HEATHROW REIMAGINED
A Better Hub For Britain

VERSION FOR PUBLICATION

Review of Frontier Economics' 2025 cost benefit analysis for HAL of Heathrow expansion

APRIL 2026

Summary: Frontier's analysis severely overstates fare saving benefits from expansion

Frontier's claim	Frontier claims £79bn in passenger benefits from expansion through lower airfares – a result built on flawed assumptions about airline profitability, costs, and demand.

Reality	• Evidence on airline profitability does not show airlines capturing a congestion premium or scarcity rents at Heathrow - airline competition constrains air fares. • Frontier's data and proxies have severe limitations, which mean they cannot be relied on to identify a Heathrow "premium". • Taken together, every assumption in Frontier's model drives the scale of the premium upward, despite Frontier recognising limitations. • Expansion will raise charges – pushing fares up, not down. The CAA itself noted that Frontier fails to account for the impact of higher charges caused by expansion capex.

What this means	• The real prize from expansion is the potential to unlock very substantial wider economic benefits. • But the success of expansion and its ability to unlock these benefits relies on efficient, affordable delivery, which requires a fundamentally different approach to regulation.

Note: The CAA has received submissions and empirical analysis from IAG on the topic of scarcity rents and the congestion premium as part of IAG's response to CAP3195. This document seeks to address complementary ground (i.e. structural and methodological).

Contents

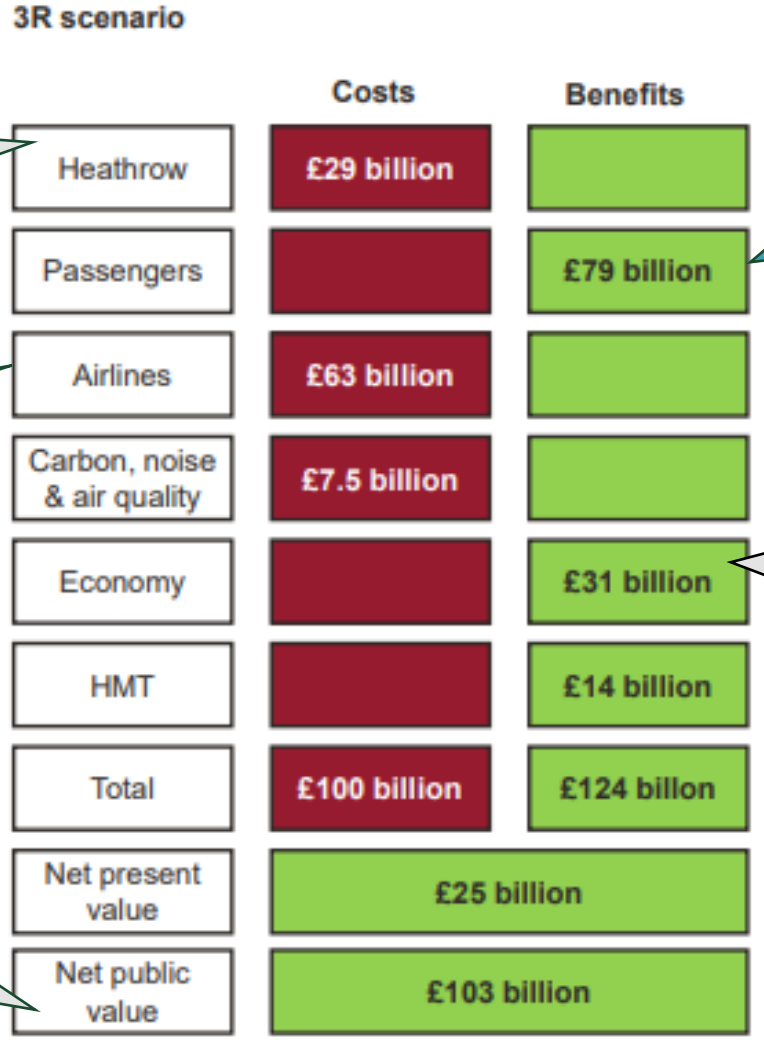
1. Introduction

Passenger benefits from lower fares is the single largest component of Frontier's analysis

Construction costs (-£29bn): Capex for runway and terminals.

Airline lost profits (-£63bn): Frontier treats current airline profits as including scarcity rents that disappear post-expansion when competition passes savings to passengers.

Net public value excludes: (i) HAL construction costs; (ii) airline lost profits; (iii) tax transfers.



£79bn passenger benefits from lower fares → Our focus
Assumes airlines capture scarcity rents and pass them to passengers. **We show this mechanism is not supported by data and commercial reality.**

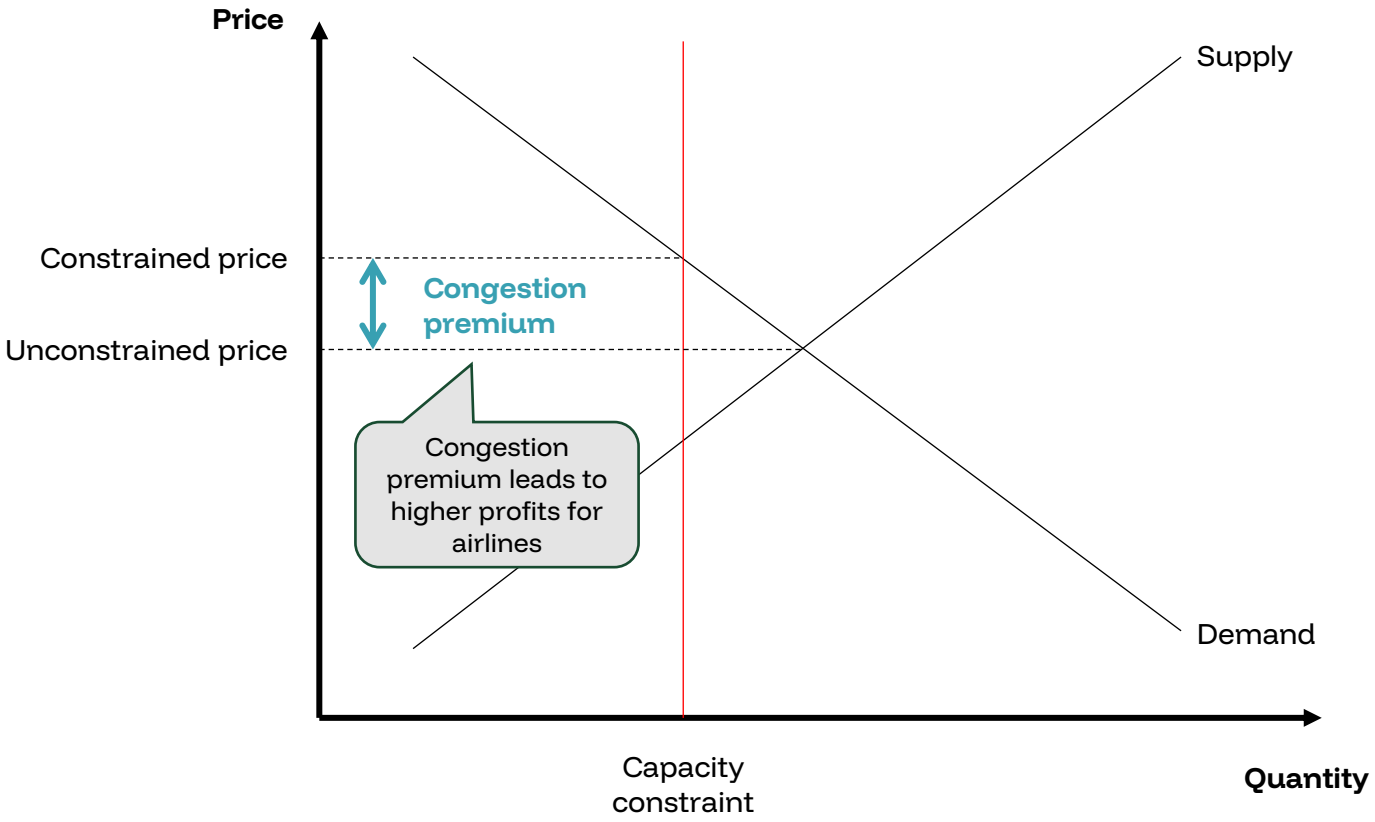
£31bn wider economic benefits (bottom-up calculation)
Trade, investment, productivity gains. In practice, these depend on hub connectivity, which would be threatened by high and uncompetitive charges

These benefits depend on Heathrow maintaining hub competitiveness - which depends on charges remaining affordable.
Frontier's flat-charges assumption contaminates both the £79bn and the £31bn simultaneously.

Source: Frontier Economics

Frontier's £79bn 'passenger benefit' comes almost entirely from removing an assumed congestion premium

Stylised framework underpinning Frontier analysis



- Frontier's analysis is based on fares at LHR being inflated by a congestion premium due to excess passenger demand.
- Frontier assumes that this premium will grow over time, absent expansion, as an underlying supply and demand imbalance grows.
- The premium results in higher profits for the airlines at LHR (through them capturing scarcity rents).
- Removing the capacity constraint will mean that the congestion premium will be passed to passengers through lower fares, resulting in lower profits for airlines.
- Frontier estimates a £79bn 'passenger benefit' associated with removing the claimed congestion premium.

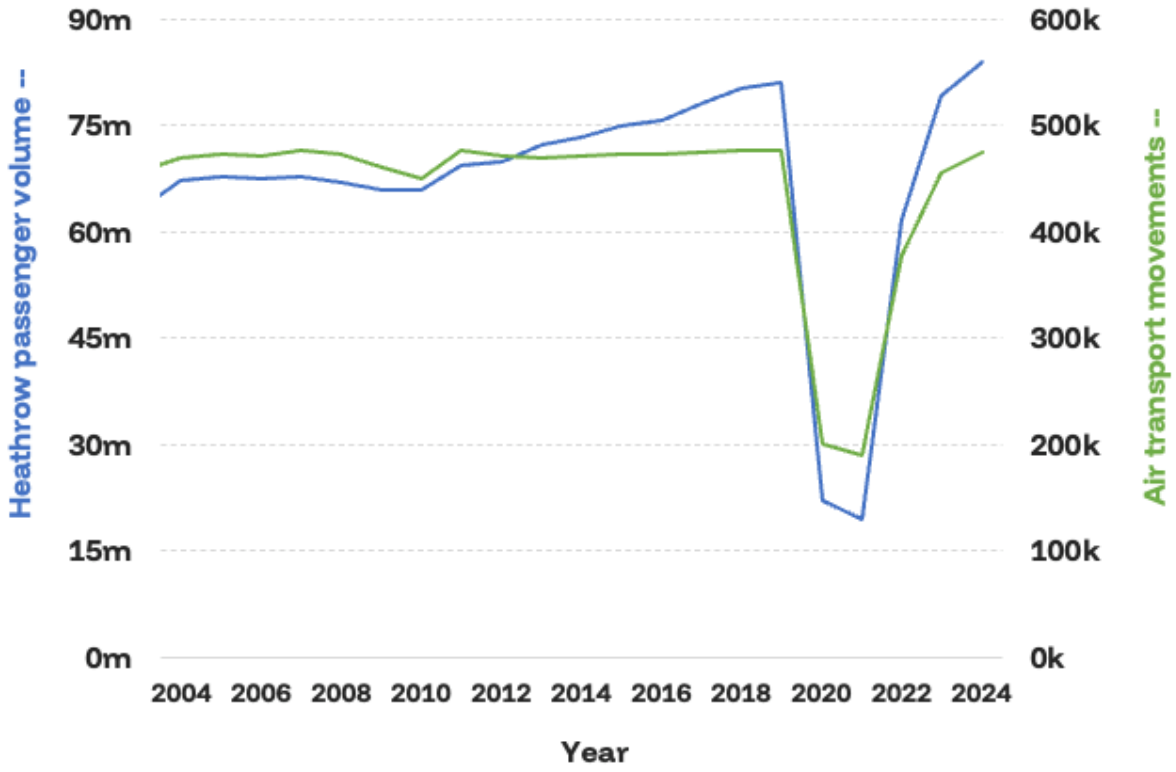
Frontier's methodology has several critical dependencies

Step	Summary of approach
1) Heathrow is full	• Airport capped at 480,000 flights per year; demand already exceeds supply. • Frontier assumes this constraint results in airlines raising prices to ration demand.
2) Estimate the congestion premium	• Compare average ticket prices at Heathrow with other major European hubs. • Find fares about £80 higher (short-haul) and £250 higher (long-haul return). • Treat this fare gap as a "scarcity rent" – assumed to be captured by airlines because of limited capacity.
3) Forecast how the premium evolves	• Premium assumed to rise from c.£3.5bn per year today to £10bn by 2050 as demand grows faster than capacity.
4) Model the effect of new capacity	• Expansion (2R+ or 3R) assumed to remove the premium by easing constraints. • Uses a single price elasticity of demand = –0.9 (UK-aviation average – not Heathrow-specific) to convert lower prices into higher passenger volumes.
5) Add up the savings across all passengers and years	• Fare savings × passenger numbers × 60 years = c.£79 bn NPV (£, 2024 prices). • This 'ticket price saving' accounts for > 60 % of total quantified benefits in the 3R scenario and > 65% in 2R+.

Key dependencies for these results include:

- Airlines earn sustained higher profits (no consistent evidence for this).
- Analysis of average ticket prices is a good proxy for congestion premium/ scarcity rents (it isn't).
- Airport charges stay flat (contradicted by HAL forecasts; questioned by CAA).
- All Heathrow passengers respond to price like the UK average (they don't).
- New capacity is a perfect substitute for existing (it isn't).

While LHR is operating at or close to the ATM cap, airlines can and do optimise capacity to respond to passenger demand



Source: Heathrow Airport, Traffic Statistics; Heathrow Airport, Operational Data; DfT, Air Traffic at UK Airports

- **The ATM cap* has not prevented passenger volumes from growing in response to demand – there is no direct cap on passenger volumes.**
- **Airlines constantly optimise by adjusting cabin configurations, aircraft size and capacity to respond to underlying demand.**
    - Such optimisation has allowed the airlines to grow passenger volumes in response to underlying growth in demand, despite LHR operating at the ATM cap.
- ATM cap can result in routes for which there is currently unmet direct demand not being serviced.
    - But routes not provided will not result in a congestion premium.

Despite the ATM cap, airlines have still been able to grow passenger volumes over the last decade

* i.e. 480k ATMs per year

Every key Frontier assumption leads to it overstating benefits

	Frontier's assumptions	Direction of effect
Cost assumptions	Costs of expansion do not result in higher LHR charges	▲ Overstates benefits / understates costs
Demand assumptions	'Congestion premium' treated as airline profit	▲ Inflates consumer-fare savings
	Elasticity applied uniformly (-0.9 UK average)	▲ Simplifies behaviour; overall effect likely inflates passenger benefits
Structural assumptions	All capacity treated as interchangeable	▲ Overstates ability to reduce congestion and economic value

All major assumptions push the same way – inflating benefits and suppressing costs. Correcting them brings Frontier's analysis closer to economic reality.

Note: The CAA has itself noted that Frontier's analysis did not consider the extent to which expansion construction costs might be borne by consumers through higher airport charges (CAP3238, para 2.51). Charge pass-through is therefore an additional assumption inflating net benefits that the table above does not capture.

2. Evidence on profitability does not support higher airline profits at Heathrow

Frontier's logic requires LHR airlines to be earning higher profits from scarcity rents, but the evidence does not support this…

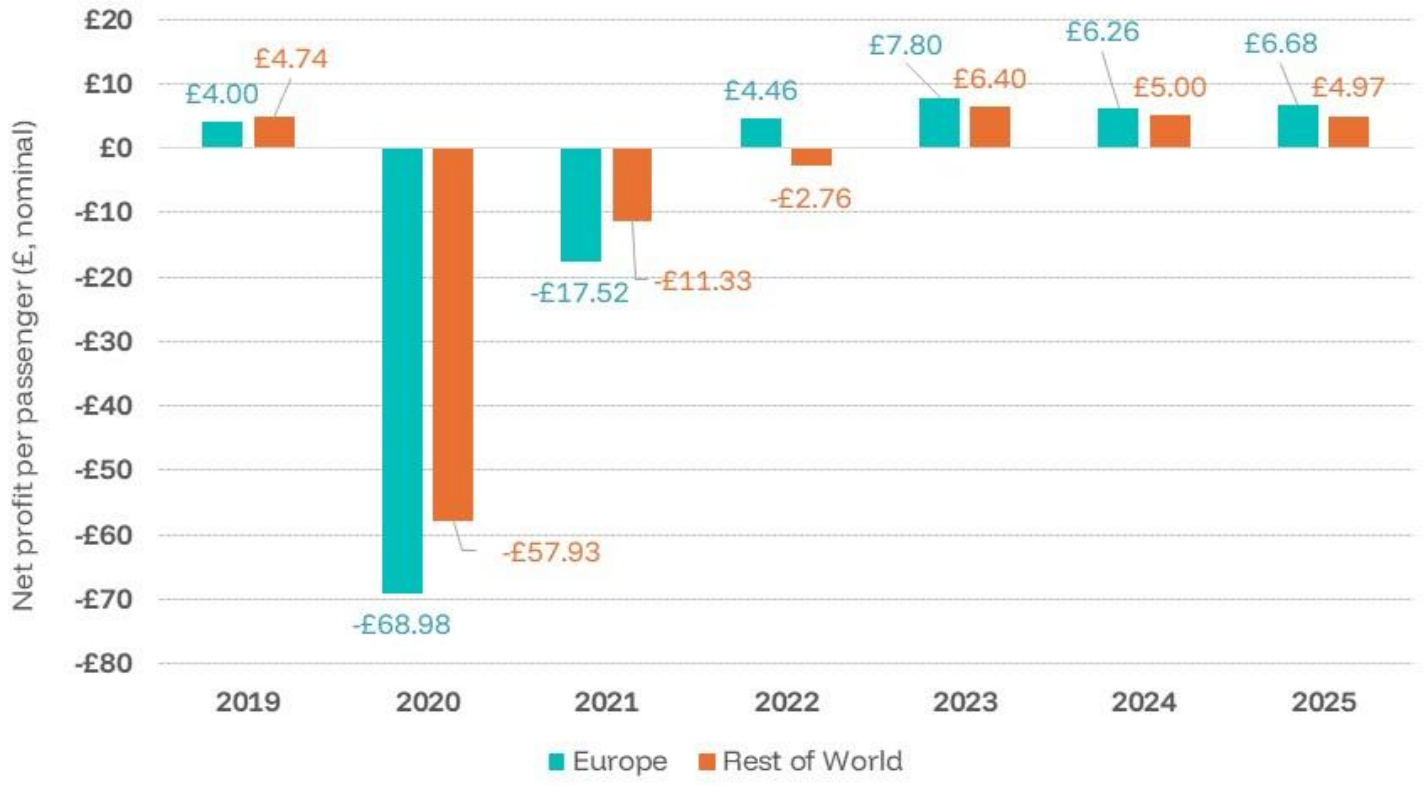
What Frontier's story implies	• If Heathrow's capacity constraint creates scarcity rents that the airlines are capturing, airlines should have higher profitability than peers at less constrained hubs. • Those rents would appear in higher profitability today, with competition post-expansion resulting in the scarcity rents being passed on to consumers as lower fares.

What we actually observe	• No consistent pattern of Heathrow-based airlines outperforming peers. • Intuitively: rents → profits; no excess profits → no rents. • Frontier never tested this direct evidence; it inferred rents from inferior proxies (average fares, slot prices, simple economic theory). • IAG's paper (March 2026) tests this directly across multiple methodologies and finds no evidence of sustained excess returns consistent with scarcity rents at the scale Frontier claims.

If airlines are capturing scarcity rents, their margins would show them – but they don't.

Strong airline competition means that airline margins are thin, with little headroom to absorb increased costs

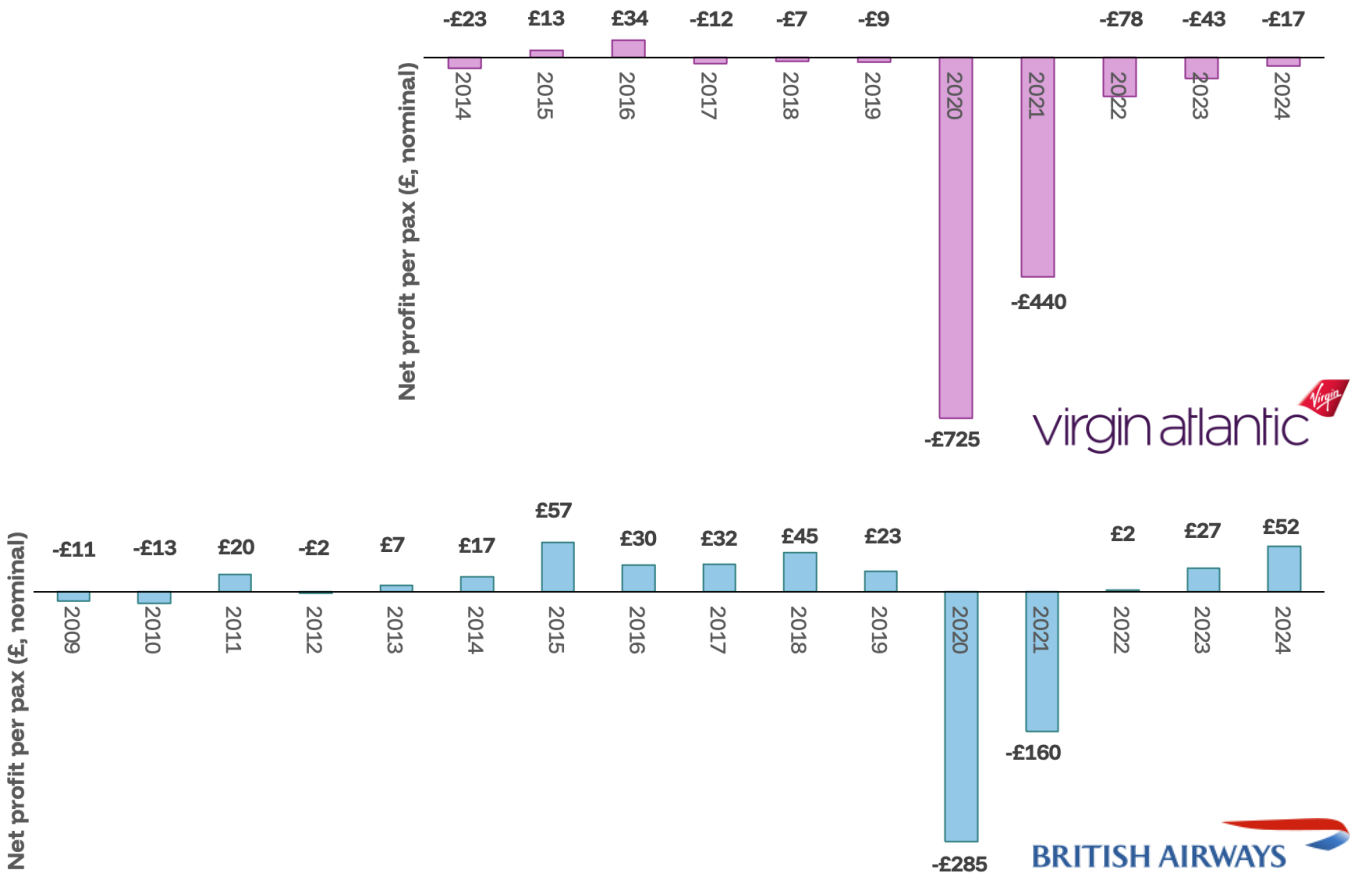
IATA: Net profit per passenger for Europe and Rest of the World



Evidence from IATA on airline margins in Europe and globally shows margins are thin

Source: IATA – Industry Factsheet 2025 (2019-2025); IATA – Industry Factsheet 2020 (2015-2018); currency conversion from USD to GBP using data from uk.investing.com
Note: 2024 is expected; 2025 is forecast. Net profit per departing passenger as reported overall by IATA (i.e. Europe), with Rest of World calculated as the difference between Global and Europe

Evidence on net profits per passenger of Heathrow's home carriers does not support Frontier's argument



Consistent with the IATA analysis, margins are thin for airlines based at LHR → airlines are not benefiting from scarcity rents to share with passengers

Source: Annual reports for Virgin Atlantic (2014-2024) and British Airways (2009-2024)

Analysis of IAG airline profitability shows that BA's profitability has been broadly comparable to airlines based at other hubs

IAG airlines: Operating profit margin (2015-2024)

Source: Analysis of Refinitiv annual reports segment data for IAG, 2015 - 2024

Airline	Average , 2015 to 2024 (excl. 2020, 2021)
Aer Lingus	11%
British Airways	11%
Iberia	8%
Vueling	16%

Source: Analysis of Refinitiv annual reports segment data for IAG, 2015 – 2024. Average reflects weighted average: sum of operating profits divided by sum of revenues over the stated period.

Note: both Madrid and Dublin are in the same group of airports used by Frontier

Evidence on BA's profitability relative to other IAG airlines does not support a LHR premium

Note: HAL's comparison uses BA vs. industry average, which conflates long-haul premium network mix with slot scarcity. Intra-group comparison controls for this. Using HAL's own cited source (i.e. BA's outperformance owing to "wealthy passengers in the London market") is a passenger composition effect, not a capacity constraint effect; HAL is using its own evidence inconsistently.
The CAA's own 2019 independent review found scarcity rent accrual would vary significantly by airline, with some earning limited or zero rents (CAP3238, 2.43). The intra-group comparison is consistent with this finding - it is not consistent with Frontier's assumption of a uniform premium across all carriers.

3. Competition constrains airlines at LHR from capturing scarcity rents

Frontier assumes airlines at Heathrow can raise prices freely to capture scarcity rents – but they can't

Global competition

- Passengers can route via AMS, CDG, FRA, DOH, IST, DXB, etc if Heathrow fares rise.
- LHR has 80+ operating airlines – slot market is relatively fragmented - giving passengers more carrier choice than other airports.
- Passenger choice means that airlines at LHR face competition.

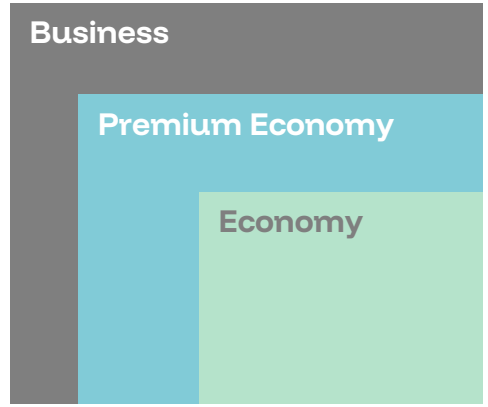
Granular, real-time competition

- Airlines price thousands of seat–fare combinations, not one 'Heathrow fare'.
- Fares vary by timing, booking window, cabin mix, and load factor.
- Prices adjust continuously across all channels in response to market conditions.

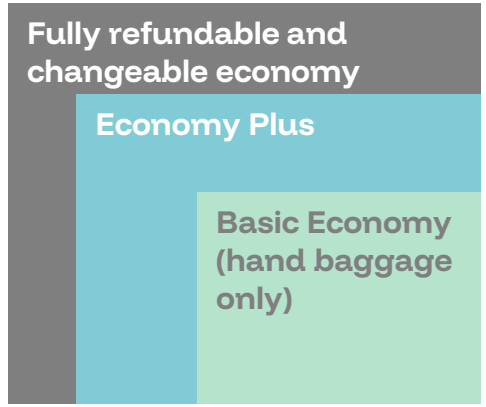
Frontier's analysis ignores how airlines compete in practice: airlines cannot unilaterally raise prices to capture rents

Airlines can provide more insight on competition bi-laterally

Different cabin class



Nested inventory



Note: The CAA has noted there are 'plausible scenarios' where scarcity rents are material. The evidence on this slide explains why even where a premium exists, airlines cannot freely extract it as profit - passengers have routing alternatives that cap the extractable margin.

Passengers travelling to or from London face alternatives to flying direct – fares are constrained by competition

We have been conservative and **have assumed that the premium only impacts on point-to-point passengers**...

The rationale is that transfer passengers may have multiple options for how they connect to their final destination... Because passengers have multiple options, airlines offering a connection via Heathrow may find that any increase in their price will result in passengers choosing to fly via other hubs instead. This competition (and relatively limited differentiation) ensures that airlines may not be able to increase their prices even if there is excess demand at Heathrow... **However, for O/D passengers wishing to fly on direct routes, Heathrow may be the only option in London, and passengers may have no direct outside options.**

- O/D passengers who choose to fly on direct routes could choose to fly via other London airports and international hubs too.
    - Even if passengers choose to fly direct, their **fares are constrained by the outside options** of flying from other London airports or indirectly via other international hubs.
    - Airlines based at other international hubs have a **strong strategic incentive to attract passengers from LHR** to feed their hubs.
    - LHR is well connected to other international hubs and airlines based at other hubs can **optimise the capacity they provide on their LHR routes**.
- **Airlines can provide more details on competition and pricing decisions in bilateral meetings.**

Source: Frontier Economics, Estimating the Congestion Premium at Heathrow, May 2019, page 33, link.

Example: Passengers have lots of choice to fly between LHR and Singapore, including numerous indirect routes

#1	Passengers can choose between hub and point-to-point airlines offering direct routes

BRITISH AIRWAYS

QANTAS

SINGAPORE AIRLINES

#2	Passengers can choose from numerous indirect options from airlines that use other hubs

AIRFRANCE

Lufthansa

KLM

SWISS

FINNAIR

中國東方航空 CHINA EASTERN

THAI

Emirates

QATAR AIRWAYS القطرية

الإتحاد ETIHAD

طيران الخليج GULF AIR

By attracting connecting passengers from Heathrow, carriers on indirect routes enhance the network effects of their hubs – creating a strong strategic incentive to compete aggressively

4. Frontier's analysis suffers from material data and analytical limitations

Summary: Frontier's analysis suffers from methodological flaws

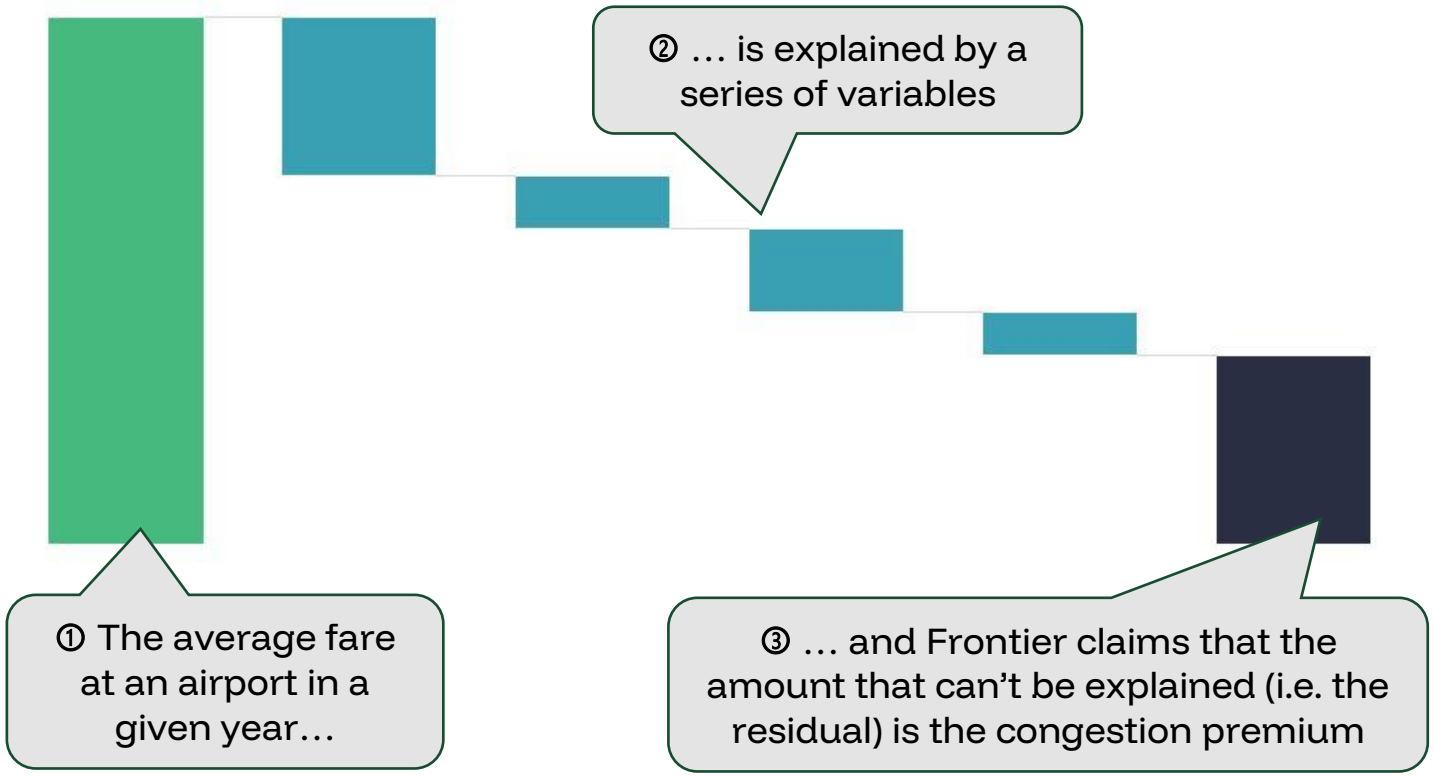
Flaw	What Frontier does	Why it fails
Omitted variable bias	Attributes unexplained fare residuals to congestion premium	Estimated premium turns solely on whether the regression sufficiently controls for explanatory factors APD, airport charges, product mix, market composition, and point-of-sale differences are not controlled – these alone would explain most of the fare gap.
Unreliable data	Uses IATA AirportIS averaged, anonymised fare data	Strips out product-level detail needed to distinguish fare variation; regression results are unreliable by construction
Single demand elasticity	Applies UK-average PED of -0.9 for all passengers over 60 years	No sensitivity analysis provided to illustrate recent changes; use of average elasticity underplays how much demand (at the margin) falls when prices rise
Perfect substitutability	Assumes all new capacity is a perfect substitute for existing	Hub economics depend on capacity composition: short-haul feeds long-haul; LCC point-to-point does not relieve long-haul congestion
Charge pass-through omitted	Expansion costs modelled as zero impact on airport charges (i.e. not considered explicitly)	The CAA has itself noted Frontier did not consider the extent to which construction costs would be borne by consumers through higher charges (CAP3238, 2.51). If charges rise materially, the fare-saving mechanism partially or fully inverts.

All major assumptions inflate benefits and suppress costs. Frontier acknowledges some of these limitations but treats them as modelling simplifications. In reality, they determine whether the congestion premium exists at all.

Frontier's study uses an econometric analysis to estimate the claimed 'congestion premium'

Congestion premium estimated econometrically using **IATA's AirportIS data** for **2016-2023**.

- **Average calendar year fare data** reported on individual routes for point-to-point passengers.
- Data for a sample of **10 European airports** (LHR, CDG, AMS, FRA, MAD, MUC, LGW, FCO, DUB, ZRH).
- Supplemented with additional control variable data from OAG, Bloomberg and SkyTrax.



> Under this approach, the premium is estimated as a 'residual', and is therefore exposed to the risk of omitted variable bias (OVB) – i.e. perhaps the difference is not driven by congestion, but by something else.

Source: Frontier Economics, Heathrow Expansion CBA, August 2025, page 49, link.

Frontier wrongly attributes fare differences to a 'congestion premium'

Underlying dataset is unreliable for this purpose	• Base fares data is highly aggregated to, removing important nuance needed to understand underlying drivers of fare variation. ○ **Running regressions on the masked data leads to unreliable results.** • Dataset used does not cover all passengers and fares – coverage of point-to-point passengers is lower.
Frontier mis-attributes what remains to "congestion premium"	• **Average fares differ across airports for many reasons – Frontier controls for some but not all.** ○ e.g. **airlines sell many differentiated products**, often with different underlying costs (e.g. baggage costs). Underlying base data and **Frontier's analysis do not capture this differentiation**. • **Result: Frontier identifies revenue differences as being a "congestion premium" when they're really capturing uncontrolled variables.**
Revenues are not the same as profits	• **Higher revenues at LHR do not necessarily translate to higher profits if costs are also higher**. • Heathrow's charges are significantly higher than comparator airports – not controlled for in regression. • If costs rise proportionally, no "rent" exists to share with passengers.

Frontier's control variables miss important drivers of fares and airline profits

Controls used by Frontier

Destination: No control variable for destination – all routes treated the same, but they are not. Market conditions for primarily leisure routes are different from those that are more business-focused.

Dynamic optimisation: Doesn't fully capture the dynamic process of airlines optimising cabin configurations, aircraft size and capacity over the year.

Cost variables: Jet fuel price is the only cost control variable used – no control for airport charges or other potential drivers in cost differences.

- **Distance of route flown**
- **Frequency (own and other)**
- **Average number of seats per departure**
- **LCC share**
- **European jet fuel price**
- **Transfer share**
- **Skytrax rank**
- **Business class share**
- **Airport competition**
- **Route competition**

Product mix: Only one control for product mix included – cabin class. But even this is flawed. Premium economy, business and first class all treated as the same, despite significant differences in products, revenues and costs.

Product differentiation: Approach fails to capture the full extent of product differentiation (e.g. for different fare class within cabins) which can vary significantly across airlines. Costs for differentiated products can vary materially.

Frontier relies on one demand elasticity – simplified and untested

Frontier's assumption	• Uses -0.9 average price elasticity (UK-wide average) for all passengers throughout 60-year horizon.
Why this is problematic	• **Average vs marginal**: Elasticity works at the margin – most price-sensitive passengers respond first. Using average elasticity underplays how much demand falls when prices rise; a higher elasticity would reduce the £79bn figure. • **One size doesn't fit all**: DfT (2022) estimates range from -0.2 (business) to -1.1 (leisure). Academic studies show how challenging it is to reliably estimate the price elasticity of demand. Frontier uses a highly-simplified approach. • **Post-pandemic shifts**: Travel patterns changed - corporates mandate premium economy/economy for <8hr flights, video calls substitute. Leisure travel has also changed. Pre-2020 elasticities may no longer be applicable (i.e. not price sensitive enough). • **Small changes matter**: Small changes in elasticity materially change the £79bn result – but Frontier does not provide any such sensitivity analysis.

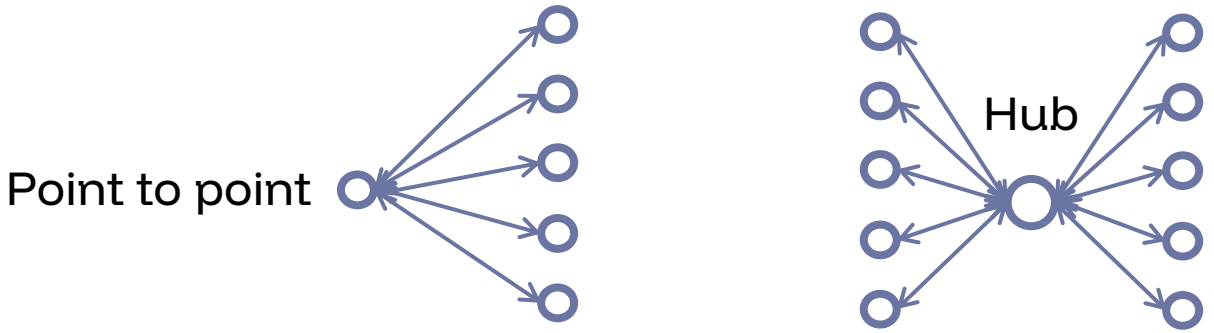
	Current model (using data to 2017)
	PED
All business	-0.2
All leisure	-1.1
Domestic	-0.6
Southern Europe	-1.0
Rest of Europe	-0.9
OECD	-0.9
Rest of World	-0.9
All UK residents	-0.9
All foreign residents	-0.9

Source: DfT, Econometric Models to Estimate Demand Elasticities for the National Air Passenger Demand Mode, 2022, link.

£79bn benefit rests on one elasticity assumption – there is no documented check of what happens if demand is more or less sensitive to price changes.

Frontier assumes all new capacity is a perfect substitute – it isn't

Frontier's assumption	• *"For simplicity, we assume that the extra capacity that is added under the expansion scenarios is viewed by existing demand as a perfect substitute to the incumbents' capacity".*
Why this is problematic	• **Hub economics**: Short-haul feeds long-haul. LCC point-to-point capacity doesn't substitute for network connecting capacity. • **Routes:** Where new capacity is deployed on new routes, it isn't a substitute for existing routes. • **Short-haul v long-haul:** Additional short-haul capacity is not a substitute for long-haul capacity. • **Route viability**: Many routes at LHR rely on a material proportion of connecting traffic. New capacity that doesn't support connections doesn't relieve their congestion. • **Passenger types**: Business/premium capacity serves different demand than leisure/economy. Not fungible across segments.



Frontier acknowledges the assumption's weakness but treats it as a modelling simplification, not a critical flaw.

Frontier has previously also used slot values as a proxy, but this approach is also flawed

Frontier's approach	• Uses historical slot transaction prices as proxy evidence for scarcity rents at Heathrow (see below from Frontier's 2019 paper on the 'Estimating the congestion premium at Heathrow' for HAL).
Why this doesn't work	• **Sample size**: Slot trades used account for <3% of total annual slot allocations – too small to be representative of market-wide valuation and as a result cannot be used as a reliable basis for extrapolation. • **Slot valuations reflect network planning value**: Valuations of slots reflect a range of strategic network and alliance optimisation decisions, not just local profitability considerations.

Data supplied by HAL						Frontier calculations		
Date	Purchaser	Previous Owner	Daily Slots	Total Price	Av. Price per daily slot	Number of slots	Average price per slot (£1000)	Total value of slots (£bn)
Feb-13	EY	9W	1x early am, 2x pm	$70m	$23.3m	84	£533	£10
Aug-14	EY	AZ	3x pm, 2x evening	€60m	€12m	133	£364	£7
Feb-15	TK	SK	1x pm	$22m	$22m	28	£514	£9
Feb-15	AA	SK	1x early am	$60m	$60m	28	£1,402	£26
Oct-15	DL	AF/KL	6x am/early pm	$276m	$46m	168	£1,075	£20
Feb-16	WY	AF/KL	1x early am	$75m	$75m	28	£1,983	£37
Jan-17	DL	OY	5/wk am	$19.5m	$27.3m	20	£757	£14
Mar-17	AA	SK	1x am, 1x early pm	$75m	$37.5m	56	£1,039	£19
						AVERAGE	£812	£15
						MINIMUM	£364	£7

Many of the slot trades involve switching from short-haul use to more efficient long-haul use

Source: *Heathrow slot price data, ACL completed slot trades database, Frontier calculations.*

Note: *The record Oman Air $75m purchase is excluded from the overall results as an outlier.*

5. Expansion will put upward pressure on fares

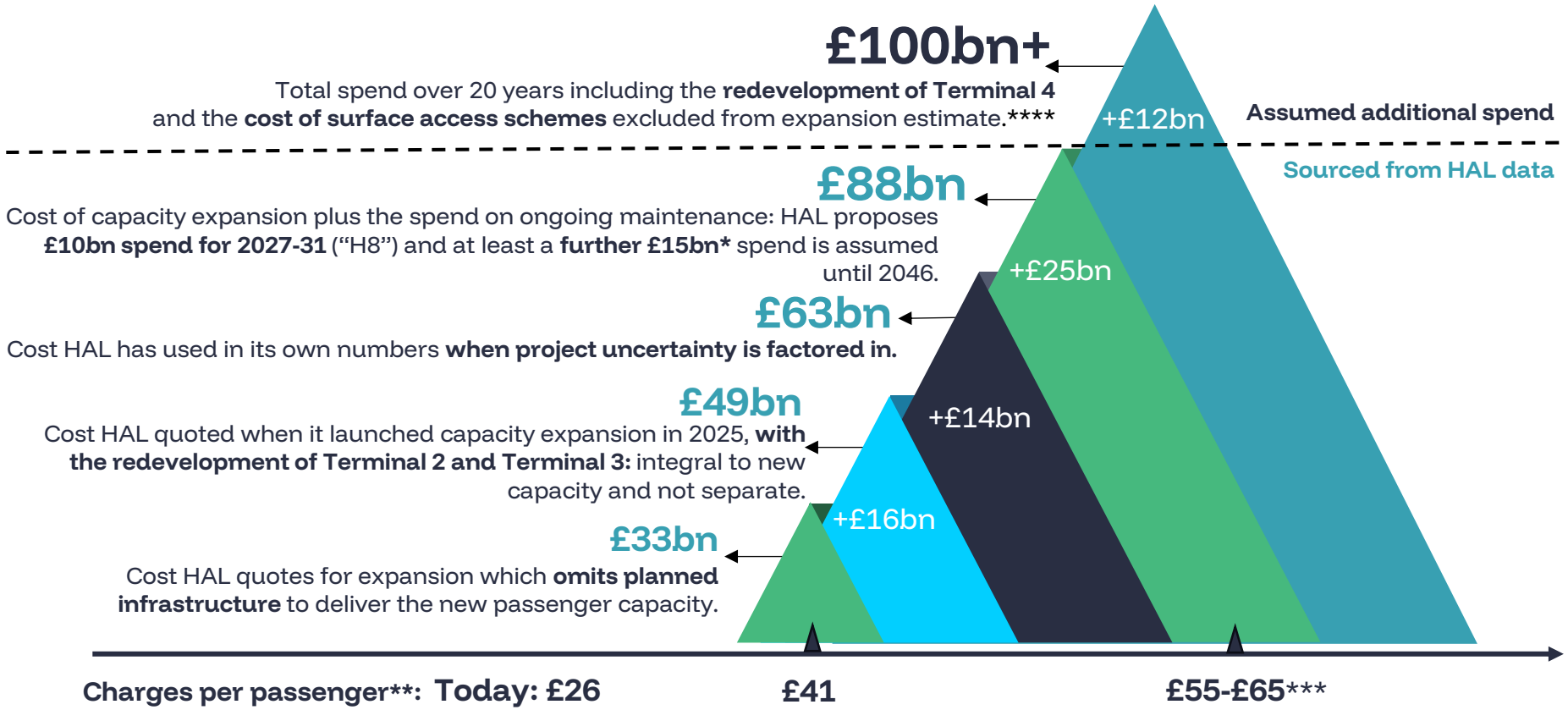
Frontier assumes flat charges – but expansion will require substantial increases

Frontier's assumption	• Airport charges held constant in real terms over 60-year appraisal period
The reality	• HAL's expansion capex estimate: £49bn • Charges must rise to recover costs under regulatory model • Current: Heathrow's charges are already the highest in the world • Post-expansion: 2-3x current levels (see next slides) depending on capex and utilisation
Why this matters	• Puts upward pressure on fares • Undermines attractiveness of Heathrow as a hub • Transfer passengers (50%, including 'beyond'*, per Frontier) highly sensitive to charge differences – undermining the hub • Marginal routes become unviable

Airports Commission warned: that *"The assumption that the aero charges can be passed through with no effects on demand and net user benefits seems to us a very strong assumption"*
It appears Frontier has discarded this advice and the Commission's approach

* Beyond' passengers refers to Frontier's terminology for passengers whose origin or destination is outside the UK, connecting through Heathrow to reach their final destination (e.g., Dublin-Heathrow-New York). Frontier distinguishes these from UK-originating point-to-point passengers, noting that 'beyond' passengers have multiple hub routing options and therefore face fuller competition. Frontier's analysis assumes only UK point-to-point passengers could pay a congestion premium, estimating 'beyond' passengers at approximately 50% of total traffic.

HAL's capex plans suggest charges could more than double – this is absent from Frontier's analysis

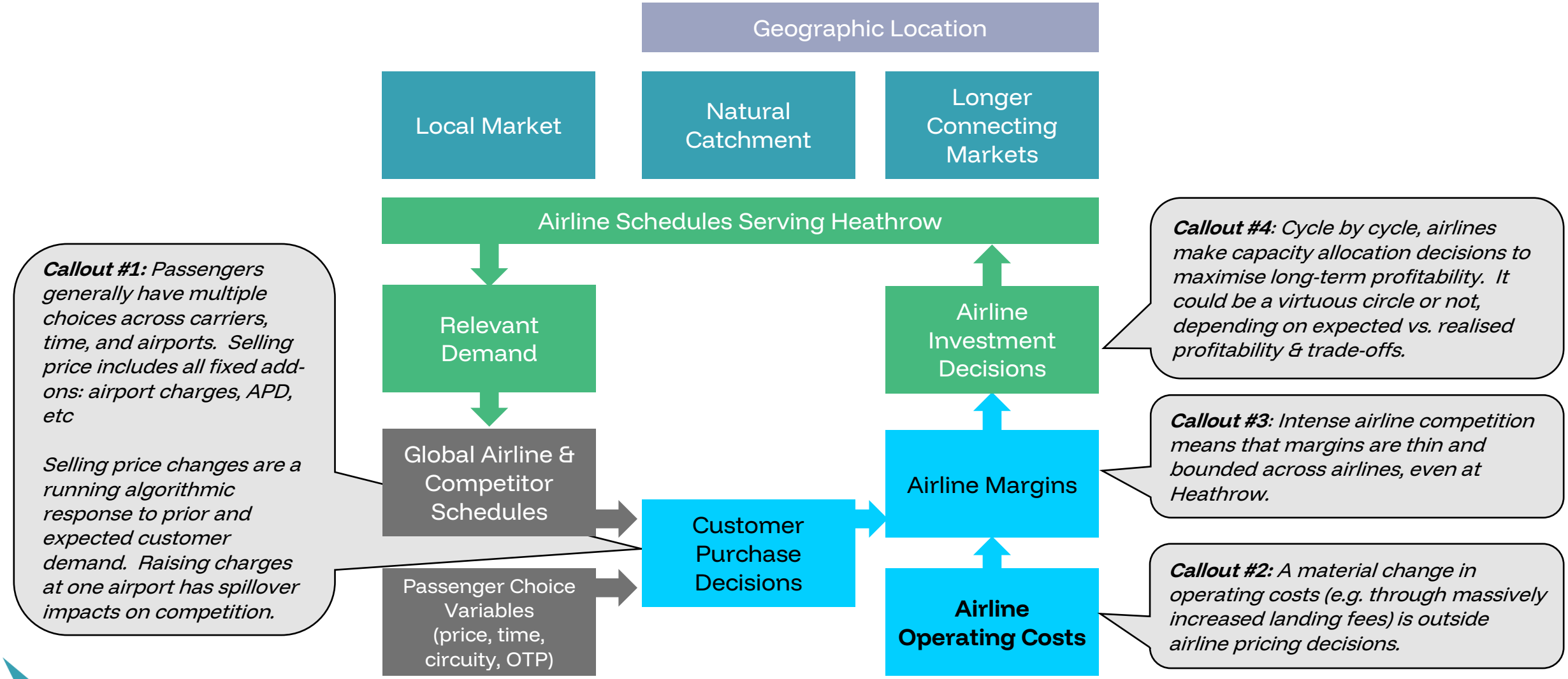


Unaffordable charges risk undermining the success and benefits for expansion and modernisation

**Estimate could double to £30bn if HAL spends at same annual rate it has proposed for "H8".*
*** Impact of additional charges per passenger are double for a return trip - making a round trip £60 per passenger more expensive than today or £240 for a family of four going on holiday.*
****£55 charge per passenger reflects a £49bn spend on capacity expansion. £65 charge occurs if HAL spends £63bn on capacity expansion. These scenarios are optimistic as they assume a full airport with no cost and time overrun and include estimated ongoing maintenance costs of £25bn.*
***** In the event that HAL seeks to pass on the cost of rail and other surface access schemes through airport charges, charges will increase beyond £55-65 per passenger*

Note: The CAA has itself noted Frontier did not consider the extent to which construction costs would be borne by consumers through higher charges (CAP3238, 2.51). It also acknowledged that if HAL's capex plans reached the levels as indicated by Steer's report for the CAA (i.e. £33-52bn compared to HAL's £33bn), this could lead to a doubling of charges from today's current levels in real terms.

Increases in LHR charges are a threat to hub operations and the economic benefits of expansion



6. Expansion can deliver large-scale economic benefits, but it relies on efficient delivery

Frontier's model unduly focusses on fares, not hub viability or competitiveness

Frontier's approach	• Frontier's congestion premium model is built around **a simple static relationship** between capacity and fares – i.e. if capacity expands, fares fall (assuming constant costs).
What Frontier's approach misses	• **Hub competitiveness**: Transfer passengers already declining (LHR 20% vs peers 40-50%). Charges rising will accelerate this shift to other hub peers AMS/CDG/FRA/DOH. • **Route-level viability**: Charges rising risk making marginal routes unviable. Multiple routes depend on connecting traffic to sustain frequencies. • **Dynamic feedback loop**: Frontier's model treats hub competitiveness as static – in reality, it evolves with costs and airline investment decisions. Higher charges → reduced airline network investment → hub function erodes. • **Wider economic value**: Trade, investment, productivity spillovers (£100bn+ per Frontier's CGE analysis*) depend on connectivity that the congestion-premium model doesn't link to charge levels.

** Frontier's CGE modelling focuses on GDP/consumption effects but assumes the same route structure and hub dynamics as the static model.*

Expansion can deliver very large benefits - but only if charges are affordable

The case for expansion is strong. But the benefits stem from connectivity and that relies on airlines being able to invest.

The real prize is connectivity benefits

Frontier values wider economic benefits from expansion at up to **£184bn – trade, investment, and productivity gains from strengthened hub connectivity**.

Airlines need to invest to unlock those benefits

Airlines would need to **invest c.£65bn** in aircraft to convert airport capacity into connectivity. This **only happens if they can cover their cost of capital, which requires LHR to be affordable.**

High charges erode the viability of hubs and connectivity

If charges rise to the levels implied by HAL's plans, **transfer passengers move to other hubs. Marginal routes become unviable. The hub network shrinks, and the benefits are not realised**. Heathrow risks being a '**distressed asset**'.

Speed of expansion cannot be prioritised over making sure it is based on the right regulatory model and foundations

- The key question is: can expansion be delivered **efficiently enough to keep charges at a level that sustain hub operations and enable the wider economic benefits?**
- **Prioritising speed over having the right regulatory model** to deliver affordable expansion would be **inconsistent with the CAA's duties** – it risks the airport being **unaffordable for airlines and passengers to use**.

Heathrow Reimagined members support expansion – it is a major growth opportunity.
What they cannot support is expansion at a cost level that makes operating unviable – expansion must be affordable