.

Heathrow remains the most expensive major airport in Europe for airlines and operators, with a cost base that far exceeds comparable hubs such as Paris Charles de Gaulle (CDG)⁴, Frankfurt (FRA)⁵, Dublin (DUB)⁶ and Amsterdam Schiphol (AMS)⁷. Passenger charges are the primary driver of this gap, rising from £23.73 in 2025 to a projected £33.26 by 2027—more than double the levels seen at peer airports. Heathrow also carries a premium on ground handling and operational fees, which are estimated to be at least 10–15% higher than those at Frankfurt and Paris. Parking and stand charges further widen the disparity, exceeding Dublin’s by 34% and Frankfurt’s by 230%, while Amsterdam offers up to six hours of free stand parking. These pressures are compounded by extensive cost recovery mechanisms for security upgrades and major infrastructure projects, including runway expansion, creating an additional financial burden relative to other European hubs.

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

A4A agrees that unless the current regulatory model is materially improved, Heathrow’s excessive charges will only continue to increase and there will be even greater volatility as

² CAA12.

³ U.S.-UK Air Transport Agreement of November 2020. Article 10. User charges that may be imposed by the competent charging authorities or bodies of each Party on the airlines of the other Party shall be just, reasonable, not unjustly discriminatory, and equitably apportioned among categories of users.

⁴ Groupe ADP, Fee Schedule of Services Rendered

⁵ Frankfurt Airport – Charges for Central Ground Handling Infrastructure

⁶ Dublin Airport 2025 Aeronautical Charges Menu

⁷ Schiphol Airport Charges and Conditions, April 1, 2025

Heathrow continues its infrastructure improvements and expansion. The CAA correctly identifies in its review of the current model that the principal driver of the increase in charges has been capital costs, which, as noted, are expected to increase as Heathrow undertakes additional infrastructure expansion projects. Heathrow Airport Limited's (HAL) H8 plan, according to CAA's working paper, is already expected to raise charges from £24.28 (end of H7) to £33.26 with the two-runway operations and even higher charges are inevitable if other major expansion projects are undertaken. When considering the fact that the maximum allowable yield proposed by HAL for H8 of £33.26 excludes business rates whereas H7 includes business rates, the proposed increase on a like-for-like basis is closer to 50%.

While, in theory, ex-ante incentives should keep charges in check, there are barriers to effective controls for large infrastructure projects which tend to experience cost volatility, complexity, delays, etc.

3. Do you agree with the framework for evaluation we have proposed?

A4A generally agrees with the CAA's proposed framework for evaluation. However, CAA should make clear that its evaluation must also consider international competitiveness and compliance with the ATA (cost-related, non-discriminatory and transparent charging). For example, when considering price benchmarking in Regulatory Model 9(a), the CAA correctly notes that there are risks that the allowed returns will drift from cost of capital and efficient cost recovery which would potentially breach of the ATA's cost principles. By including a formal compatibility check with the U.S.-UK ATA and other international agreements, the CAA should be able to identify any such potential violations early in its evaluation process. Additionally, the CAA should add a "value for money" criteria (e.g., by adding it to the existing "finance" criteria) to ensure that any charges are proportionate to service quality and competitiveness.

4. Are there additional elements we should consider as part of the analytical framework that would better ensure that the options considered will align with consumers' interests?

A4A suggests that the CAA add four additional elements to its decision-making framework, which are consistent with the CAA's principles under CAA12 (transparency, accountability, proportionality and consistency):

1. International Competitiveness and Connectivity

The CAA should quantify the effects on transatlantic fares, frequencies and connectivity when setting charges. Under CAA12, the CAA must carry out its functions in a manner that promotes competition in the provision of airport services.⁸

2. ATA Compliance

For each regulatory model discussed in the CAA's working paper, the CAA should introduce a formal mechanism to ensure that charges remain cost-related, transparent and non-discriminatory under the ATA and other international obligations.

⁸ Civil Aviation Act 2012. (2).

3. Passthrough Transparency

The CAA should require terminal-level cost reporting and implement non-discrimination policies to prevent cross-subsidization when third parties deliver/operate. For example, if a third-party operator runs a terminal (Model 7b), the third-party operator should be required to report charges at the terminal level. Such a system will promote non-discrimination and transparency consistent with CAA's statutory responsibilities.

4. Quantitative v. Qualitative

While A4A understands that some elements are impossible to quantify, CAA should maximize quantitative evidence as much as possible. For example, CAA can and should quantify: charge impacts (per passenger); cost savings (from competitive procurement); service quality and its impacts (through clear and comprehensive service quality criteria developed in close collaboration with airlines); and finances (tender driven savings, program risks, etc.). If CAA believes it cannot quantify some elements, it should seek input from airport users.

5. Do you agree with our description of the regulatory models (1-9) we have identified, and do you have initial views on the advantages and disadvantages of these models?

A4A welcomes the CAA's willingness to examine models that incorporate benchmarking of Heathrow's charges against those at comparable global hubs. Over recent years, Heathrow's cost base has grown steadily and costs continue to rise through repeated charge increases and additional cost-recovery mechanisms. While charges must ultimately be cost-based consistent with ICAO principles and the U.S.-UK Air Transport Agreement, the Heathrow pricing process would undoubtedly benefit from examining how other comparable airports are able to offer similar services at lower costs.

We agree with the CAA that Regulatory Model 9b is inappropriate because "LRIC is an inappropriate proxy for competitive prices." ¶4.95. In our view, Model 9b relies on subjective judgment that could lead to inaccurate estimates due to price volatility—forecast based assumptions inherently contain a higher level of risk.

Given HAL's significant market power, the CAA should not pursue the "light touch" regulatory approach proposed in Regulatory Model 9c. In this regard, we agree with the CAA that "this approach is likely to mean reduced scrutiny over costs and charges by the regulator, which could considerably weaken incentives for cost efficiency if the airport has sufficient market power it can excise." ¶ 4.98. In addition, charges could rise significantly during expansion phases without controls and with little recourse to manage significant price increases.

Beyond this, we do not support or reject any particular proposed model. At this preliminary stage, we confine ourselves to identifying below the core principles on which the future pricing framework should be based and reserve the right to comment in greater detail on specific models as the consultation process evolves.

First, the framework should promote competition particularly where there is an opportunity for lower charges and higher service quality. In this regard, the CAA should determine whether

parties other than HAL can deliver services or functions, including the design and construction of new infrastructure, in a manner that improves efficiency and innovation.

Second, HAL should be subject to binding performance metrics that are developed in consultation with airlines to ensure that they are relevant to airlines and their passengers. Incentives could be rewarded where HAL exceeds service quality standards in a manner that delivers tangible benefits to airlines and their passengers. Otherwise, HAL should suffer commensurate penalties where it underperforms. Incentives should also promote cost efficiency rather than the growth of the RAB and therefore the growth in charges.

Third, risks should be borne equitably between airlines/passengers and HAL. In this regard, HAL should recover costs only when benefits are delivered. This is consistent with the principle, enshrined in the ATA and Chicago Convention that charges must remain aligned with actual costs and that airlines and their passengers should not be required to prepay for future services.

Fourth, the CAA should exercise strong governance over charges, ensuring that the process is fully transparent and that airlines are given a meaningful role in the final decision-making process.

Finally, while the ability to finance is important, the CAA should place greater emphasis on affordability when setting charges. A focus on affordability will help advance the CAA's primary statutory duty which is to promote the interests of consumers.

6. Are there additional variants of the current regulatory model or additional alternative regulatory models that we should consider and what would be the advantages and disadvantages of these approaches?

In general, A4A suggests that the CAA prioritize its responsibility to ensure that charges are cost-related, transparent and non-discriminatory as required under the ATA. These principles will protect consumers by keeping costs reasonable and proportionate to the services provided. Additionally, we suggest that any regulatory model considered should strengthen capex governance and ex-ante incentives. CAA's working paper makes clear that the driver of high charges is capex, and with a number of upcoming large infrastructure projects, it will be critical to ensure that costs are closely monitored and kept low and that incentives are offered for performance that achieves results below cost. One way to do this would be to require a competitive procurement process with known consequences for cost overruns.

Conclusion

A regulatory model which incorporates meaningful comparisons against Heathrow's peer airports would create incentives for a more competitive, disciplined approach to cost management and provide greater assurance to passengers and airlines that the charges they face are reasonable and reflect genuine value for money.

A new regulatory framework for Heathrow must strengthen cost scrutiny, improve transparency and introduce more robust checks on capital decision-making, with incentives that align investment with consumer interests.

We thank you for your attention to these comments, and we look forward to continued

engagement through the consultation process.

Sincerely,

A handwritten signature in black ink, appearing to read "Keith Glatz". The signature is fluid and cursive, with the first name "Keith" written in a smaller, more compact script and the last name "Glatz" written in a larger, more prominent cursive style.

Keith Glatz
Senior Vice President, International Affairs