

LCCI submission to CAA Consultation on Regulatory Models for Heathrow Expansion

20 January 2026

Submission Summary

This submission sets out LCCI's long-standing position on Heathrow expansion as enabling infrastructure that supports London's outward-facing economy and the UK's international connectivity. Drawing on the experience and priorities of London's business community, it highlights the importance of timely delivery, regulatory certainty and investor confidence to realise the economic benefits of expansion.

The submission concludes that the existing Regulatory Asset Base (RAB) model provides the most credible and deliverable framework for regulating Heathrow expansion. Retaining the RAB model, with targeted enhancements where appropriate, offers the clearest route to supporting private investment, protecting consumers and delivering expansion in line with the Government's stated timeline.

Introduction

The London Chamber of Commerce and Industry (LCCI) is London's key hub for the business community, representing over 11,000 companies across all sectors and boroughs. Our membership includes microbusinesses, SMEs, large employers, universities, colleges, and multinational firms, offering a diverse perspective on the operational pressures shaping London's economy. A significant proportion of this membership is directly or indirectly reliant on international connectivity, including firms operating in trade-intensive, export-oriented sectors such as professional services, logistics, tourism, advanced manufacturing, and investment-driven sectors. As a business-led organisation, LCCI's positions are grounded in the practical delivery conditions required for nationally significant infrastructure to progress efficiently, predictably and at pace.

London Heathrow Airport is essential to supporting both the capital's businesses and the wider UK economy and has long performed this role as part of London's established economic infrastructure. As the UK's only hub airport, it provides the connectivity that many LCCI members need to access global markets, attract investment, move goods, and maintain commercial relationships. In addition to facilitating trade and international connectivity, Heathrow is also a significant source of direct economic activity through its capital investment programme, with capital expenditure totalling over £1 billion per annum in recent years, around 40 per cent of which is spent in London and the surrounding area. Expanding Heathrow would strengthen the UK's global links, improve passenger and freight reliability, and enhance international competitiveness. LCCI data shows that three in five London businesses believe airport expansion will benefit both

London's and the UK's economic growth, reflecting strong business community support for these plans.

LCCI's approach to infrastructure policy is informed by the challenges of delivering major projects in London's current economic climate. With businesses facing higher costs, lower confidence, and limited investment appetite, the delivery of large-scale, privately financed infrastructure projects is vital for supporting jobs, supply chains, and productivity. To advance projects of national significance, businesses and investors need clear and stable regulatory frameworks. An approach that encourages timely investment, provides long-term certainty, and enables efficient delivery is essential to realising the full economic benefits of Heathrow's expansion.

Economic Growth Benefits of Heathrow Expansion

Heathrow's proposed expansion is one of the UK's most significant private infrastructure investments. The 2025 proposal includes an estimated £49 billion investment for a new north-west runway, additional terminal capacity, and modernisation of existing infrastructure. For London's business community, the economic importance of this programme lies in its potential to address long-standing capacity constraints at the city's main international gateway, thereby improving connectivity to emerging markets with significant growth potential, such as South America and secondary cities in Asia, where direct links remain comparatively limited.

These limitations now represent a material structural barrier to growth. Additional capacity would relieve these pressures, allowing London's aviation system to operate more effectively and respond to global demand more efficiently.

Expansion would also support London's productivity and competitiveness by improving the performance of the UK's hub airport. More runway and terminal capacity would increase reliability and enable more efficient use of infrastructure. For international businesses, these improvements create a commercial environment that supports high-value activity, trade, investment, and growth.

The proposed investment would generate significant economic activity during delivery. Building new airport infrastructure would create jobs and business opportunities across construction, engineering, professional services, and supply chains, reinforcing London's position as a centre for high-value economic activity.

London's Role as the UK's Primary International Gateway

London's economic contribution to the UK extends beyond the immediate impacts of investment and employment. It is rooted in the city's role as a global centre for trade, services, finance and investment, which in turn depends on its ability to function as an effective international gateway for the movement of people, goods, capital and ideas. This function supports not only firms headquartered in the capital but also businesses across the UK whose international trade, investment and client relationships are

anchored in London. Within this system, Heathrow's role is best understood not solely as an economic gravity point in its own right, but as a critical piece of infrastructure that supports London's and the UK's outward-facing economic model. This is reflected, for example, in the scale of Heathrow's cargo operations, which handle around £200 billion of trade each year, alongside the business travel and tourism the airport facilitates.

For internationally mobile firms, London's appeal depends on seamless access to global markets and networks. Sustained deterioration in access influences location, investment and headquarters decisions over time. Heathrow's performance, therefore, affects both individual travel and broader business strategies.

Expansion is essential to maintain London's role as the UK's primary international gateway. Addressing Heathrow's long-term capacity challenge is key to preserving London's contribution to the national economy and ensuring continued international connectivity.

Why the Rab Model Remains Fit for Purpose

From an LCCI perspective, the question of regulatory design is closely linked to the practical challenge of delivering large-scale, nationally significant infrastructure on time. Heathrow's expansion needs a regulatory framework that is well understood, supports long-term private investment, and balances delivery, affordability, and consumer protection. The existing Regulatory Asset Base (RAB) model meets these requirements.

A key strength of the RAB model is its proven track record. Heathrow has financed and delivered major projects, such as Terminals 5 and 2, on time and within budget under this framework. Operational performance remains strong, with Heathrow recognised as Europe's most punctual hub airport in 2025 and ranked by OAG as the world's most connected airport for three consecutive years. This record demonstrates the model's ability to support further expansion without unnecessary risk.

The RAB framework enables large-scale private financing without relying on public funds, protecting taxpayers and allowing investment at competitive rates. For businesses, this is significant: Heathrow's airport charges have fallen by about 19% in real terms since 2019, showing that private investment under regulatory oversight can deliver affordability and efficiency. The model supports infrastructure growth while maintaining cost discipline.

The RAB model ensures structured engagement with airlines as primary customers. Before major projects proceed, Heathrow consults extensively with airlines to test proposals, assess impacts, and secure approval. This process ensures investment decisions reflect user needs and deliver operational benefits, providing LCCI members with confidence that expansion is guided by demand and value.

Regulatory certainty is a key advantage of the current framework. The RAB model offers a stable, transparent foundation for long-term investment, reducing financing costs and supporting timely delivery. In contrast, alternative approaches would require new structures and governance, increasing risk and potentially delaying implementation,

making it difficult to achieve the Government's goal of an operational third runway within a decade. Beyond this, international examples of fragmented operating models, such as split terminal arrangements at John F. Kennedy International Airport and Los Angeles International Airport, suggest that such approaches can weaken operational resilience and service quality.

The RAB model also includes safeguards. Civil Aviation Authority oversight ensures capital spending is scrutinised, efficiency is incentivised, and consumer interests are protected. Improvements can be made through targeted changes rather than replacing the entire framework.

Overall, retaining the RAB model is the most credible way to deliver Heathrow expansion efficiently and accountably. It combines a strong delivery record with investor confidence, airline engagement, and regulatory oversight, providing a balanced framework for this significant infrastructure project.

Conclusion

This submission reflects LCCI's long-standing view that Heathrow expansion is essential infrastructure supporting London's economy and the UK's international connectivity. As the country's primary hub airport, Heathrow underpins trade, investment, and employment across many sectors. Expanded capacity is vital for maintaining London's and the UK's competitiveness.

The key issue for the Civil Aviation Authority is how to deliver expansion with confidence, pace and accountability. In LCCI's view, the existing Regulatory Asset Base model provides the clearest and most credible framework for achieving this. It is well understood across the aviation system, has supported the delivery of major airport infrastructure, and has enabled private investment without recourse to public funding while maintaining strong consumer protections.

Regulatory certainty is vital for securing the long-term investment needed for Heathrow expansion. The RAB model provides this certainty, offering a stable, transparent framework that supports investor confidence and timely project delivery. Switching to alternative or untested models would add complexity, undermine confidence, and risk delays when capacity constraints are already explicit.

LCCI recognises that regulatory frameworks must continue to evolve. Where improvements are needed, they should focus on strengthening governance, transparency, and long-term clarity within the existing model. Incremental changes, rather than major overhauls, best preserve investor confidence and protect the interests of passengers, airlines, and businesses.

Recommendations

- The Civil Aviation Authority should retain the Regulatory Asset Base model as the foundation for regulating Heathrow expansion.
- Regulatory stability and predictability should be prioritised to support timely private investment and delivery.
- Any refinements to the framework should be targeted and proportionate, avoiding the introduction of untested models that could cause delay.
- Strong regulatory oversight should continue to ensure efficiency, affordability and consumer protection as expansion progresses.

In summary, retaining the RAB model is the most effective way to expand Heathrow, safeguard its role as critical national infrastructure, and realise the economic benefits outlined in this submission.