

Consumers and Markets Group

Ross Baker
Chief Customer Officer
Heathrow Airport Limited
By email: ross.baker@heathrow.com



22 July 2025

Dear Ross

Early costs for expanding Heathrow Airport

Thank you for your prompt response to our request for information and for your letter of 17 July 2025 on early costs. Selina Chadha has asked me to reply on her behalf.

We understand what you say about exceptional circumstances and appreciate the steps you are taking to support the Government's ambitious timetable for the delivery of capacity expansion. We are also conscious of the evolving circumstances of the capacity expansion programme and that the Government has asked for proposals from interested parties in relation to expansion at Heathrow airport by the end of July. In these circumstances and in the light of wider representations that we have received our view is that we should aim for an approach to early costs that is both procedurally robust and sufficiently agile to support capacity expansion in a timely way. Such an approach should further the interests of consumers.

Bearing the above in mind we are intending to issue a short consultation in the first half of August 2025 and, to the extent it is practicable and reasonable to do so, take initial decisions on these matters in September 2025. Our intention is that this should support the timely delivery of capacity expansion. This consultation will reflect the established practice in economic regulation in the UK, that a licensee subject to economic regulation should expect to be able to recover efficiently incurred costs, either through regulatory cost allowances or the operation of a "fair bet" incentive regime.

I hope that the above provides helpful background to our approach. Please let me know if you would like to discuss further.

Yours sincerely

AJ Walker

Andrew Walker
Chief Economist

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