

Selina Chadha
Group Director, Consumer and Markets
Civil Aviation Authority
5th Floor, Westferry House,
11 Westferry Circus
London E14 4HD

26th June 2025

Dear Selina

Early Costs for Expanding Heathrow

In January 2025, The Government set out a series of major announcements on infrastructure projects to drive economic growth. This included backing expanding Heathrow Airport (Heathrow), given the critical role that we play as the UK's Gateway to Growth.

The Government has invited Heathrow to submit proposals to expand the airport by summer 2025, which we expect to submit in July 2025. The Government also set the goal of securing Development Consent Order (DCO) approval for a third runway by 2029.

We have developed a DCO programme to meet the goal of DCO consent by 2029 into initial phases to the end of H7. The first phase is the required work associated with the DCO application until we reach a satisfactory agreement with Government on an expansion Memorandum of Understanding (MoU). After the MoU is in place with the right conditions to proceed with the expansion programme, we would then fully mobilise our teams and work towards a DCO submission in either late 2027 or early 2028 for consent by 2029.

As you know we have been working hard to deliver proposals to the Government by the summer. Following this, and upon agreement of an MOU with Government, we will need to scale up the programme to deliver this ambitious timeline. This will require significant additional expenditure within the H7 period, and we plan to write to you alongside our submission requesting an increase in the H7 capital expenditure ceiling to accommodate this additional expenditure.

The expenditure up to summer submission is £10m. We commenced engagement with airlines on this amount in April, but it has not been possible to get agreement on this expenditure through the standard governance process. It was agreed with airlines at the June Joint Steering Board that the matter should be escalated to the CAA. We plan to provide a joint letter setting out the details of this escalation.

In addition to these costs, to preserve the option of a DCO approval in 2029 we need to continue with development of the scheme and undertake critical path activities ahead of agreeing an MOU with Government. This will require an additional expenditure of £10m up to the end of September.

I understand that the CAA plans to develop a framework for regulation of expanding Heathrow. However, we understand that such a framework is expected to take some time, and therefore it will not be in place for early expenditure. In addition, the normal governance process for dealing with this additional £10m will not be complete before it is spent.

Consequently, I am writing to request:

- assurance from the CAA that they regard the activity associated with the required £20m up to the end of September is in the interests of consumers and that Heathrow should be able to anticipate appropriate recovery of efficient costs;
- that this assurance is provided by 22 July 2025 to support our Board sanctioning the additional £10m expenditure required by the end of September to meet the Government's target of a DCO approval in 2029; and
- that the CAA review the request for an increase in the H7 capital expenditure ceiling that we will submit in July alongside our submission to Government, and consult on its approach before the end of September.

Please note that our aim to protect the DCO consent by 2029 by undertaking key activities is not a commitment to continue if we cannot reach a satisfactory agreement with Government on the eight building blocks via an MoU.

We will also write to the Secretary of State (SoS) outlining this request.

I trust this ask enables the CAA to reach a decision that is in the interests of consumers and responds to the Governments call to kick start economic growth. If you have any queries or would like to discuss any aspect of the ask, please do not hesitate to contact me.

Yours sincerely



Ross Baker

Chief Customer Officer – Heathrow Airport Limited

Background

We have developed an DCO programme to meet the goal of DCO consent by 2029 into initial phases to the end of H7. The first phase is the required work associated with the DCO application and mobilisation of the programme until we reach a satisfactory agreement with Government on an expansion Memorandum of Understanding (MoU). The second phase is after the MoU is in place in which we would fully mobilise our teams and work towards a DCO submission in either late 2027 or early 2028 for consent by 2029. The initial phases include:

Phase 1 – costs incurred between the Chancellor’s January speech and reaching a Memorandum of Understanding with the Government (target date end September)

The goal of a 2029 DCO is an ambitious one and will require significant reform by the Government through the “Planning and Infrastructure Bill”. We are committed as Heathrow to taking the action we need to at this stage to protect the 2029 option.

The first action is to provide updated proposals to the Government by the end of July. We have allocated up to £10m of “early development funding” to cover the specialist resources required to achieve that (policy, planning, legal, financing, business case development, including a review of scheme options) and to start early consenting activities including surface access modelling and environmental surveys.

Meeting the 2029 goal then requires us to continue developing our submission ahead of reaching agreement with the Government. Once our proposal is submitted, our more detailed planning has shown that, to achieve the DCO timelines, we should continue to invest in pre-mobilisation activities before the September decision. Indeed, we will need to accelerate some of the studies required for consent and to progress the design to explore better options to make it more affordable in line with airline feedback. This will also enable us to build momentum. We estimate that between our late July submission and September will require up to a further £10m.

We believe it is the right approach to continue in this way, but we emphasise that this continuation is not a commitment to full mobilisation of the programme. Our shareholders are clear that without the right assurances from the Government, codified in our planned Memorandum of Understanding (targeted for September), they will not support mobilisation beyond September.

Phase 2 – costs incurred from reaching the MoU (target date September) for the remainder of H7 / until a new expansion regulatory framework is agreed.

Mobilising the programme fully will require additional investment during 2025 and 2026 in consenting activities and the acquisition of commercial and residential property on the project site. The headline consenting targets are outlined below which explain the expenditure of significant funds in 2026 as we move towards holding a statutory consultation in September 2026:

- 31 March 2026: Design chill for environmental impact assessment
- 30 June 2026: Complete all statutory consultation materials
- 31 July 2026: “Go” decision for statutory consultation
- 1 September 2026: Launch statutory consultation
- 31 October 2026: Complete statutory consultation