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13th August 2026

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Dear Mr Claydon,

Response to the CAA's Update on the Approach to the Regulatory Framework (CAP 3286)

This response to CAA consultation CAP 3286 is submitted by Heathrow West Limited ("HWL").

HWL is part of the Arora Group, which, as the CAA is aware, is a founding member of Heathrow Reimagined. HWL endorses the separate submission made by Heathrow Reimagined to CAP 3286 and does not repeat those views in this response.

This response calls on the CAA to ensure that regulatory reform keeps pace with and reflects the Government's expectations for expansion. It also sets out our views on three key matters arising from CAP 3286:

- (i) the scope and application of Model 7b, including its framing as contingent on the DCO process;
- (ii) the CAA's proposed next steps on direct competition; and
- (iii) the regulatory action needed, urgently, to facilitate information sharing between rival promoters.

HWL is liaising separately with the CAA about when key information will be available to the CAA on HWL's infrastructure, cost and funding plans.

1. THE CAA MUST NOW DESIGN A REGULATORY FRAMEWORK THAT CATERS FOR COMPETITION ACROSS A BROAD BASE OF ASSETS AT HEATHROW

- 1.1 To date the CAA's proposed regulatory reforms relevant to expansion at Heathrow have largely conceived of competition for the design, build and potential operation of terminal-only assets. However, the strategic imperative for regulatory reform in this context has changed following the proposed revision to the Airports National Policy Statement, known

as Heathrow Expansion National Policy Statement (“HENPS”), and the CAA must adapt its regulatory reforms to reflect this significant change.

- 1.2 The HENPS requires promoters to bring forward a complete Northwest Runway scheme, including a new runway, terminal capacity and other supporting infrastructure for the scheme to be operated as an integrated whole. A scheme that is confined to terminal-only development would not comply with the HENPS, therefore. The CAA must respond to this significant change in the government’s requirements by ensuring that its regulatory reforms can accommodate the wider scope of competing promoter applications foreseen (and required) by the HENPS. As the HENPS is currently drafted, this means that the regulatory regime should enable competition for the design, build and operation of the new runway, terminal and supporting infrastructure at Heathrow. To do otherwise would effectively foreclose HWL’s and any other competing DCO application, because it will be lacking a regulatory framework to accommodate its proposals.
- 1.3 The CAA’s regulatory workstream must also be aligned with the timetable of any DCO application, so that the regulatory framework does not become a practical impediment to effective competition.

2. THE CAA IS CORRECT TO RETAIN MODEL 7B, BUT MUST NOW DEVELOP ITS SCOPE AND TIMETABLE WITH GREATER URGENCY

Model 7b as part of the overall framework

- 2.1 HWL welcomes the CAA’s continued view that Model 7b should be developed as part of the overall regulatory framework, including the recognition that the shortlisted models are “*complementary*” and can be developed together to help further consumers’ interests “*where appropriate by promoting competition in the provision of airport operation services.*”¹ Direct competition offers the most effective means of addressing the root causes of HAL’s harmful incentives and delivering enduring consumer benefits.
- 2.2 HWL is, however, disappointed that despite this framing, CAP 3286 continues to position Model 7b as a contingent option that applies only where a third party succeeds in securing DCO approval, rather than as a regulatory model that must be developed in parallel with any whole-scheme expansion proposal.²

¹ CAP 3286, paragraph 4.33.

² CAP 3286, paragraph 4.34. Other examples include paragraph 4.23, which describes the need for regulatory preparedness in the following terms: “*the regulatory framework for expansion needs to be sufficiently flexible to accommodate a full range of plausible outcomes from the planning process, including the possibility of a third party submitting an application for and being granted a DCO*”, and paragraph 5.10 which explicitly frames direct competition as contingent: “*direct competition at Heathrow for the provision of airport operator services may come about if a third party is successful in securing planning permission to deliver part or all of the expansion programme.*”

Model 7b has broader application

- 2.3 As HWL set out in its response to CAP 3251, Model 7b need not be confined to circumstances where a DCO has been obtained or for airport expansion. The CAA has the legal power to implement Model 7b for both new *and* existing terminals, through contractual separation. This can be effected via HAL's licence, provided there is a strong case for change (as there is in the case of Heathrow).
- 2.4 Steer's update report of July 2026 recognised that, in principle: "*the shortlisted models could apply not only to expansion assets but also to major infrastructure developments within the existing airport perimeter.*"³ HWL echoes this view and urges the CAA to decouple the application of the shortlisted models, and Model 5b and 7b in particular, from airport expansion. There is no principled reason why Model 7b ought to be limited to contexts involving a new runway or new terminal infrastructure. It can also be applied more broadly to other infrastructure projects outside of an expansion context.
- 2.5 HWL calls upon the CAA to:
- (a) Confirm that it will not confine the application of regulatory Model 7b to Heathrow expansion and duly consider other plausible scenarios as part of its ongoing work on this model. HWL is not clear why the application of Model 7b is made contingent on the DCO process rather than considered independently on its own merits. The CAA should confirm explicitly that Models 5b and 7b could apply to all major infrastructure projects and other developments within the existing airport perimeter, or at least not preclude that possibility.
 - (b) Affirm its commitment to "*progress work [on Model 7b] before and during any relevant DCO process*", by setting out the specific decisions to be made, the timetable for those decisions and the milestones against which implementation of Model 7b can be measured (on which, see further 3.3 below). That timetable should be aligned with the development and examination of any whole-scheme DCO application, rather than treated as a separate or subsequent regulatory exercise.

3. THE CAA'S PROPOSED NEXT STEPS ON MODEL 7B LACK SPECIFICITY AND A CLEAR TIMETABLE

A vague work programme

- 3.1 HWL acknowledges the CAA's stated intention to undertake further work on Model 7b. However, the direct competition work programme set out at paragraph 5.11 of CAP 3286 is limited to generic commitments: "*a more detailed assessment of the potential for competition and fragmentation issues that could arise*"; commissioning "*external advice to*

³ Steer, Update Report for CAA (July 2026), Executive Summary and paragraphs 5.4-5.5.

review these issues"; and "*further work to understand... the potential benefits and risks of direct competition*."⁴ There is insufficient distinction between these strands of work.

3.2 HWL calls upon the CAA to:

- (a) Clarify what is meant by "*further work to understand the potential benefits and risks of direct competition*" and how this differs substantively from the "*detailed assessment*" of competition and fragmentation issues. The CAA should specify from what perspective(s) benefits and risks will be assessed and commit to consulting on its findings so that stakeholders, including HWL, can meaningfully engage on the emerging conclusions.
- (b) Explain its current thinking on key regulatory decisions and any gating items that will shape the Model 7b framework, including:
 - (i) Whether the CAA will undertake a fresh operator determination in respect of the new runway and/or terminal area, or whether it considers it can ascertain overall operational responsibility from information that is already (or is expected to be) in its possession, or the public domain.⁵
 - (ii) The sequencing of any operator and/or market power determinations, including whether the CAA will exercise its power to make advance determinations,⁶ if it will consult on its proposed approach, and when it expects to have made key regulatory decisions.

The urgency of the timetable

- 3.3 HWL must demonstrate to third parties, potential funders and the Planning Inspectorate that there is sufficient clarity as to the future regulatory framework and the timeline for its implementation, to show that there are no impediments to its DCO application. That requirement is especially important now that the HENPS makes clear that it is open to any promoter to submit a policy-compliant application. If the regulatory framework has not been sufficiently developed by the time DCO applications are determined, HWL risks being effectively timed out.⁷ The CAA must take this imperative into account when developing its workplan in respect of Model 7b implementation.
- 3.4 The CAA rightly recognises that the regulatory framework must be sufficiently flexible to accommodate direct competition.⁸ It must also look forward, given the risk that delay could negatively affect potential competition. HWL has consistently highlighted this risk;⁹ there is

⁴CAP 3286, paragraph 5.11.

⁵ Civil Aviation Act 2012, section 10(7).

⁶Civil Aviation Act 2012, section 12.

⁷HWL response to CAP 3251, paragraphs 2.4-2.5.

⁸ CAP 3286, paragraph 5.10.

⁹ See HWL replies to CAP 3195 and CAP 3251.

now growing urgency that the CAA addresses the point by committing to agreed milestones. If it does not do that, the CAA will put at risk the very competition that Model 7b seeks to introduce. This outcome would run counter to the consumer interest and be at odds with the CAA's own recognition of the benefits of competition.

- 3.5 Given the range of stakeholders with an interest in Model 7b and the novelty of the issues it raises, the CAA should establish a dedicated implementation programme, comprising structured consultations, stakeholder working groups, clear milestones and target decision dates.

4. PROMPT REGULATORY ACTION IS NEEDED TO FACILITATE INFORMATION SHARING

The information-sharing gap

- 4.1 HWL notes the CAA's commitment "*to develop proportionate mechanisms to facilitate the sharing and transfer of relevant work between promoters*" and acknowledges that the CAA has several ongoing workstreams to scope and design appropriate information-sharing arrangements.¹⁰ However, no fixed timeline has been set for the completion of this work.
- 4.2 A level playing field requires that rival promoters have timely access to relevant inputs and that mechanisms exist to compel coordination on non-contentious, promoter-agnostic matters. Without such mechanisms, HAL's incumbency advantage is entrenched by information asymmetry, and consumers bear the cost of duplicative workstreams.
- 4.3 In this context, HWL is disappointed that the CAA is not currently minded to impose any binding obligation on HAL's licence requiring it to share information.¹¹ Without such an obligation, and absent meaningful, immediate sanctions for non-compliance, the status quo will persist: HWL will continue to be denied the information it needs to compete, and material levels of duplicated cost will continue to be incurred.
- 4.4 While HWL's interests are clearly being prejudiced by this state of affairs, the CAA should also be aware of the negative impact it is having on other stakeholders and interested parties, such as the local authorities, who are also calling for there to be a prescribed information sharing mechanism.
- 4.5 HWL calls upon the CAA to:
- (a) Publish a clear timeline for its work to design appropriate information-sharing arrangements (including a dispute resolution mechanism), impose deadlines for key inputs, and confirm whether interested parties will be consulted on its proposals. October 2026 would be too late; the CAA must act sooner, and any arrangements must include meaningful consequences for non-compliance.

¹⁰ CAP 3289, paragraph 3.43 and paragraphs 5.67-5.73. It is positive that CAA recognises in CAP 3289 that information reasonably expected to form part of HAL's DCO submission is likely to be within scope for advance sharing with alternate promoters.

¹¹ CAP 3289, paragraph 5.72.

- (b) Implement interim measures to address the most time-critical information needs. This would help to alleviate some time pressure and create time for consultation. HWL stands ready to agree to appropriate safeguards to protect genuinely confidential and commercially sensitive information.

5. CONCLUSION

- 5.1 The HENPS requires promoters to bring forward a whole-scheme proposal, including a new runway, terminal and supporting infrastructure. The CAA's regulatory reforms relevant to expansion must therefore enable competition across this broad base of assets, not just terminal-only development.
- 5.2 More generally, HWL urges the CAA to approach the development of Model 7b with the commitment and urgency that the regulatory challenges at Heathrow demand. Direct competition offers the most effective means of addressing the root causes of HAL's harmful incentives and delivering enduring and material benefits for consumers. CAP 3286 represents a step forward in confirming that Model 7b is "complementary" to the other models, but the work programme must now be matched with concrete milestones, a published timetable, and a clear articulation of the circumstances in which Model 7b (in particular) will apply.
- 5.3 The CAA's continued delay in progressing implementation work, or a failure by the CAA to align the regulatory workstream with the DCO application timetable, will prejudice HWL's ability to table effectively a competing expansion plan and accordingly is not in consumers' interest.
- 5.4 HWL stands ready to engage constructively and at pace with the CAA on all matters relating to the implementation of Model 7b and the design of the broader regulatory framework for Heathrow expansion.

Yours sincerely,



Carlton Brown
CEO
Heathrow West Limited