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By email: economicregulation@caa.co.uk

15 June 2026

Dear Selina,

Vueling response to the CAA consultation on a shortlist of regulatory models for Heathrow airport (CAP3251)

Vueling welcomes the opportunity to respond to the Civil Aviation Authority's ("CAA") consultation on a shortlist of regulatory models for Heathrow airport.

Vueling supports the responses submitted to this consultation by our parent company, International Airlines Group ("IAG"), and by Heathrow Reimagined, together with their responses to the CAA's November 2025 Working Paper (CAP3195). This submission complements those responses by setting out Vueling's perspective as a low-fare airline serving short-haul, point-to-point routes between Spain and Heathrow, for which airport charges are a critical determinant of route viability and frequency. It focuses in particular on the implications of the shortlisted models for consumers, affordability, competition and the governance of capital investment.

Overall position

Vueling agrees with the CAA that the case for change to Heathrow's regulatory model is settled and should not be revisited. Heathrow's charges per passenger are the highest of any airport in the world; service quality has not recovered to pre-pandemic levels; and inefficient capital expenditure has been the principal driver of the charge trajectory. For a low-fare operator, this has a particularly heavy bearing on route economics.

Vueling therefore fully supports the integrated reform package proposed by IAG in its responses to CAP3195 and CAP3251, comprising:

i. a Capital Investment Committee ("CIC") with genuine authority over capital planning, including a hard budget, project approval and delivery performance across the Heathrow campus;

ii. competition wherever practicable across the Design–Build–Finance–Operate–Maintain–Own ("DBFOMO") value chain; and
iii. a multi-RAB architecture underpinned by a single, cross-campus Maximum Allowable Yield ("MAY").

The CAA's shortlist is capable of delivering this package, but only if it is strengthened in the respects set out below. The inefficiencies and shortcomings in the regulatory framework that have been identified exist today and are already reflected in the charges that are borne by consumers. It is therefore critical that regulatory reform be applied to the whole airport business and be implemented ahead of expansion commitments, not ring-fenced only to future expansion.

Charges, affordability and connectivity

Short-haul services operate on thin margins and have limited ability to absorb cost increases without adjusting capacity or fares. Sustained escalation of Heathrow's charges therefore risks:

i. reducing frequency on marginal routes;
ii. weakening competition in short-haul markets; and
iii. pricing price-sensitive passengers out of Heathrow altogether.

These concerns are not limited to the sustainability of existing services. Vueling has sought to develop new routes at Heathrow in a manner consistent with enhancing the UK's air connectivity and supporting greater consumer choice. However, Heathrow's very high-cost base makes the successful development of new short-haul routes inherently challenging. Any further increase in airport charges would reduce the likelihood of continued network development and instead encourage airlines to consolidate existing traffic rather than invest in new services. That would be detrimental not only to competition and consumer choice but also to Heathrow's overall competitiveness as a gateway airport.

Vueling's short-haul, low-fare operations also support Heathrow's hub function by providing feed into long-haul services operated by IAG and oneworld partner airlines. Increased airport costs would inevitably constrain the development of additional frequencies on point-to-point routes and thereby reduce the potential for connecting traffic flows.

These risks would be amplified by capacity expansion under the current framework. IAG estimates that charges at the level implied by HAL's £49 billion-plus cost estimate would require approximately £3 billion per year of additional aeronautical charges in real terms, and that airlines would be unable to deploy the circa £65 billion of aircraft capital needed to fill expansion capacity at such charge levels.

Against this background, Vueling is concerned that the CAA has excluded affordability from its evaluation framework for the shortlisted models, reasoning that the choice of model does not in itself determine the economics of a scheme. Vueling disagrees with this assessment. The regulatory model shapes the scope, cost and pricing of investment, and therefore directly affects whether Heathrow remains affordable for consumers, supportive of competition, and capable of sustaining both new route development and the short-haul connectivity on which the hub depends. Affordability should therefore be an explicit criterion in the CAA's evaluation of the shortlisted models, consistent with the position set out in the Heathrow Reimagined response.

Competition should be the primary intervention

Vueling considers that strengthened regulation alone will not correct HAL's incentives, which arise from its position as a monopoly operator remunerated on an indexed-RAB basis. Effective competition, wherever it is practicable, could correct those incentives because suppliers must win investment on price, quality and delivery rather than receiving it as of right.

Vueling therefore requests Model 7b be made central to the competition package, applied to existing as well as new assets, and implemented via contractual arrangements through modification of HAL's licence under the Civil Aviation Act 2012.

Model 8 should remain available as a complementary route to introducing independent ownership, alongside Model 7b. Where Model 7b is not feasible, Model 5b should be used, provided that tenders are specified and awarded under the oversight of the CAA and/or the relevant designated body rather than by HAL alone. Competitive processes are only as good as the requirements set and the discipline applied to bids, including realistic assumptions and consequences for non-delivery.

Vueling does not support Model 3 (longer-term price control commitments, including a long-term expansion cost of capital or cap-and-collar arrangements). As Vueling set out in its response to the H8 Initial Proposals (CAP3232), the allowed return should be sufficient to finance efficient investment but should not systematically over-reward the regulated entity, and HAL already benefits from extensive regulatory protections that reduce its risk exposure. Model 3 would lock in returns over an even longer horizon, weakening the "fair bet" rather than restoring it, and would entrench precisely the outcomes this review is intended to correct.

Capital governance must include genuine decision-making authority

Vueling supports the combination of Models 1a, 2 and 4a as the basis for the CIC, subject to one fundamental condition. The CIC must be able to approve or, where necessary, reject capital plans and projects, with appropriate risk allocation and penalties attached to delivery.

A committee that can be consulted but not decide will not change HAL's behaviour. The T2 Baggage Programme case study annexed to IAG's response documents how, under the current arrangements, airlines were left with no genuine ability to challenge a cost-escalating c. £1 billion programme. Safeguards ensuring that approval precedes financial commitment are essential in our view if such situations are not to recur in future.

In Vueling's view, capital spend should be prioritised on reliability, resilience and passenger experience, and a CIC with real authority is the mechanism through which that prioritisation can be enforced.

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A single cross-campus MAY

In our view, charges should be set as one maximum average yield per passenger across all facilities. The benefit of competition for consumers comes from more efficient design, construction, financing and operation of infrastructure, not from different prices in different terminals.

A single MAY ensures that the cost of new capacity is shared fairly across the campus and that the gains from competition and pooled commercial revenues are passed to all passengers irrespective of which terminal they use, in line with the single till framework that remains a cornerstone of economic regulation at Heathrow and one which we fully support.

Conclusion

Vueling urges the CAA, in its July 2026 update, to:

i. confirm Model 7b as the centrepiece of the competition package, applicable to new and existing assets;
ii. require that Model 5b tenders are specified and awarded under the oversight of the CAA and/or the relevant designated body;
iii. establish the CIC with genuine authority to approve or reject capital plans, with appropriate risk allocation and penalties; and
iv. add Model 8 to the shortlist, with consideration of implementation routes via legislative change or a CMA market investigation reference.

The CAA already has the powers to deliver these reforms through targeted modifications to HAL's licence under the Civil Aviation Act 2012. Vueling encourages the CAA to use them now, so that the regulatory framework protects consumers, connectivity and the affordability of Heathrow both now and through expansion.

Vueling remains available to engage with the CAA on any aspect of this response.

Yours sincerely,

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Jordi Pla Pintre
Chief Network Planning and Strategy Officer