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Memorandum to:
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From :
Dr. Alexander Budzier,
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Dear Economic Regulation team,

Response to CAA's Assessment of OGP Benchmarking Evidence – CAP3251

We respond to the references to Oxford Global Projects ("OGP") in CAA's Consultation on a Shortlist of Regulatory Models (CAP3251, May 2026)"[1].

OGP[2] is the world's leading expert on megaproject management with the most-cited scholars on megaprojects worldwide and over 30 years advising government and business, including the establishment of reference class forecasting and using the largest high-quality datasets on project performance in the world. OGP was founded by Professor Bent Flyvbjerg and Alexander Budzier, PhD.

The CAA's assessment of OGP's benchmarking evidence on Heathrow Airport Limited's capital expenditure performance gives insufficient weight to OGP's analysis. Heathrow's major capital projects repeatedly appear in the higher-cost range across multiple reference classes and is evidence of Heathrow being persistently expensive.

The CAA raises three substantive concerns: international comparability, sample sizes and sample mix, none of which justifies discounting OGP's analysis.

1) On international comparability, the consultation states that OGP made only limited adjustment for external cost drivers. That is not an accurate characterisation. OGP's methodology adjusts for purchasing power parity and inflation in order to place projects on a comparable basis across jurisdictions. That is a recognised benchmarking method and consistent with OGP's

[1] www.caa.co.uk/media/sbhmpxlt/cap3251-consultation-on-short-list-of-regulatory-models.pdf
[2] www.oxfordglobalprojects.com/portfolio

work in other infrastructure contexts. If such adjustments are regarded as sufficient elsewhere, the CAA should explain why further subjective adjustments are necessary here.

HAL's own benchmarking reinforces this point. The consultation document notes that KPMG applied a broad set of adjustments, including construction costs, rail investment, airline operating model, country price differences, tax environment, operating restrictions and other revenues. The CAA itself rejected or reduced several of those adjustments and identified concerns about double counting. In those circumstances, it is unclear why OGP's methodology should be treated as insufficiently adjusted while weight is given to a benchmarking exercise that depended on a more interventionist set of adjustments, some of which the CAA itself considered questionable.

2) On sample sizes, the CAA's criticism is overstated. OGP's samples were larger than those relied on in HAL's own benchmarking.[3] That is a relative strength, not a weakness. The importance and significance of sample size also depends on the metric being estimated. As OGP explained, smaller samples are more problematic for estimating <u>tail</u> positions with confidence than for identifying the median or broad central range. That is a reason for caution in interpreting tail positions. It is not a basis for dismissing the benchmark as a whole.

3) On mix of sample projects, the consultation's assessment at paragraph 2.98 is overstated. Reference class benchmarking does not require a homogeneous set of projects, and differences in geography, airport scale or brownfield complexity do not prevent meaningful comparisons being drawn. Nor is it material that OGP did not set out the exact percentile placement of every comparator project. OGP's case is based on a repeated pattern of Heathrow projects appearing above the centre of the distribution, not on false precision about the rank of each project. OGP has also offered to share the underlying comparator data so that the CAA could test that placement itself.

More fundamentally, the CAA must avoid falling into the "uniqueness" trap of making adjustments, every major project has particular features. The very success of reference class forecasting is identifying whether a project or portfolio sits broadly in the efficient range or persistently in the expensive part of the distribution, without adjusting for particular features.

OGP's analysis did not rely on a single comparison or isolated outlier. It identified a pattern of Heathrow projects clustering in the more expensive range across several reference classes. That is the relevant regulatory signal.

The consultation itself supports the central thrust of OGP's analysis. In paragraphs 2.81 and 2.100, the CAA accepts that T2 and T5 were relatively high-cost compared with other airports, and at paragraph 2.107 it accepts that capex has been the principal driver of HAL's high charges and that some inefficiency may have occurred. Against that background, OGP's work should have been treated as relevant corroborative evidence. In OGP's experience, most portfolios show a spread of outcomes: some projects below P30, most around P50 and a smaller number in the higher-cost range. The Heathrow pattern identified in the benchmark was different. It indicated repeated clustering above the median for its major projects. That conclusion is consistent with, and supported by, the CAA's own findings.

[3] KPMG's aeronautical revenue comparator analysis used a sample of 13 airports, without objection from the CAA. OGP's runway benchmarking used larger samples (14 by runway area; 16 by runway length), and terminal samples of at least 50. HAL's Steer benchmarking also relied on a sample of 20 without comparable criticism.

Benchmarking does not by itself determine the efficient cost of future projects. A more detailed assessment of cost drivers will be needed for future works, including any third runway proposal. That does not diminish the relevance of the analysis which provides evidence that Heathrow’s historical capital cost performance sits in the expensive range and that closer regulatory scrutiny is warranted.

The CAA should not minimise OGP’s work on the basis of comparability and sample-size objections. OGP used a recognised approach to international normalisation, relied on samples larger than HAL’s own and identified a pattern rather than an anomaly. The references to OGP in the consultation should be reconsidered. At a minimum, the CAA should acknowledge that OGP’s benchmarking provides credible evidence that HAL’s projects are persistently expensive relative to comparators and that this increases the need for fundamental changes to capital governance, greater use of competition and more rigorous regulatory scrutiny.

We remain available to discuss any aspect of the methodology or findings in further detail.

Yours faithfully,

Dr Alexander Budzier,
CEO, Oxford Global Projects