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Heathrow Response to CAP3173 - Update on the regulatory treatment of the early costs of capacity expansion at Heathrow Airport

Further to our letter dated 6 October 2025 and our subsequent meeting on 8 October 2025, we set out some further submissions regarding the CAA's position set out in CAP3173. We recognise the challenges that a project of this nature raises for a regulator and therefore, in advance of the CAA's autumn consultation, we wish to address a number of matters to support the CAA in its preparation for that consultation.

In CAP3173, the CAA has set out an approach whereby Heathrow's early planning costs incurred in 2025 and the first half of 2026 will be recoverable under a new framework which:

- recovers efficient early planning costs via the RAB and Heathrow's airport charges via a new licence condition;
- applies an ex-post review of costs by the CAA prior to recovery via such new mechanism;
- requires independent audit of costs;
- applies incentives for efficient costs and a successful DCO application; and
- requires regular submissions on forecast and outturn costs, with supporting justifications.

The CAA has then said it will address further matters in its Autumn consultation, including:

- further details on the planning costs framework set out above;
- proposed licence amendment to enable recovery of Heathrow's early planning costs;
- efficiency incentives on early costs;
- recovery framework for early enabling costs (including land acquisition costs) as well as planning costs incurred in the latter half of 2026;
- proposals for cost recovery of third-party costs as well as the mechanism for their recovery;
- proposals for promoters to coordinate approaches and information in respect of enabling and property acquisition activities; and
- wider framework for regulation of expansion costs.

As you are aware, the Heathrow expansion project is proposed to be entirely privately financed. To proceed in line with Government's stated objectives and deliver against Government's timetable, at an efficient cost, it is crucial that we maintain both investor confidence and pace in order to deliver the clear consumer and economic benefits of the project. The CAA's current approach is not supporting those outcomes.

Whilst CAP3173 provides some useful initial indications from the CAA it does not provide a sufficiently clear policy decision on early costs to maintain the required confidence or pace.

We also acknowledge that in CAP3173 the CAA is responding to input from airlines who currently operate at Heathrow, but note it is also important that the CAA engages with airlines who may also wish to operate at Heathrow in the future to understand their views and future requirements.

In summary:

- the proposed approach is not consistent with timely delivery of the DCO in line with government objectives for opening a runway within a decade, nor a 2029 DCO approval;
- investors cannot be expected to trigger significant mobilisation of resources and funds with such uncertainty over the terms on which they can expect to recoup that investment, particularly in the case of withdrawing;
- the CAA should instead approve a change to Heathrow's H7 capital cap using the existing methodology set out therein, which would provide a speedier and less-resource intensive process for confirming recoverability and enabling Heathrow to include these costs in aeronautical pricing consultation proposals from 2026;
- there needs to be a clearly balanced approach to risk and reward, commensurate with the scale and nature of the investment being made, which is not the case at present with the significant asymmetry presented by the CAA;
- the proposals as they stand will delay consumer benefits arising from the timely delivery of a DCO and expansion. Relative to our proposed approach for early costs, we estimate the CAA's proposed approach may introduce around 6 months of delay which would cost consumers £1.3B. We are concerned that the CAA appears not to have given this due consideration.

We seek a further meeting with you and your team to understand your views on these matters. We also look forward to exploring alternative ways in which the CAA can provide appropriate confidence to investors and not delay consumer benefits from timely delivery.

Confidentiality

This submission includes business confidential information which we are sharing (or re-sharing) with the CAA to assist your consideration but would cause substantial harm to our legitimate business interests if made publicly available.

Matters on which an immediate change of course is needed

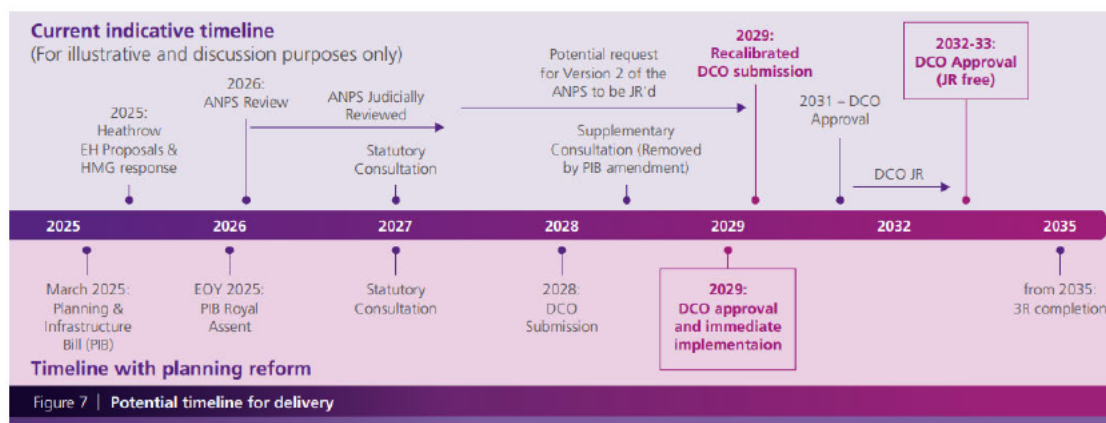
Enabling costs and H2 2026 planning costs

To meet the Government's timetable for expansion, substantial planning and enabling investments are needed now, but the current approach lacks cost recovery certainty, undermines investor confidence, and risks benefits to the consumer being realised, therefore not supporting the CAA's general duty to further such consumer interests. Based on the 2024 review done by Frontier Economics, a third runway would deliver around 0.43% incremental GDP by 2050, with a cumulative monetary value of annual GDP uplifts over the period 2024-2050 of £66 billion in net present value terms.¹ The Frontier work shows that a 1-year delay in expansion reduces the NPV of fare savings for consumers by £2.6bn. A 6-month delay would therefore cost consumers £1.3bn – this is several times the level of costs being sought to be recovered in 2025 and 2026.

Without additional certainty from the CAA, the timely and effective development of the DCO proposal will be impeded. We are concerned that the CAA's intent to defer questions on recovery of early enabling and property costs, and to place incentives on Heathrow in relation to a successful DCO, does not match to the expectations placed upon us by the DCO process.

We also note that it was not immediately apparent from CAP3149 that the CAA was considering a split approach on early costs and had this been fully explained, we would have made further submissions explaining the risks and impacts of doing so. As such, we have taken the opportunity to do so herein. As well as the impacts arising from the lack of certainty on cost recovery, splitting early costs into two categories, planning and enabling costs, will result in a categorisation requirement, adding unnecessary complexity at a stage where we need to progress with speed and agility.

The current indicative timeline for the consenting process for the expanding Heathrow programme is shown below, which demonstrates the very material amount of work that needs to take place in a compressed timescale, to enable DCO grant in 2029.²



¹ Frontier Economics - <https://www.frontier-economics.com/uk/en/news-and-insights/news/news-article-i21788-heathrow-expansion-cost-benefit-analysis/>

² Heathrow Airport Limited - Our Proposal for Expanding Heathrow
<https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/about/expansion/Expanding-Heathrow-proposal-summary-31-07-25.pdf>

Enabling/Property costs

Enabling/property costs, as compared to pure planning costs, which are required to be incurred in 2025 and 2026, include:

- work required to agree contracts for purchase and reprovisioning (or otherwise) of commercial property;
- launch of residential property bond scheme, Home Relocation Service and associated works;
- professional and consultancy work fees, in particular in respect of valuation.

Property

To obtain the land required to begin construction, Heathrow must purchase a substantial area of land which includes undeveloped land as well as community, residential and commercial land. To carry out these land purchases, they must be done either voluntarily or via compulsory purchase powers granted by the DCO.

As part of that DCO planning process, scheme developers must maximise and demonstrate the attempt of voluntary purchase, before compulsory purchase (CPO) is then required. Without property costs included and recoverable within our early costs, Heathrow may not be able to effectively negotiate and procure the necessary voluntary purchases, which would mean we could not demonstrate to the Planning Inspectorate (PINS) that we have done so during our DCO submission and examination procedure. This could, in turn, result in more challenges and hearings in relation to the inclusion of CPO powers in the DCO application.

We are also required, under ANPS requirements, to demonstrate proper compensation of affected landowners. If we cannot launch the necessary property bond schemes and blight acquisition programmes, it may also increase risk and likelihood of challenges throughout the DCO examination process.

The work required to enable the necessary land purchases is very substantial, has already incurred cost, and must continue at pace to meet Government timescales and enable DCO submission by the end of 2027, so it can be granted by the end of this Parliament in 2029.

To provide the necessary certainty to all involved and accounting for the complexity and long lead times for completion of the required purchases, spend must be incurred early in the planning process, and importantly this must be prior to DCO consent. If we do not make appropriate progress now, we will not have the necessary land available to begin on-time construction for runway opening in 2035.

In our letter of 31 July 2025, we set out a number of tables providing the quantum of our expected early costs, including a detailed breakdown of expected property costs and the timeframes in which they need to be incurred, for both commercial and residential property.

These cost projections are based on mitigating the impact on our communities most affected, to the levels set out in the ANPS, and on those commercial operators and corporate bodies who require significant lead times to relocate their businesses and facilities. We also set out some examples of specific sites and the applicable lead times to move those businesses.

If it would assist the CAA, we would be happy to facilitate a workshop to explain the anticipated land acquisition procedures and timetable in more detail, including specific case studies. Please let us know if this would be of interest to your team.

Commercial property

In respect of commercial property, the critical early steps include:

- property valuation procedures;
- negotiation of heads of terms, memorandum of understanding and/or option agreements setting out the purchase commitments (including details of costs for land/building purchases);
- identification and securing of contractual options to purchase replacement land/buildings;
- planning applications in respect of each new replacement development;
- proceed through governance to obtain decisions to trigger option agreements and purchase land/buildings; and
- proceed through governance to obtain decisions to enter contracts with contractors to construct reprovisioned facilities.

From the point at which we obtain governance consent to trigger the option agreements, we expect it to take 4 to 5 years to reprovision and move affected commercial occupiers into new facilities, and it is only after that time, when the land is vacant, that we can begin construction of the runway and associated facilities. An illustrative timescale for this is:

Stage	Timescale
Identify through site search a suitable relocation property – this could vary based on specification required.	
Negotiate terms and complete contractual agreement to purchase – includes valuation and legal due diligence procedures, which can extend the timeframe.	
Prepare, submit and obtain planning permission / change of use and so on (not allowing for any appeal, refusal or resubmission timescales, nor for EIA requirements which apply to certain developments).	
Tender, evaluate, appoint construction and fit out of new facilities – timescales will vary based on complexity of build and nature of fit out required.	
Commissioning of new equipment – if licences (waste, freeport, airside or other) are required, this could be longer.	
Relocation and removal from existing premises - the degree to which equipment and volume of materials being moved will influence this timescale.	

The major construction items in the programme will require all 6 years between DCO grant in 2029 and runway opening in 2035 to deliver, and to achieve this programme we must, by the point of the DCO being granted, have full readiness to begin this construction. This means completing design, procurement, property transactions, the various other required licences and consents, as well as those elements of early construction not directly reliant on the DCO, before the DCO is granted, so we must start these processes now to meet the target delivery date.

At present, following the CAA's position as set out in CAP3173, we are in a difficult position where (if costs of the work incurred in doing so can be recovered) we will need to try and agree the option agreements in the immediate future but without the certainty that we can incur the future spend or the capital spend required to secure the options themselves, which may impact confidence of such landowners to engage properly with us, and will result in additional contractual terms needing to be negotiated to allow options and construction contracts to be abandoned in the case that the costs certainty cannot be obtained, and may also require Heathrow to pay abortive costs in such circumstances, increasing the overall financial burden and overall project risk to Heathrow.

Major bilateral agreements and feasibility studies

This involves purchasing land from and/or relocating businesses who are within the development footprint.

As noted above, the DCO process requires us to explain with sufficient reasons, whether such businesses will be relocated or extinguished and to try to do so on a voluntary basis, before being granted powers of compulsory acquisition via the DCO.

To be able to provide that explanation by the DCO submission date, we must begin discussions now and be in a position to agree to future committal of property acquisition funds in formal contracts. If meaningful engagement cannot commence now, it is less likely that we can run a successful and timely development project as too much time will have been lost to enable each major business site to relocate in a prompt and controlled fashion. In our letter dated 31 July 2025, we set out details of the major displaced users requiring early costs funding, and high-level lead times to relocate each of their facilities. As noted above, we would be happy to facilitate a workshop with your team to discuss the timelines and practicalities in more detail.

For these reasons, it is our view that the CAA should reconsider its position and confirm now, at least the principle, that efficiently incurred enabling costs for 2025 and 2026 will be recoverable, even if it is necessary to wait for Government direction on the overall expansion programme or if the CAA needs to do further work to resolve additional concerns (also further addressed below).

Residential Property - Compulsory Purchase Zone residential bond launch

We set out in our letter dated 31 July 2025 the estimated number of homes in the Compulsory Purchase Zone (CPZ) of the ANPS red line scheme boundary, and the likely number of people who will be required to move home.

The residential bond, proposed to be launched from early 2026 (if agreed), would enable those homeowners in the CPZ to agree a contract with Heathrow, on a voluntary basis, setting out the financial/compensation offer they will receive on sale of their home to Heathrow. This will give them the option of early certainty therefore enabling them to start their search for a new property and make an offer on such

new property, with evidence of proof of funds required. A delay of even 6 to 12 months in launching the residential bond would be very likely to increase concerns within the local community and increase the number of residents needing to move in a shorter timescale later on.

This will be a complex and challenging process, requiring sensitive and thoughtful engagement with affected homeowners to support them as they relocate from their homes. We know through consistent feedback from residents directly affected, local community groups, elected representatives and the Council for the Independent Scrutiny of Heathrow Airport (CISHA), of the wellbeing impact that the burden of prolonged uncertainty has had on households, along with the understandable concern that this may continue in the years ahead.

To ensure the right level of support is in place for a large number of affected residents, and to offer the option of earlier certainty through a residential bond scheme, it is essential that we begin preparing for the possibility of a bond launch now. Starting early will help to avoid a situation where residential purchases are compressed into a short window, preventing affected residents from planning adequately for their future, limiting Heathrow's ability to provide the support they need, and increasing the risk of compulsory purchase.

In addition, reducing the timeframe for purchases could put significant pressure on the supply chain for local advisers to affected homeowners (solicitors and removals etc) which could add further delay into project timelines and create more challenges for homeowners.

In our letter of 31 July 2025, we set out further details regarding the Home Relocation Service which needs to be established to enable launch of the residential bond. This needs to happen during 2025 so the bond can in turn be launched in early 2026, to enable the target date for DCO submission.

Planning costs for H2 2026

The CAA has not confirmed the position of recoverability of planning costs incurred in the latter part of 2026. For the reasons already stated, it is important that we get clarity now as to recoverability of such costs so we can proceed at pace with meeting Government's timetable for DCO grant and runway opening. Without such certainty, our ability to mobilise the workforce required to support DCO preparation is constrained, which in turn means we will not be able to work as effectively, consistently and efficiently as required to submit our DCO application on time. The CAA should reconsider this position and confirm now that efficiently incurred planning costs for the second half of 2026 will be recoverable.

Enabling costs, evidence of competition impacts and coordination of activities

One reason given by the CAA for not setting a policy now for early enabling costs (including land and property costs) is potential for impacts on competition, however, CAP3173 does not set out reasons why the CAA believes enabling costs could act as a barrier to competition nor what the CAA's concerns are in this area.

Furthermore, and as set out in our response to CAP3149, we remain concerned by the CAA's suggestion that we might be required to coordinate and share information with any alternative promoter(s) as this raises competition law risks (setting aside potential commercial risks and impacts).

We request further detail on the CAA's concerns and evidence on these issues, as well as on the specifics of the CAA's coordination proposals, so we can consider and make suggestions for how such concerns could be addressed.

Using Licence modification procedure

The licence amendment procedure proposed by the CAA to recover early planning costs, is not, in our view, the right approach in the circumstances. It would take a substantial amount of time to complete, introduces a long period of uncertainty alongside consequent risk of appeals, risking further delay to our ability to progress the substantial investments needed and could therefore compromise our ability to meet Government's timetable.

Planning costs include items such as (but not limited to) masterplanning, scheme development, town planning, socioeconomics work, environmental impact assessment, legal reviews and programme management.

Planning costs need to be incurred in 2025 and throughout all of 2026 to enable us to launch our formal DCO consultation by September 2026, to be able to submit our DCO application to PINS by December 2027. That in turn allows the PINS assessment to be carried out between January 2028 – April 2029, so Parliament can give DCO consent by the end of this Parliament (which also needs to allow for the purdah period). To enable this, we need to be able to progress at pace.

Our proposal is that the CAA should instead approve a change to Heathrow's H7 capital cap using the existing methodology set out therein, which would provide a speedier and less-resource intensive process for confirming recoverability and enabling Heathrow to include these costs in aeronautical pricing consultation proposals from 2026 (to be effective from 1 January 2027).

Efficiency incentives on early costs

We are and will be focused on ensuring we deliver expansion as efficiently as possible. We understand the CAA's desire to incentivise efficiency in delivering expansion. However, we are concerned that the incentives proposed in CAP3173 are poorly targeted for efficiency and undermine investability.

There are three separate elements to consider in respect of incentives:

- the impact on investability of the availability of cessation rights;
- incentives to produce a successful DCO application; and
- incentives to deliver the DCO efficiently.

Investability

Heathrow is currently investing ahead of the final details of the regulatory settlement for expansion being understood. Investors cannot make a final decision on expansion until the regulatory framework and WACC (along with other matters) are determined, and they need to be able to walk away at the point the proposals are unworkable.

In CAP3173, the CAA outlines their previous policy for Heathrow to recover "85% of early costs in the event of an application for a DCO either being unsuccessful or withdrawn without good reason". It continues that it believes that penalty rate could be amended downwards (to 75%) and that "*Nonetheless, it would only be appropriate to apply these penalties in circumstances within the reasonable control*

of HAL, and not because of a change in Government policy or approach.”³ If investors do not have certainty of cost recovery of expenditure up to critical decision points, then their incentive is to spend as little as possible to minimise the risk of under-recovery of costs up to this point. Therefore, for Heathrow to proceed at pace, investors must be given certainty over cost recovery in the event of cessation.

In CAP3173, the CAA acknowledged that cost recovery is the correct approach, given that “promoters are responding to a clear Government requests and timetables”, and that not allowing cost recovery could lead to promoters “abandoning capacity expansion, slowing down the planning process and/or reducing the quality of planning work”⁴. If such pace, as has been clearly articulated to Heathrow, is in the interests of consumers, which we also consider it is, and has been confirmed by the CAA,⁵ then the regulatory regime should provide the required certainty to recover costs so we can deliver against it. The proposed incentives do not do this and thus undermine investability, are not fit for purpose and do not therefore represent a “fair bet”.

If the consequence of the CAA’s proposed regulatory approach is a risk that promoters abandon plans and slow down the planning process, then it is clear, as has been outlined above, that the CAA current approach risks this being realised.

Successful DCO Application

We consider there may be some merit in a small, balanced incentive for successful delivery of DCO. However, the incentive should not be triggered by cessation. Nonetheless, we are concerned that a high penalty incentive, as suggested, for successful achievement of a DCO could be inconsistent with a desire for efficiency. It would create an incentive to take a risk averse approach to DCO consent and to the scheme itself. This would lead to a more thorough and cautious DCO preparation process leading to additional time and additional cost. Moreover, it would also incentivise the inclusion of more mitigation within the proposed scheme, thereby increasing its cost as well. As such, the incentive seems inconsistent with the desired outcome: to enable timely delivery of expansion to bring consumer benefits online and meet the Government’s timetable.

Furthermore, there is a mismatch between the incentives placed on Heathrow to deliver a successful DCO and the CAA’s policy on early costs. If the CAA incentive scheme seeks to ensure Heathrow’s ability to deliver a successful DCO is maximised, then it cannot be that CAA policy on early costs directly undermines and limits our ability to be successful.

Efficiency of DCO

We are currently considering potential alternative approaches to incentivise efficient delivery of the DCO and will engage with the CAA shortly.

³ CAP3173, page 7 – <https://www.caa.co.uk/our-work/publications/documents/content/cap3173/>

⁴ CAP3173, page 3 – <https://www.caa.co.uk/our-work/publications/documents/content/cap3173/>

⁵ CAP3144 – <https://www.caa.co.uk/our-work/publications/documents/content/cap3144/>

Matters for further consideration in advance of autumn consultation

Lack of information and evidence on consumer benefit

The CAA's decision in CAP1373 and its overall policy on early costs will have material impacts on the expansion programme. In various places in CAP3149 and CAP3173 the CAA has asserted that its proposed approach will deliver consumer benefits.⁶ However, it has not set out proper reasons to support those assertions, which is required as part of showing adequate justification for regulatory decisions, and to evidence that such intervention is proportionate, transparent, accountable, consistent and targeted at cases where action is needed. It is incumbent on the CAA to explain how its decision and proposals will deliver consumer benefit.

We urge the CAA to fully set out its evidence base as to how its proposed approach to cost recovery will deliver benefits to consumers, that outweigh both the additional costs that such approach will likely generate and the likely impact on timing and deliverability against Government's timescales, therefore delaying the commencement of the significant consumer benefits arising from the timely delivery of expansion and the new runway opening.

It is not legally permissible to use Heathrow's Licence to recover costs for any alternative promoter(s)

As set out in our response to CAP3149, we are strongly opposed to any proposal seeking to amend our Licence to require Heathrow to recover costs from airlines and consumers on behalf of any alternative promoter(s).

In CAP3173, the CAA said it was considering further issues raised by both Heathrow and Airlines regarding the statutory basis for such approach. We do not agree that the approach is legally permissible or in consumers' interests.

As per our response to CAP3149 (and as previously set out in 2021 on the same issue in response to the CAA's Way Forward document CAP2139⁷), this proposal falls outside the scope of the powers granted to the CAA by the Civil Aviation Act 2012 (CAA12). Further, it lacks demonstrated consumer benefit, has no proper UK regulatory precedent, and introduces significant legal and timetable risks.

Recovery of third-party costs does not feature in the statutory framework and is inconsistent with the purpose of the licencing and price control regime set out in CAA12.

It is implicit in the concept of a regulatory price control condition that the costs deemed reasonable and recoverable should be limited to costs incurred by the licenced entity. Using Heathrow's Licence to recover third-party costs would also act to increase charges for passengers and cargo owners and therefore run directly contrary to the statutory intention.

The intention of the relevant provisions of CAA12 is to control risks of airport charges exceeding efficiently incurred costs and/or the potential abuse of substantial market power (SMP). More particularly, licence conditions may be imposed under CAA12

⁶ See for example paragraphs 1.14, 1.20, 1.22, 1.23 – CAP 3149 <https://www.caa.co.uk/our-work/publications/documents/content/cap3149/> and pages 5, 6, 7 - CAP3173 <https://www.caa.co.uk/our-work/publications/documents/content/cap3173/>

⁷ <https://www.caa.co.uk/media/jeup0m3m/heathrow-airport-limited.pdf>

where the CAA considers these are necessary or expedient having regard to the risks that Heathrow may engage in abuse of SMP⁸, or to further the interests of users of air transport services.⁹ However, price control conditions may only be imposed where necessary or expedient, having regard only to the risk that Heathrow may engage in abuse of SMP.¹⁰ The power to set a price control therefore exists to protect users of airport transport services from excessive pricing, margin squeeze and other such pricing practices, where an airport operator has been deemed to hold SMP.

Given that the CAA's proposal for third-party cost recovery would result in a mandated change to Heathrow's prices, it would be a price control condition, which is only permitted in response to risk of abuse of SMP.¹¹ The costs of alternative promoter(s) are unconnected from any risks of abuse of SMP by Heathrow, and there is no evidence that a new price control condition is required in relation to risk of abuse of SMP. As such, it is not within the scope of matters that the CAA can lawfully address via a price control condition and it is ultra vires for the CAA to attempt to impose such a condition on Heathrow. There is no other provision in CAA12 which envisages or empowers price control conditions being imposed on Heathrow with the objective of recovering costs of entirely separate third parties that are not licensed airport operators, and which are not engaged in providing any services to users of the airport.

In 2023, in CAP2524H, the CAA suggested it may be able to impose such a licence condition under Section 21(1)(b) CAA12.¹² This provision states that a licence condition may include "*provision requiring the holder of the licence to enter into a contract or other arrangement for a purpose specified in a condition and on terms specified in, or determined in accordance with, a condition*". Ultimately, this suggestion was not further explored at the time given the CAA's decision in CAP2524H. It is clear, however, that this provision does not confer such a power. The imposition of a third-party cost recovery fund and requiring Heathrow to act as a form of tax collector and payer of third-party costs is not the type of "*arrangement*" that falls within the scope of this section. By way of relevant comparison, the CAA has concluded that it does not have the power to force Heathrow to enter in to commercial arrangements to promote competition in delivering expansion,¹³ and there is no basis to reach any different conclusion in relation to an arrangement for cost recovery for any alternative promoter(s).

An additional concern with this proposal is the unnecessary burden on Heathrow of administering the complexities of passing any money back to any alternative promoter(s), with the additional costs for doing so also having to be borne by consumers/users of air transport services. Risk of non-payment and bad debt raises further risks with the potential for consequent litigation between the alternative promoter(s) concerned, Heathrow and organisations who have not paid their charges. The CAA would need to provide a fully robust and enforceable process on how such disputes should be resolved, how far Heathrow would need to go to recover such costs (in particular in the event of non-payment) and provide certainty

⁸ Section 18(1)(a) CAA12

⁹ Section 18(1)(b) CAA12

¹⁰ Section 19(2) CAA12

¹¹ Section 19 and Section 18(1)(a) CAA12

¹² CAP2524H, paragraph 35 - <https://www.caa.co.uk/our-work/publications/documents/content/cap2524h/>

¹³ CAP1610, paragraph 1.11 - <https://www.caa.co.uk/our-work/publications/documents/content/cap1610/>

that Heathrow's costs in administering any payment collection and in either pursuing or defending itself in any disputes connected to recovery of those costs would be fully recoverable, and not subject to any form of incentive regime.

It would be unacceptable to Heathrow to be placed in a position of being required to incur costs in administering collection of funds relating to any alternative promoter(s) and to become liable to carry the risk of bad debts, or to be forced to bring or defend litigation relating to such costs, without certainty of full cost recovery, either through airport charges or directly from the alternative promoter(s) concerned.

Our asks of the CAA

In order to preserve the ability to deliver a DCO by 2029, our requirements from the CAA in advance of the Autumn consultation are:

1. provide certainty on all efficiently incurred costs for activities that are part of a DCO planning application, to support investor confidence and timely deliverability for consumers, against Government's timetable;
2. revise the scope of recoverable early costs to include property acquisition preparation costs and limited residential acquisitions;
3. confirm the use of existing licence conditions to cover early costs up to the end of 2026 and setting arrangements beyond 2026;
4. confirm that pre-DCO costs which are efficiently incurred will be fully recoverable in the event of termination or cessation of the HAL expansion programme;
5. reconsider the CAA's evidence base to justify any proposed incentives on early costs, and in particular (but not limited to) the risks arising from poorly targeted incentives and their impact on investability, cost efficiency and timely DCO submission;
6. not take forward any proposal to use Heathrow's Licence to recover costs of alternative promoters;
7. provide full details and evidence on the CAA's concerns regarding enabling costs acting as a barrier to competition;
8. provide full and clear guidance, at a sufficiently formative stage to inform our approach to expansion planning, on:
 - a. how Heathrow should categorise costs between planning and enabling (should the distinction remain);
 - b. how the CAA proposes to assess whether any costs have been *"unnecessarily or avoidably duplicated across promoters"*;
 - c. what coordination and information sharing the CAA envisages between Heathrow and alternative promoter(s); and
 - d. what assurances the CAA will give, to protect Heathrow against any competition law enforcement action (both public and private) in relation to any proposed coordination and information sharing.
9. Please do also let us know if it would assist the CAA for Heathrow to facilitate a workshop to explain the anticipated land acquisition procedures and timetable in more detail, including specific case studies.