

UK CAA – CAA consultation on Draft Advice to the Secretary of State Review of the Traffic Distribution Rules 1991

Submission by International Airlines Group

Introduction

International Airlines Group (IAG) welcomes the opportunity to respond to the CAA's consultation on its draft advice to the Secretary of State to revoke the Traffic Distribution Rules 1991 ("1991 TDRs").

IAG, the parent company of British Airways, Iberia, Aer Lingus, Vueling and LEVEL, is a key driver of the UK's international connectivity and economic activity. With a strong presence at Heathrow, Gatwick and London City airports, IAG generates significant economic benefits through employment, trade, inbound tourism and bellyhold cargo operations. These activities are underpinned by long-established slot portfolios built through sustained investment. As a result, any regulatory changes affecting access, slot allocation or airspace use have the potential to materially impact IAG, its customers and the wider UK economy.

This response should be read alongside IAG's submission of January 2026 to the CAA's Call for Inputs, where we set out our detailed views on the role, impact and future of the 1991 TDRs.

Overall Position

As previously stated, IAG does not, as a matter of regulatory principle, support the use or expansion of TDRs. We consider such instruments to be blunt, distortive and inconsistent with modern, globally aligned frameworks for slot allocation.

However, the key issue for this consultation is not the principle of TDRs, but the timing and sequencing of their removal. Ultimately, the 1991 TDRs should be phased out as part of a coordinated, industry-aligned package, alongside reviews of the slot and economic regulatory frameworks. This should be informed by future capacity developments and support an efficient, sustainable, and consumer-focused operating model - particularly at Heathrow as the UK's only hub airport.

In this regard:

- IAG is still not persuaded that now is the appropriate time for full revocation of the 1991 TDRs;
- The rules must be considered in the broader context of slot regulation reform, economic regulatory reviews and uncertainty around future runway expansion; and

Premature removal risks creating unintended operational, commercial and regulatory consequences in an already constrained system.

Context: Capacity Constraints and System Efficiency

While the CAA concludes that revocation is unlikely to materially affect outcomes in the short to medium term, IAG considers that this reinforces, not weakens, the case for caution.

- Heathrow remains structurally capacity constrained, operating close to its movement cap;

- Gatwick also experiences intense peak congestion, notwithstanding some off-peak availability; and
- Slot availability, rather than the TDRs themselves, is the binding constraint on access to these airports.

In this environment, the 1991 TDRs continue to serve a narrow but relevant function in safeguarding runway efficiency, particularly by:

- limiting the risk of lower-throughput operations displacing higher-value movements, and
- reducing exposure to operational inefficiencies associated with smaller aircraft types typically used by general and business aviation.

Need for Alignment with Wider Regulatory Reform

A central concern remains that the review of the 1991 TDRs is being undertaken in isolation from wider policy developments.

The UK aviation sector is currently undergoing, or anticipating, significant change:

- potential reform of the Slot Regulations;
- ongoing economic regulatory reviews (including H8 price controls at Heathrow); and
- continued uncertainty surrounding future runway expansion and capacity delivery.

As highlighted in our earlier response, considering TDRs in isolation risks creating conflicting incentives and regulatory misalignment.

IAG therefore maintains that:

There may be a logical case to phase out the 1991 TDRs over time, but only once there is greater clarity on the future capacity and regulatory framework within which the UK aviation system will operate.

Differentiated Treatment: Cargo vs. General/Business Aviation

Notwithstanding our overall reservations regarding timing, IAG considers that there is merit in a more nuanced approach than full revocation.

Whole-plane cargo

IAG recognises that:

- there is a legitimate but limited role for whole-plane cargo operations, particularly where bellyhold capacity is insufficient; and
- in marginal cases, such services may deliver clear economic benefits, as acknowledged by the CAA.

In this respect, there may be a case for greater flexibility in the short-term, subject to slot availability and operational constraints.

General and business aviation

By contrast:

- the expansion of general/business aviation at highly constrained hub airports would present clear operational and efficiency risks, including impacts on runway throughput and resilience;
- such operations are inherently less compatible with the slot allocation framework, given their ad hoc and variable nature; and

- capacity for these operations is better provided at alternative airports within the London system.

Therefore:

If the CAA proceeds with revocation, IAG strongly urges reconsideration of a partial or phased approach, specifically retaining the current restrictions on general/business aviation for a longer period until there is clarity on slot reform and capacity expansion.

Transition Period

If, notwithstanding the above, the CAA maintains its advice to revoke the 1991 TDRs, IAG agrees that a transition period would be essential.

We support the CAA's proposal to allow for a transition, which would:

- provide necessary certainty for forward scheduling and capacity planning;
- enable airlines and airports to adapt operational and commercial assumptions; and
- allow time for alignment with any broader regulatory or legislative changes.

However, IAG emphasises that:

A transition period should not be viewed as a substitute for addressing the wider policy sequencing issues outlined above.

Concerns on Economic Regulation and Investment Incentives

IAG reiterates the concerns raised in paragraphs 42–44 of its original submission regarding the interaction between TDR reform and economic regulation at Heathrow.

In particular:

- Under the current regulatory framework, Heathrow Airport Limited (HAL) has strong incentives to expand its Regulated Asset Base (RAB);
- Projects such as Cargo Southside have already been proposed at significant cost, despite questionable demand and strong airline opposition; and
- Full revocation of the 1991 TDRs risks being used to justify further investment in cargo-specific infrastructure, even where runway capacity constraints limit the ability to utilise such infrastructure effectively.

Given that:

- there is unlikely to be sufficient slot availability to support a material increase in cargo-only operations, and
- such investments would ultimately be recovered from airline users through charges,

IAG considers there to be a clear risk of inefficient over-investment.

We therefore urge the CAA to:

Ensure that any advice on the 1991 TDRs does not inadvertently create or reinforce inappropriate investment incentives within the economic regulatory framework.

Condition C4 in HAL's Licence

The CAA seeks views on whether Condition C4 remains necessary to ensure appropriate price control arrangements for whole-plane cargo services.

We consider that:

It would be prudent to retain existing price control protections, including Condition C4, unless and until there is a clear and evidenced alternative mechanism capable of delivering equivalent safeguards for cargo operators and users.

Conclusion

In summary:

- IAG does not support the principle of TDRs as a long-term regulatory tool, but
- strongly questions the timing of full revocation of the 1991 TDRs at this stage.

Specifically:

- Revocation should be considered only in the context of wider slot reform, economic regulation and airport expansion decisions;
- There is a clear case for a more phased or differentiated approach, particularly retaining protections relating to general/business aviation; and
- If revocation proceeds, it must be accompanied by a suitable transition period and careful management of wider regulatory and investment implications.

Absent greater clarity on the future regulatory and capacity framework, IAG still considers that full revocation of the 1991 TDRs at this time would be premature.