

Review of the Traffic Distribution Rule 1991: Consultation on Draft Advice to the Secretary of State

Summary

- Logistics UK supports the CAA's proposal to revoke the 1991 TDRs, noting they are outdated and no longer suited to today's liberalised, dynamic aviation market, with limited evidence they address a current market failure.
- Removing the TDRs will support the establishment of a level playing field for all-cargo airlines and provide for the allocation of capacity in a way to improve efficiency, connectivity, and responsiveness to consumer demand, while supporting competitive outcomes across the sector.
- Any reform must carefully consider Heathrow's role as the UK's primary hub, ensuring that changes do not undermine long-haul connectivity, network resilience, or critical air freight flows.
- A phased, clearly defined transition period is essential to avoid disruption, allow industry adjustment, monitor impacts (including on freight), and ensure stable, orderly implementation of any new framework.

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About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for a safe, sustainable and efficient logistics sector. Our membership of more than 22,000 includes global, national and regional businesses and SMEs spanning road, rail, waterways, sea and air freight, in ports, airports and warehousing, as well as the customers of freight services such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole, right across the country.

The logistics sector

Nothing moves without logistics. The sector employs 8% of the UK workforce in good jobs with strong career progression, contributes £175 billion in GVA each year, and underpins the resilience of the everyday economy.

Logistics plans and coordinates the movement and storage of the goods that businesses, public services and households rely on – using ports, airports, roads, railways, waterways, warehouses and smart digital systems to tie it all together.

With the right policies, logistics can drive up UK growth by £8 billion a year.¹ However, rising costs, red tape and poor infrastructure are holding the sector back – putting firms out of business, fuelling inflation, and undermining productivity and supply chain resilience. As a result, the UK has fallen from 4th to 19th in the World Bank Logistics Performance Index over the decade to 2023.

Consultation response

We welcome the opportunity to respond to the Civil Aviation Authority's (CAA's) draft advice to the Secretary of State on the future of the Traffic Distribution Rules (TDRs). We also appreciate the CAA's continued

¹ Logistics Delivering a solution to the UK's productivity puzzle, Oxford Economics, 2023

engagement on this issue following its earlier call for inputs, to which we contributed. This response builds on the principles and evidence set out previously.

Logistics UK speaks for a wide cross-section of the UK's aviation sector, encompassing airports, airlines and integrators. As such this response reflects a range of member views on when and how reform should be pursued. This diversity of perspectives mirrors the different business models operating across the industry. While opinions may vary on the best way to allocate limited capacity at Europe's most constrained airports, all stakeholders share a common goal of delivering positive outcomes for UK consumers and contributing to economic growth.

CAA draft advice that the 1991 TDRs should be revoked

We note the CAA's draft advice to the Secretary of State that the TDRs 1991 should be revoked and given the importance of a more flexible and proportionate approach to constrained capacity, and of a framework better aligned with today's market and regulatory context, we support the CAA's proposal. The TDRs were introduced in a very different aviation environment, and their continued application risks constraining an increasingly dynamic and commercially driven market.

As set out in our previous response to the CAA's call for inputs, the evolution of the aviation sector over the past three decades - including market liberalisation, changes in airline operating models, and shifts in passenger and freight demand - has significantly reduced the justification for prescriptive traffic allocation rules. In this context, there is limited evidence that the TDRs continue to address a clear market failure or deliver outcomes that could not otherwise be achieved through normal competitive dynamics.

We also recognise the importance of ensuring that scarce airport capacity, particularly at Heathrow, is used as efficiently as possible. Allowing all-cargo airlines greater flexibility to determine where services operate is more likely to support optimal use of capacity, enhance connectivity, and respond effectively to consumer demand. This aligns with the broader industry view, that market-led decisions are generally better placed to deliver efficient and competitive outcomes.

At the same time, we emphasise that the removal of the TDRs must be considered carefully in light of Heathrow's role as the UK's primary hub airport. The aggregation of services at a hub supports route viability, especially for long-haul and emerging market connections, and underpins both passenger connectivity and air freight flows. Any decision to revoke the TDRs should therefore be accompanied by a clear understanding of potential impacts on hub connectivity and network resilience. It has also been highlighted that there should be supporting analysis on how TDR removal could impact the economics of long-haul passenger services where bellyhold is fundamental to their success.

On balance, however, the case for retaining the TDRs in their current form is weak. An alternative system should be put in place that will represent a proportionate step towards a more modern and flexible regulatory framework.

Approach to implementation and timing of revocation

In considering implementation, the approach to timing will be critical in ensuring an orderly transition and avoiding unintended disruption to airlines, airports, and the wider aviation system.

We support a managed transition period, allowing stakeholders sufficient time to adjust their operations and make informed commercial decisions. Such a transition should be clearly defined, time-limited, and accompanied by appropriate guidance to provide certainty. This would help to ensure that any redistribution of traffic occurs in a gradual and orderly manner, minimising risks to connectivity and competition. Logistics UK notes and welcomes the CAA's assessment that whole-plane cargo represents only a small proportion of total airport activity and that revocation of the TDR is unlikely to materially affect airport operations in the short to medium term. As such the two scheduling seasons as proposed by CAA is a reasonable implementation period.

A phased approach would also allow for monitoring of early impacts, including any changes in traffic patterns, connectivity, or capacity utilisation. This would enable policymakers to identify and respond to any unintended consequences at an early stage.

In implementing revocation, it will be particularly important to consider impacts on air freight. A significant proportion of cargo is carried in the bellyhold of passenger aircraft, especially at Heathrow and also at other major airports including Gatwick.

Overall, a structured and proportionate transition is preferable to immediate implementation, providing greater stability and supporting better long-term outcomes.

It is also noted that within wider government policy including broader slot reform and as we await an updated freight strategy from the Department for Transport, there are questions over where TDR removal sits within overall ambitions and strategic direction.

Future of Condition C4 in HAL's licence and treatment of cargo services

We note the CAA's consideration of whether Condition C4 in Heathrow Airport Limited's (HAL) licence remains necessary in the context of wider reform.

It is essential that any changes to the regulatory framework continue to recognise the importance of whole-plane cargo services and ensure that they are subject to appropriate and proportionate price control arrangements. Air freight plays a critical role in supporting the UK economy, enabling the movement of high-value and time-sensitive goods and underpinning key sectors such as advanced manufacturing, pharmaceuticals, and e-commerce.

Condition C4 has provided a mechanism to ensure that cargo operators are not disadvantaged within Heathrow's broader charging framework. If the TDRs are revoked, it will be important to ensure that cargo services do not face adverse impacts as a result of changes in how airport capacity is used or priced.

If the CAA considers that Condition C4 is no longer the most appropriate mechanism, Logistics UK would engage with the exploration of alternative arrangements, ensuring that these deliver equivalent or improved protections for cargo operators. Any alternative mechanism should be transparent, proportionate, and designed to ensure that cargo services continue to benefit from fair access to infrastructure and appropriate pricing.

We would emphasise that cargo considerations should be fully integrated into the CAA's overall approach. Historically, freight has not always been given sufficient weight in policy decisions compared to passenger services. Given its growing importance to the UK's economy and trade objectives, it is essential that this is addressed in the future framework.

Conclusion

The proposed revocation of the 1991 TDRs represents an important opportunity to modernise the regulatory framework governing traffic distribution across the London airport system. We support the CAA's direction of travel, subject to careful implementation and continued recognition of the importance of hub connectivity and air freight.

A managed transition period will be critical to ensuring that reform is delivered in a stable and orderly way, while preserving the benefits of the UK's aviation network. In parallel, any changes to HAL's licence, including Condition C4, must ensure that cargo services continue to be appropriately supported.

We encourage the CAA and the Secretary of State to adopt a balanced, evidence-based approach that enables efficient use of capacity, supports competition and connectivity, and reflects the growing importance of aviation to the UK's trade and economic objectives.

Alexandra Herdman
Policy Lead – Multimodal
Logistics UK
aherdman@logistics.org.uk