

# Airline Community H8 Constructive Engagement:

## Round 4 – Airline Community Capital Governance Proposal

20<sup>th</sup> May 2026

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# Agenda

Discuss the following topics:

1. Current issues with H7 Governance
2. Airline proposals: three key principles
3. Requests of the CAA for H8
4. Alignment to broader regulatory reform

# Current framework has systematic gaps and failures

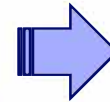
Airlines are expected to scrutinise, but lack powers, information and tools to do so effectively including a lack of consequences on HAL for governance failures (beyond G3 refusal)

**Lack of transparency;**  
asymmetric access to decision-grade information and prioritisation

**DO regime** is not consistently incentivising functional delivery or decision quality

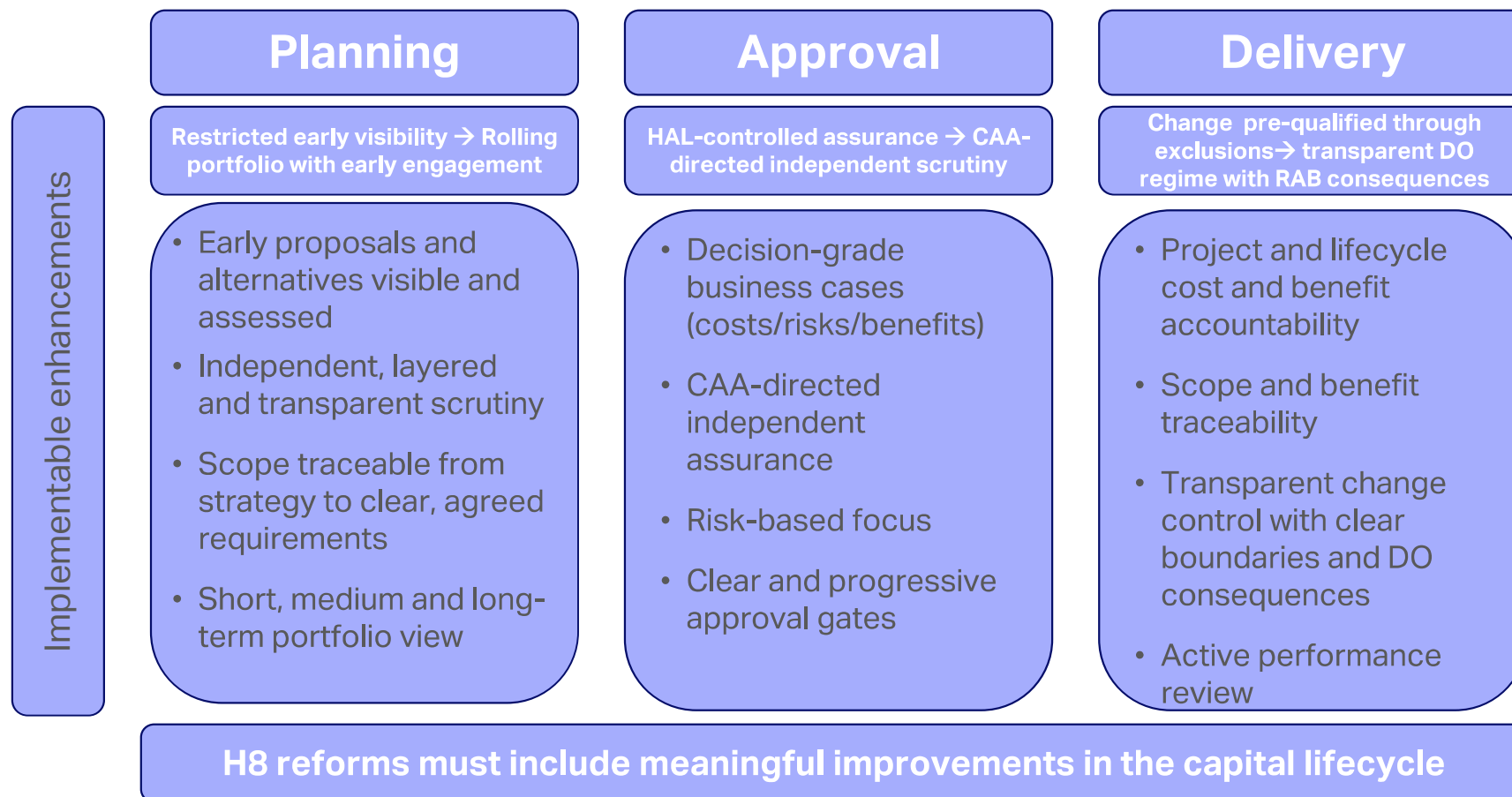
**G3 gateway too late** in the process for airlines to influence or object ~ only meaningful chance to influence

**Independent assurance** is not broad enough, not truly independent and does not reliably produce decision grade outputs

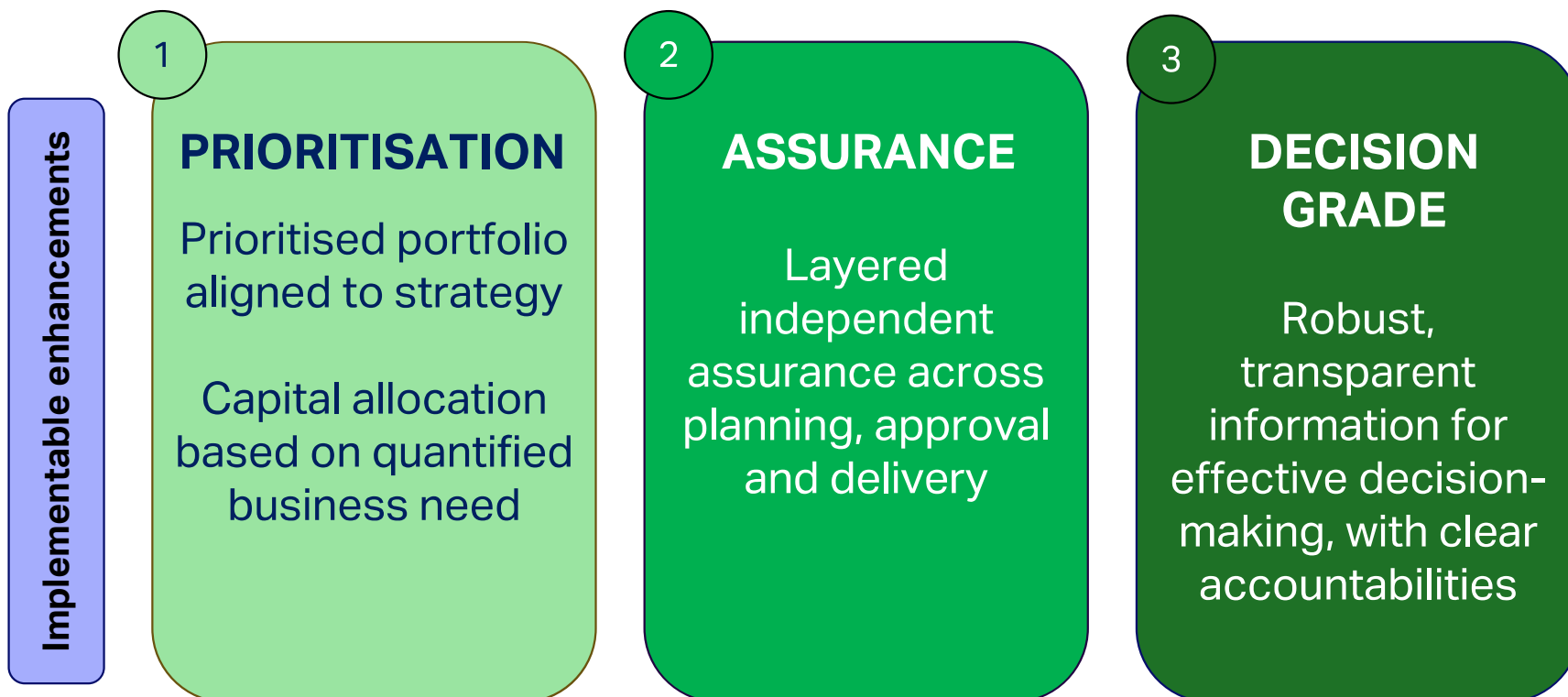


- Independent assessment (Paul Mansell) identified **systematic gaps vs. best practice**
- Directly results in **material cost escalation** and project delay
- **Not isolated patterns** – reflects framework failures vs one off project issues
- HAL is **not following** the agreed governance process with specific, auditable failure types
- Framework **fails to protect consumers** from inefficiency

# A reformed model across the project lifecycle is needed to ensure efficient delivery in H8



# Airlines propose three key principles to enhance capital governance in H8



**H8 reforms must include meaningful improvements in the capital governance and maintain flexibility for regulatory reforms to be introduced during H8**

# CAA sets the envelope – governance change is required for meaningful airline engagement in portfolio prioritisation

1

## **PRIORITISATION**

Prioritised portfolio aligned to strategy

Capital allocation based on quantified business need

- Clear alignment between long-term strategy, current and future project portfolio, and investment decisions
- Agreed single integrated project-level portfolio view, updated regularly with latest baselined status and forecasts
- Formal project-level prioritisation framework with transparent assessment criteria and trade-offs.
- Continuous tracking throughout project lifecycle with prioritisation driving entry to G0 through to G3, sequencing, deferral, or removal

### **ASKS**

- 1) CAA to ensure HAL provides a single integrated portfolio view
- 2) CAA to mandate a prioritisation framework with transparent criteria and impact of decisions
- 3) CAA to ensure formal airline endorsement is achieved and demonstrated

# Role of assurance needs to be broader, enhanced and truly independent leading to decision-grade information

2

## ASSURANCE

Layered independent assurance across planning, approval and delivery

(as per airline proposals)

- Assurance must provide independent challenge and validation to improve decision-making and capital efficiency
- Assurance must be multi-layered: covering portfolio, need, scope, proposed solution, delivery approach, procurement, robust business case (cost/benefits), including external benchmarking
- Assurance outputs must be decision-grade and actionable. Demonstrate greater financial rigour, quantified benefits as default
- Committed benefits should be tracked at a project level and regularly reported on through project and asset life

ASK

- 1) CAA to create and administer a layered independent assurance function with a broader remit than today

7

# Governance must provide robust evidence to enable airlines to make informed decisions ~ greater accountability required

3

## DECISION GRADE

Robust, transparent information for effective decision-making, with clear accountabilities

- Information must be transparent, timely and of improved quality to enable informed decisions to be made at each gateway
- Standalone business cases that demonstrate greater financial rigour and quantified benefits as default with mandatory accountability for performance
- Clear linkage must be demonstrated between delivery of outputs to outcomes to benefits through project and asset life performance with enhanced reporting
- Visible contract strategies and terms to assess risks, assumptions, exclusions can be assured. Competitive procurement as default

## ASKS

- 1) CAA to conduct mid-term, end-to-end DO review
- 2) CAA to mandate independent procurement assurance/audit
- 3) CAA to ensure mandatory business case performance reporting against G3 commitments
- 4) CAA to develop enhanced material consequences for HAL governance failures

# CAP3251 Recognises governance reform as a core part of a regulatory reform package

*CAA's proposed Model 1a recognises the need for a step-change in governance, scrutiny and accountability for Heathrow capital spend - earlier information; independent scrutiny; airlines shouldn't carry scrutiny burden alone*

## **CAP3251 Model 1a**

- Existing governance is not sufficient for large-scale delivery
- Stronger independent scrutiny of HAL capex is needed
- Better and earlier information is essential
- More targeted governance can improve scrutiny without unnecessary delay
- Airlines should not carry the scrutiny burden alone
- Independent expertise and clearer accountability are required

## **Read-Across to H8 Governance**

- Model 1a principles also support broader improvements to H8 and BAU capital governance, including:
  - earlier and more transparent engagement
  - stronger challenge of cost, scope and procurement
  - improved information quality
  - clearer delivery accountability
  - more consumer-focused investment outcomes
- We propose H8 reforms that are implementable now and compatible with CAP3251 reforms during H8

# Conclusion and summary of our asks of the CAA

**Critical that the CAA play a direct and active role in the future capital process; issues to date show airlines do not have the authority to do this: lack of enforcement levers beyond refusing G3**

## **Hold the line on Initial Proposals**

*(eg capital envelope, golden thread, capacity to deliver)*

**Targeted reform in H8 to enable robust governance and decision-making:** prioritisation, independent assurance and quality information

*(Licence-backed consequences enforcing meaningful, governance, as set out within)*

**Ensure H8 is flexible to incorporate CAP3251 regulatory reforms**

# Summary: asks of the CAA to deliver targeted reform in H8

## Prioritisation

### ASKS

- 1) CAA to ensure HAL provides a single integrated portfolio view
- 2) CAA to mandate a prioritisation framework with transparent criteria and impact of decisions
- 3) CAA to ensure formal airline endorsement is achieved and demonstrated

## Assurance

### ASK

- 1) CAA to create and administer a layered Independent Assurance function with a broader remit than today

## Transparency

### ASKS

- 1) CAA to conduct mid-term, end-to-end DO review
- 2) CAA to mandate independent procurement assurance/audit
- 3) CAA to ensure mandatory business case performance reporting against G3 commitments
- 4) CAA to develop enhanced material consequences for HAL governance failures

# Examples

## Decision-grade evidence / accountability

- Example: Modernising Heathrow P4 Closeout Report provides a structured narrative but does not provide a clear, decision grade linkage between spend → deliverables → value and relies heavily on high level activity listings.
- What this shows: Where close-out evidence is not decision-grade, airlines cannot provide assurance on value for money or cost treatment/transferability; this weakens confidence in governance outcomes
- ASK (CAA): Mandate minimum evidence standards for close-out and material decisions: auditable mapping of approved spend → outputs delivered → intended value/benefits, with clear approval logs and version control.

## DO regime / functional delivery

- Example: DO debate on T2 Airside Retail at Connections shows tension between sliding-scale outputs and airline view of operationally interdependent deliverables (risk of partial delivery still scoring)
- What this shows: If DOs are not structured around functional outcomes, incentives weaken and the DO regime may not deliver the accountability intended (risk of misalignment between business case intent and measured delivery).
- ASK (CAA): Mid-H8 review of the end to end DO regime and tighter rules consistent with the DO Handbook: require explicit consideration of independence of outputs and use pass/fail where scope cannot be meaningfully scaled; strengthen independent validation of DO structures

## Assurance effectiveness & escalation

- Example: Current assurance focuses heavily on process conformance and project controls, and is not adequately supporting governance decision making, issue escalation, or portfolio monitoring.
- What this shows: Without independent, decision grade assurance early in the lifecycle, scrutiny burden sits with airlines but without the tools/levers to consistently influence decisions, weakening value for money confidence.
- ASK (CAA): Appoint/mandate a CAA directed, layered independent assurance function across planning, approval and performance (financial/economic, scope/solution, contractual, controls, compliance), producing actionable, decision grade outputs