Economic Regulation of Heathrow Airport Limited: setting a holding price cap for 2027

Notice of Licence Modifications under section 22(2) of the Civil Aviation Act 2012

CAP3308

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Summary

Introduction

1. This document gives notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the licence granted to Heathrow Airport Limited ("HAL") under section 15 CAA12 on 13 February 2014 (the "Licence"[1]). The effects of these modifications are to put in place an interim or "holding" price cap for 2027, which will ensure that HAL's maximum yield per passenger does not exceed the results calculated by Condition C1 (Price Control) of the Licence. The modifications to the Licence that the CAA has decided to make are to:
   - amend Conditions C1.1, C1.2, C1.4, C1.6, C1.9, C1.24, C1.25(i); and Table 7 of Schedule 1; and
   - replace Conditions C1.5, C1.7, C1.8, C1.10 to C1.23 with "[NOT USED]".
2. The decision on these licence modifications follows on from the notice issued by CAA under section 22(2) of the CAA12 on 30 June 2026 (the "June 2026 Consultation") in which we consulted stakeholders on the need for, and level of, holding price control arrangements for 2027.[2]
3. We have made the decision set out in this notice having carefully considered the responses we received from stakeholders on the June 2026 Consultation. These arrangements will cover the period 1 January 2027 to 31 December 2027.
4. This document covers:
   - the background to the amendments to the Licence we have decided to make;
   - an overview of the proposals to amend the Licence as set out in the June 2026 Consultation;
   - a summary of stakeholders' responses to the June 2026 Consultation;
   - having considered stakeholders' responses to the proposed modifications set out in the notice we published on 30 June 2026, our decision to implement a holding price cap for HAL for 2027;

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1 CAA, Licence granted to Heathrow Airport Limited, January 2026 version.

2 CAA, CAP3279 Economic Regulation of Heathrow Airport Limited: setting a holding price cap for 2027, Consultation and notice under section 22(2) of the Civil Aviation Act 2012.

- the correction factor mechanism that will "true up or down" the Consumer Prices Index (including owner occupiers' housing costs, ("CPIH")) inflation and other quantities for 2027; and
- next steps and the process for implementation.

5. It should be noted that we are continuing to develop policy in relation to the wider H8 price control review and the decision set out in this document does not indicate any change in approach to the broader policies being considered as part of the H8 review. We are continuing to consider representations on the draft licence modifications set out in the Initial Proposals for H8[3] and expect to publish Final Proposals in relation to these matters later in 2026.

6. The licence modifications set out in this decision will take effect six weeks after the publication of this document, which is 26 October 2026.

Background

7. The June 2026 Consultation contains detailed background on our work to set a holding price cap on HAL for 2027. In summary:

- the H7 price control comes to an end in December 2026. In March 2025 we noted that, as the final decision on the H8 price control is scheduled for April 2027, there would be advantages for consumers in setting a holding price cap for 2027 (with revenues to be trued up or down on a "net present value neutral" basis) [4];
- in March 2026, we published our "Initial Proposals" for the H8 price control, in which we set out a range for the maximum yield per passenger for HAL of between £25.79 and £27.44 (2024 CPIH-real) for 2027[5]. We said that we envisaged using this range as the basis for establishing a holding price cap for 2027, with an add-on to allow for the recovery of certain early costs associated with capacity expansion at Heathrow; and

[3] CAA, CAP3232 Economic Regulation of Heathrow Airport Initial Proposals for H8, March 2026

[4] CAA, CAP3083 Method statement and business plan guidance, March 2025, paragraph 2.12

[5] CAA, CAP3232 Initial Proposals for H8 Section 3: financial issues and calculating the price cap, March 2026, paragraph 11.22-11.24

- in April 2026, we published a Draft Decision[6] on the recovery of the early costs of capacity expansion. We proposed that HAL's allowed price control revenue in 2026 would be adjusted to allow for the return on efficient early costs incurred in 2025 and 2026. We explained that this would remove the need for an add-on to the holding price cap for 2027 to allow for these costs. We have not changed this position in the subsequent Decision published in July 2026[7].

Overview of the June 2026 Consultation

8. In the June 2026 Consultation, we published a statutory notice[8] setting out specific proposals for the level of the 2027 holding price cap to protect the interests of consumers. We proposed that the forecast 2027 holding price cap be set at £28.398 (in 2027 prices), consisting of:

    - the forecast baseline charge of £28.951, derived from the mid-point of the range in the H8 Initial Proposals for 2027 of between £25.79 and £27.44 (2024 CPIH-real prices) and adjusted for inflation;
    - a minor addition of £0.063 in respect of service quality bonuses earned in 2025; and
    - a reduction of £0.616 through a correction factor mechanism to reflect the differences between forecasts used by HAL to set charges in 2025 and outturns for 2025.

9. Alongside the level of the forecast 2027 holding price cap, we also proposed the following:

    - to true up CPIH inflation within the 2027 holding price cap. The difference between forecast and outturn holding price caps would be adjusted through the correction factor K_{2029} in the calculation of the maximum revenue yield for 2029;
    - to remove four adjustment terms: allowed capex AC_{2027}, capital triggers T_{2027}, terminal drop off charge TDO_{2027} and traffic risk sharing TRS_{2027} in the calculation the 2027 holding price cap, and implement true up mechanisms outside the 2027 holding price cap; and

6 CAA, CAP3238 Draft Decision on the regulatory treatment of early costs of capacity expansion at Heathrow airport, April 2026, paragraph 5.26

7 CAA, CAP3289 Decision on the regulatory treatment of early costs of capacity expansion at Heathrow airport, July 2026

8 CAA, CAP3279 Economic Regulation of Heathrow Airport Limited: setting a holding price cap for 2027, Consultation and notice under section 22(2) of the Civil Aviation Act 2012

- to take the level of the holding price cap for 2027 as an input to the H8 financial modelling, in order to support the policy objective of the holding price cap being net present value neutral and to work out the H8 total allowed revenues for the remaining four years of the H8 price control on this basis.

10. We also proposed to implement the 2027 holding price cap by modifying the price control condition in the Licence.

Stakeholder responses

11. We received nine responses to the June 2026 Consultation. HAL and British Airways ("BA") put forward the most comprehensive responses. BA's response covers all points raised by other airlines.

12. All stakeholders supported the CAA's efforts in providing certainty and protection to consumers through introducing the holding price cap. However, there were different views on the level and the components of the 2027 holding price cap.

13. HAL said the holding price cap should be £30.077 (£1.679 higher than our June proposals). The main factors it identified that should drive a higher cap included:

    - the use of a higher starting point (derived from the information in our Initial Proposals); and
    - a smaller reduction through the correction factor adjustment.

14. HAL also said that the holding price cap should include a mechanism to recover early expansion costs and said this would avoid a disconnect between the regulatory framework and the government's objectives to deliver capacity expansion.

15. BA said the holding price cap should be £26.685 (£1.713 lower than our June proposals). The main drivers it used to argue for a lower price cap were:

    - the use of a lower starting point;
    - a reduction to account for HAL's revenue from terminal drop-off charges in 2026, which it considered had been over-recovered as against the estimates on which the H7 price control was set; and
    - a reduction to account for revenues from cargo-only flights in 2026, which it considered had been an omission in the calculation of the correction factor.

16. BA also requested more transparency on the calculation of service quality bonuses and the profiled charge.

Our decision

17. Having considered stakeholder responses carefully, we have decided to maintain the broad approach set out in the June 2026 Consultation with some minor changes.

18. Consistent with the June 2026 Consultation, we have decided to use a forecast baseline charge of £28.951 (2027 prices), derived from the mid-point between £25.79 and £27.44 (2024 CPIH-real prices) and adjusted for inflation, as the baseline for our calculations. We have also decided to make:

- a minor addition of £0.063 in respect of service quality bonuses earned in 2025, consistent with the approach in the June 2026 Consultation;
- a reduction of £0.356 through the correction factor mechanism to reflect the differences between forecasts used by HAL to set charges in 2025 and outturns for 2025, which is a slightly smaller reduction than the estimate used in the June 2026 Consultation for the reasons explained in Chapter 1; and
- the use of the correction factor mechanism to true up CPIH inflation for 2027 and other forecasts, consistent with the approach in the June 2026 Consultation.

19. The effect of this change is to increase the level of the forecast holding price cap for 2027 from £28.398 (proposed in the June 2026 Consultation) by £0.26 to £28.658 (2027 prices). We do not regard the changes from the holding price cap proposed in the June 2026 Consultation represent a significant change. So, we have decided to proceed with the licence modification as explained further in Chapter 1 and set out in the statutory notice in Appendix B.

20. The holding price cap will be implemented through a change to the price control condition in the Licence. A notice under section 22(6) of CAA12 setting out the modifications to the Licence required to implement the holding price cap for 2027 is as set out at Appendix B.

21. Chapter 1 includes further detail of the views of respondents to the June 2026 Consultation, our response to those comments and our Final Decision.

22. All our decisions on these matters have been guided by the CAA’s statutory duties under CAA12, including our duty to further the interests of consumers. A summary of our duties is set out in Appendix A.

Next steps

23. This document sets out our final decision in relation to the level of the forecast holding price cap for 2027.

24. This document incorporates the notice of the CAA's decision to modify the Licence under section 22(6) of CAA12 which is set out in Appendix B. We also set out explanatory text on the reasons for and effects of the Licence modifications we have decided to make to implement this Final Decision.

25. HAL, as the Licence holder, and any provider of air transport services whose interests are materially affected by the final decision (typically airlines operating from Heathrow), may apply to the CMA within six weeks of the publication of this Final Decision for permission to appeal our decision to modify the Licence under section 25 of CAA12.

26. An appeal may be brought on the grounds that (i) the decision was based on an error of fact, (ii) the decision was wrong in law, or (iii) an error was made in the exercise of a discretion (see section 26 of CAA12).

Chapter 1

Stakeholders' views and our assessment

Introduction

1.1 The H7 price control ends in December 2026. In March 2025 we noted that, as the final decision on the H8 price control is scheduled for April 2027, there would be advantages for consumers in setting a holding price cap for 2027 (with revenues to be "trued up or down" on a net present value neutral basis)[9].

1.2 The June 2026 Consultation set out specific proposals for the level of the 2027 holding price cap to protect the interests of consumers. We proposed:

- that the forecast 2027 holding price cap be set at £28.398 (in 2027 prices), consisting of:
  - the forecast baseline charge of £28.951, derived from the mid-point of the range in the H8 Initial Proposals for 2027 of between £25.79 and £27.44 (2024 CPIH-real prices) and adjusted for inflation;
  - a minor addition of £0.063 in respect of service quality bonuses earned in 2025; and
  - a reduction of £0.616 through the correction factor mechanism to reflect the differences between forecasts used by HAL to set charges in 2025 and outturns for 2025;
- to true up CPIH inflation within the 2027 holding price cap. The difference between Forecast and Outturn holding price caps should be adjusted through the correction factor K_{2029} in the calculation of the maximum revenue yield for 2029;
- to remove four adjustment terms: allowed capex AC_{2027}, capital triggers T_{2027}, terminal drop off charge TDO_{2027} and traffic risk sharing TRS_{2027} from the calculation the 2027 holding price cap, and implement true up mechanisms outside of the 2027 holding price cap;
- to take the level of the holding price cap for 2027 as an input to the H8 financial modelling, in order to work out the H8 total allowed revenues for the remaining four years of the H8 price control; and

9 CAA, CAP3083 Method statement and business plan guidance, March 2025, paragraph 2.12

- to implement the 2027 holding price cap through a change to the price control condition in the Licence.

1.3 We received responses from HAL, London Airline Consultative Committee/ Heathrow AOC Limited ("LACC/AOC"), Aer Lingus, British Airways ("BA"), International Airlines Group ("IAG"), Iberia, Vueling, Airlines for America ("A4A") and the Council for the Independent Scrutiny of Heathrow Airport/Heathrow Passenger Forum ("HPF").

1.4 The following sections summarise the main points raised by respondents, provide our assessment of the issues and summarise our Final Decision.

Certainty and protection to consumers

Our June proposals

1.5 We proposed a specific level/approach to the 2027 holding price cap to further the interests of consumers. Certainty over HAL's charges for 2027 supports airlines in setting ticket prices and organising their services in an appropriate way, which ultimately provides benefits for consumers. By contrast, the absence of a price control condition (even for a relatively short period of time) would create uncertainty and the possibility of inappropriate instability in price levels.

Stakeholders' views

1.6 There was broad support from HAL, airline stakeholders and the HPF in relation to the development of a holding price cap for 2027.

Our assessment

1.7 We note the broad support of the certainty and protection to consumers provided by the 2027 holding price cap and have retained this broad approach in this Final Decision.

Overall level of the forecast 2027 holding price cap

Our June proposals

1.8 We proposed that the forecast 2027 holding price cap should be set at £28.398 (in 2027 prices) and derived as follows.

Table 1.1 CAA's proposal on the level of the forecast 2027 holding price cap

Calculating the forecast maximum revenue yield for 2027, M_{2027} (2027 prices)				
M_{2027} =	+	$Y_{2026} \times (1 + CPIH_{2027} + X_{2027})$	Forecast baseline charge for 2027	28.951
	+	$Y_{2026} \times B_{2025}$	Service quality bonuses	+0.063
	+	$\frac{AC_{2027}}{Q_{2027}} - \frac{T_{2027}}{Q_{2027}} + \frac{TDO_{2027}}{Q_{2027}} + \frac{TRS_{2027}}{Q_{2027}}$	Adjustment terms	deleted
	-	K_{2027}	Correction factor for 2027	-0.616
	=			28.398

1.9 The following sections set out in more detail the calculation of each component of the forecast 2027 holding price cap.

Forecast baseline charge

1.10 We set the baseline level of the holding price cap at the mid-point of the projections of maximum allowed airport charges per passenger in the H8 Initial Proposals. This was calculated as:

$$= \frac{1}{2} \times (£25.79 + £27.44) \times \frac{\text{CPIH index}_{2027}}{\text{CPIH index}_{2024}}$$

$$= \frac{1}{2} \times (£25.79 + £27.44) \times \frac{144.501}{132.842} = £28.951$$

where

- $(£25.79 + £27.44)$ is the range of forecast baseline charge for 2027 in the Initial Proposals (2024 CPIH-real prices);
- CPIH index_{2027} is the average value of the Office for National Statistics monthly L522 Consumer Prices Index including owner occupiers' housing costs over Regulatory Year 2027. As this is not yet available, we propose to use the forecast of 144.501[10]; and
- CPIH index_{2024} is the average value of the Office for National Statistics monthly L522 Consumer Prices Index including owner occupiers' housing costs over Regulatory Year 2024, and takes the value of 132.842[11].

Service quality bonuses

1.11 Based on service quality performance in 2025, HAL has earned service quality bonuses of 0.23% of 2026 airport charges per passenger. To calculate the

10 Office for Budget Responsibility Economic and fiscal outlook, March 2026 edition.

11 Office for National Statistics, CPIH L522 index.

amount recoverable through the 2027 holding price cap, we proposed to multiply this percentage by the average revenue yield per passenger for 2026 as follows.

$$\text{Service quality bonuses} = \mathrm{Y}_{2026} \times \mathrm{B}_{2025} = £27.532^{12} \times 0.230\% = £0.063$$

Adjustment terms

1.12 As we are yet to finalise our H8 policies on allowed capex adjustment, capital triggers, terminal drop-off charge and traffic risk sharing, we proposed that the corresponding adjustment terms for allowed capex AC_{2027}, capital triggers T_{2027}, terminal drop-off charge TDO_{2027} and traffic risk sharing TRS_{2027} should be excluded in the calculation of the 2027 holding price cap.

Correction factor for 2027

1.13 The correction factor for 2027, K_{2027}, which enables an adjustment to be made to the 2027 holding price cap to account for the difference between forecast and outturn maximum revenue yield for 2025, M_{2025}, and is given by:

$$\mathrm{K}_{2027} = \frac{1}{\mathrm{Q}_{2027}} \times (\mathrm{R}_{2025} - \mathrm{Q}_{2025} \times \mathrm{M}_{2025}) \times \left(1 + \frac{\mathrm{I}_{2025}}{100}\right)^2$$

$$= \frac{1}{85.900 \text{ million}} \times £(2{,}239 \text{ million} - 84.506 \text{ million} \times 25.948) \times \left(1 + \frac{4.004 + 3}{100}\right)^2$$

$$= £0.616$$

where

- Q_{2027} is the number of passengers using the Airport in Regulatory Year 2027. As this is not yet available, we proposed to use the forecast of 85.900 million[13];
- R_{2025} is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year 2025 expressed in pounds sterling, and takes the value of £2,239 million[14];
- Q_{2025} is the number of passengers using the Airport in Regulatory Year 2025, and takes the value of 84.506 million[15];

[12] Calculation of the average revenue yield per passenger in Regulatory Year 2026, Y_{2026}, is shown later in this chapter.

[13] CAA, H8 Initial Proposals Section 1: consumer engagement, passenger forecasts and service quality, March 2026, table 2.9.

[14] HAL, Heathrow (SP) Limited Regulatory Accounts Year ended 31 December 2025, March 2026.

[15] HAL, Heathrow (SP) Limited Regulatory Accounts Year ended 31 December 2025, March 2026.

- M_{2025} is the maximum revenue yield per passenger using the Airport in Regulatory Year 2027 expressed in pounds sterling. As this is not yet available, we proposed to use the forecast of £25.948[16]; and
- I_{2025} is the appropriate interest rate for Regulatory Year 2025, which is equal to:
  - the specified rate[17] plus 3% where K_{2027} is positive; or
  - the specified rate where K_{2027} is negative.

The specified rate is 4.004%.

1.14 As HAL over-recovered in airport charges revenue for 2025, we said £0.616 should be deducted in the holding price cap for 2027.

Stakeholders' views

1.15 HAL said:

- the overall holding price cap should be £30.077 per passenger (2027 prices) before any adjustment to reflect expansion expenditure;
- it agreed that the H8 Initial Proposals provided the appropriate starting point for establishing the 2027 holding price cap, but was concerned that the proposed charge is below the sum of the price control building-blocks for 2027 (£27.917) and relies on a financeability assessment that does not reflect the actual expenditure profile of the regulated business in 2027. HAL said that the approach in the June 2026 Consultation did not appropriately balance consumer interests and financeability considerations;
- on the adjustment terms, HAL said removing them from the 2027 holding price cap only to reintroduce them through the H8 Final Decision created unnecessary complexity and risked inconsistencies between the holding price cap and the final settlement. It considered the relevant adjustment mechanisms should remain, with forecast values set at zero. The final parameters should be determined through the H8 Final Decision; and

16 HAL, Decision – 2025 Airport Charges and Conditions of Use, October 2024.

17 The specified rate means the average of the three month Treasury Bill Discount Rate (expressed as an annual percentage interest rate) published by the UK Debt Management Office (www.dmo.gov.uk/data/treasury-bills/tenderresults/), during the 12 months from the beginning of May in Regulatory Year 2025 to the end of April in Regulatory Year 2026.

- on the correction factor, HAL agreed that this mechanism should continue to form part of the holding cap for 2027 but considered it more appropriate to replace the forecast value for M_{2025} (used in the consultation) by the updated outturn value of £26.179. The resultant correction factor would be updated from £0.616 (used in the June 2026 Consultation) to £0.356.

1.16 The LACC/AOC, Aer Lingus, BA, IAG, Iberia and Vueling considered that the CAA's proposed 2027 holding cap of £28.398 is materially too high. They supported a holding cap of £26.685, on the basis of the following:

- adopting the lower end of the CAA's H8 Initial Proposals range, which is £25.79 (2024 CPIH-real prices), as this is closer to the efficient 2027 charge supported by the airline community, which is £25.13 (2024 CPIH-real prices), and reduces the risk of "front loading" an overstated H8 settlement;
- accepting the service quality bonus of 0.23% with respect to performance in 2025 (without prejudice to its position that such bonus should be removed for H8), but would like to see how it has been derived[18];
- returning what they regard as the over-recovery of terminal drop-off charge ("TDOC") of £0.65 per passenger; and
- including the revenue from cargo-only flights in the calculation of the correction factor.

1.17 BA, Iberia and Vueling said the CAA's proposal to increase the price cap from £26.221 in 2026[19] to £28.398 in 2027[20] is a significant step change that will materially affect airlines' business planning and investment decisions. They said a smoother profile across H8 would better align the profile of charges with the delivery of investment and the realisation of the associated benefits for consumers.

1.18 The LACC/AOC disagreed with the CAA's "step up" approach for 2027, stating that it resulted in a steeper rise for 2027 than would be the case if the evolution of charges was smoothed.

1.19 IAG considered that a holding cap of £26.685 would represent a balanced outcome, which would allow HAL to recover its efficient costs while reducing the risk that airlines and consumers are required to find an overstated allowance before the H8 settlement has been finalised.

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18 The LACC/AOC understood that full details on the service quality bonus would be shared by HAL at the 2027 charges consultation, and asked the CAA to demonstrate how it has assured these figures.

19 HAL, Decision - 2026 Airport Charges and Conditions of Use, 30 October 2025.

20 This is the level of 2027 holding price cap that we proposed in the June 2026 Consultation. We believe there is a typo in BA's response.

1.20 A4A encouraged the CAA to ensure that the holding price cap remains firmly grounded in the principles of efficiency, transparency and consumer protection.

Our assessment

Comparison of the level of the 2027 holding price cap

1.21 We note stakeholders' views on the appropriate level of the 2027 holding price cap. A comparison of the position set out in the June 2026 Consultation to the views of stakeholders is set out in the table below.

Table 1.2 Forecast 2027 holding price cap calculations by CAA, HAL and airlines

£	CAA proposal	HAL	Airlines
Forecast baseline charge (2024 CPIH-real)	26.615[21]	27.917	25.790
Inflation uplift to 2027 prices	+2.336	+2.453	+2.263[22]
All figures below in 2027 prices			
Forecast baseline charge	28.951	30.370	28.053
Service quality bonuses	+0.063	+0.063	+0.063
Terminal drop off charge for 2026	0.000	0.000	-0.650
Correction factor for 2027	-0.616	-0.356	-0.781
2027 holding price cap	28.398	30.077	26.685

Forecast baseline charge

1.22 We remain of the view that setting an interim price control is in the interests of consumers to protect them from the risks arising from airport charges at Heathrow not being subject to a price control during 2027. This approach also helps to mitigate the risks arising for consumers from airport charges varying more than they otherwise would do over time.

1.23 After considering stakeholders' views, we remain of the view that the mid-point of the range in the H8 Initial Proposals £26.615 (2024 CPIH-real prices) for charges in 2027 is an appropriate baseline. It represents a balanced and proportionate position that protects the interests of consumers, having regard to the need for

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21 The mid-point of the forecast baseline charge in the Initial Proposals, £25.79 to £27.44 (in 2024 CPIH-real prices).

22 Aer Lingus and BA adopted the same inflation assumption as the CAA and set X_{2027} to 0%.

reasonable demands of users, efficiency and financeability assessments undertaken for the Initial Proposals.

1.24 We disagree with HAL that we should adopt the building-block charge of £27.917 (2024 CPIH-real prices) for financeability reasons. The financeability assessment we undertook for H8 Initial Proposals focused on the profiled level of airport charges and not the level of the underlying price control building blocks in each year. The mid-point of the H8 Initial Proposals range therefore represents a level of charges consistent with furthering the interests of consumers and our statutory duty to have regard to the need to secure that HAL is able to finance its activities.

1.25 We disagree with the airlines' view that we should adopt the lower end of the range from H8 Initial Proposals for 2027 of £25.79 (2024 CPIH-real prices). There would be a greater risk of instability in charge levels if we were to use the lower bound, as true-up arrangements would be more likely to increase charges in future years. We do not regard this as furthering the interests of consumers.

1.26 We disagree with the airlines' view that the proposed 2027 holding price cap is too significant a step change in charges, and that a smoothed approach would be more appropriate. In the June 2026 Consultation, we stated that the proposed baseline charge of £26.615 (2024 CPIH-real prices) is derived from the "step-flat" approach[23], which we considered in our H8 Initial Proposals to balance between stable charges in 2028 to 2031 while also not having a large step in charges in 2027. We do not see that airlines have provided a compelling reason for us to deviate from this assessment for the proposed 2027 holding price cap.

1.27 Based on the information available to us at this stage, we therefore consider that the proposed forecast baseline charge £26.615 (2024 CPIH-real prices) remains appropriate.

Service quality bonuses

1.28 HAL has shared with the CAA the workbook that supported the calculation of service quality bonuses based on HAL's performance in 2025 and we adopted this calculation in the June 2026 Consultation after reviewing and confirming HAL's calculations are correct.

1.29 We noted the airlines' request for transparency on the service quality bonuses and understand that HAL shared the 2027 charges consultation with airlines in late August, which includes the calculation of the service quality bonuses.

[23] CAA, CAP3232 Initial Proposals for H8 Section 3: financial issues and calculating the price cap, March 2026, paragraph 11.20-11.22

Adjustment terms

1.30 We note HAL's comment that the adjustment terms (allowed capex AC_{2027}, capital triggers T_{2027}, terminal drop-off charge TDO_{2027} and traffic risk sharing TRS_{2027}) should remain in the calculation of the holding price cap, with forecast values assumed to be zero.

1.31 While HAL has set out a plausible approach to these matters, we do not regard it as a clearly superior approach, particularly as the adjustment terms in the Licence are subject to review as part of the H8 price control review process. Therefore, we are retaining the approach set out in the June 2026 Consultation of removing the terms rather than setting at zero. If appropriate, similar or revised terms will be reintroduced as part of the arrangements for the H8 price control.

Correction factor

1.32 HAL presented calculations on the outturn maximum revenue yield for 2025 (M_{2025}) and considered that we should adopt the outturn value of £26.179 (2025 prices) instead of the forecast value of £25.948 (2025 prices) in the calculation of the correction factor for 2027. The resultant £0.231 increase is attributed to the higher outturn CPI inflation in 2025[24].

1.33 After reviewing HAL's calculation, we confirm that HAL's calculations are correct. We consider that there is a credible case for replacing the forecast value of M_{2025} by the outturn value of M_{2025} in the calculation of the correction factor as this will more accurately reflect the appropriate adjustment.

1.34 The effect of having a higher outturn M_{2025} is that the amount of over-recovered yield has reduced from £0.616 in the June 2026 Consultation to £0.356. We encourage HAL to share with the airline community the calculation of the correction factor for scrutiny and assurance.

1.35 The airlines proposed a correction factor of £0.781. This is driven by the inclusion of revenues from cargo only flights in 2026 in the calculation of the correction factor. We address this issue later in this chapter.

Overall forecast 2027 holding price cap

1.36 Having considered stakeholders responses, we have decided to set the forecast 2027 holding price cap at £28.658, consisting of:

- the forecast baseline charge of £28.951 (2027 prices) – unchanged from the June 2026 Consultation;

24 From a forecast of 2.473% when HAL adopted in the 2025 charges decision to an outturn of 3.368%.

- an adjustment of £0.063 in respect of service quality bonuses earned in 2025 – unchanged from the June 2026 Consultation;
- a reduction of £0.356 through the correction factor mechanism to reflect the differences between forecasts used by HAL to set charges in 2025 and outturns for 2025 – updated from the June 2026 Consultation as discussed above.

1.37 We will remove the four adjustment terms (allowed capex AC_{2027}, capital triggers T_{2027}, terminal drop-off charge TDO_{2027} and traffic risk sharing TRS_{2027}) from the calculation of the price cap.

Table 1.3 CAA's decision on the level of the forecast 2027 holding price cap

Calculating the forecast maximum revenue yield for 2027, M_{2027} (2027 prices)				
M_{2027} =	+	$\mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027})$	Forecast baseline charge for 2027	28.951
	+	$\mathrm{Y}_{2026} \times \mathrm{B}_{2025}$	Service quality bonuses	+0.063
	+	$\frac{\mathrm{AC}_{2027}}{\mathrm{Q}_{2027}} - \frac{\mathrm{T}_{2027}}{\mathrm{Q}_{2027}} + \frac{\mathrm{TDO}_{2027}}{\mathrm{Q}_{2027}} + \frac{\mathrm{TRS}_{2027}}{\mathrm{Q}_{2027}}$	Adjustment terms	deleted
	-	K_{2027}	Correction factor for 2027	-0.356
	=			28.658

Comparison between the 2026 price cap and the 2027 holding price cap

1.38 In our Final Decision on early costs in July 2026[25], we decided that HAL's allowed price control revenue in 2026 would be adjusted to allow for the return on efficient early costs incurred in 2025 and 2026. This decision has the effect of increasing the forecast maximum revenue yield for 2026 to £26.372 (2026 prices), or £26.929 (2027 prices) [26].

1.39 A forecast holding price cap for 2027 of £28.658 therefore represents a real-term increase of 6.42% from the 2026 cap of £26.929.

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25 CAA, CAP3289 Decision on the regulatory treatment of early costs of capacity expansion at Heathrow airport, July 2026, paragraph 1.35.

26 Applying CPIH indexation uplift using data from the Office for Budget Responsibility Economic and fiscal outlook, March 2026 edition.

True up of inflation for 2027

Our June proposals

1.40 To incorporate an inflation true up for the holding price cap for 2027, we need to express the forecast baseline charge in terms of CPIH_{2027}. This allows us to:

- replace forecast CPIH_{2027} with outturn CPIH_{2027}; and
- adjust for the difference between the forecast and outturn 2027 holding price cap M_{2027}.

1.41 We proposed that the forecast and outturn 2027 holding price caps should be set out in the table below. Further details of our approach were described in the June 2026 Consultation[27].

Table 1.4 CAA's proposed Forecast and Outturn 2027 holding price caps

Forecast and outturn 2027 holding price caps		
Forecast M_{2027}	$= \mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027}) + \mathrm{Y}_{2026} \times \mathrm{B}_{2025} - \mathrm{K}_{2027}$ $= £28.951 + £0.063 - £0.616 = £28.398$	Depend on Forecasts of Y_{2026} and CPIH_{2027}
Outturn M_{2027}	$= \mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027}) + \mathrm{Y}_{2026} \times \mathrm{B}_{2025} - \mathrm{K}_{2027}$ $= \mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + 3.043\%) + \mathrm{Y}_{2026} \times 0.230\% - 0.633$	Depend on Outturns of Y_{2026} and CPIH_{2027}

1.42 We would obtain the outturn holding price cap when information becomes available for us to update the forecast average yield per passenger for Regulatory Year 2026 (Y_{2026}) and inflation for 2027 (CPIH_{2027}).

1.43 We proposed that the difference between Forecast M_{2027} and Outturn M_{2027} should be adjusted through the correction factor K_{2029} in the calculation of the maximum revenue yield for 2029. This is a standard approach for HAL's price cap calculations.

Stakeholders' views

1.44 HAL agreed with the CAA's objective of introducing a structured approach to the inflation true-up. It considered that the inflation assumptions used in its 2027 charging decision and the H8 Final Decision should be aligned to avoid unintended outcomes and preserve regulatory consistency.

1.45 HAL said it has consistently used the Bank of England's ("BoE's") September forecast update when finalising airport charges. HAL proposed that BoE's September 2026 forecast should be used in the 2027 holding price cap, and the

27 CAA, CAP3279 Economic Regulation of Heathrow Airport Limited: setting a holding price cap for 2027, Consultation and notice under section 22(2) of the Civil Aviation Act 2012, paragraphs 2.18-2.27.

H8 Final Decision should adopt the same forecast assumptions for inflation in both 2026 and 2027 (for calculating the price caps).

1.46 Aer Lingus, Iberia and Vueling supported replacing forecast inflation with outturn inflation through the X_{2027} factor. However, the CAA should simplify the mechanism, confirm the change is intended to support CPIH indexation for H8, and explain any practical implications for the holding-cap formula, in particular, whether the price profiling factor X_{2027} will be recalculated.

1.47 BA and Iberia noted that the CAA has proposed replacing the Consumer Price Index (CPI) (D7BT) with CPIH (L522), and invited the CAA to set out the reasons for moving from the D7BT to the L522 index.

1.48 BA supported the CAA's proposed mechanism to true up the inflation in the 2027 holding price cap, and said this would address their repeated concerns regarding the unintended consequences of previous holding caps. It would welcome a simplification of the calculations, as well as clarity on whether the X_{2027} factor will require re-calculation when the outturn variables become available.

Our assessment

1.49 We note the broad support of the inclusion of a mechanism to enable a true up of 2027 inflation.

1.50 We note the airlines question about our proposed change from CPI (D7BT) to CPIH (L522) in the calculation of the 2027 holding price cap. We have explained in the Initial Proposals[28] that we intend to adopt CPIH for indexation of the regulatory asset base. We consider that, for consistency, indexation of airport charges in H8 should also be in CPIH.

1.51 On HAL's use of BoE's September forecast in its annual charges consultation, we note that the BoE forecasts only CPI but not CPIH in its quarterly Monetary Policy Reports[29]. As we proposed to adopt CPIH for indexation of airport charges for H8, HAL may wish to consider alternative sources of inflation forecasts from 2028 onwards.

1.52 For the purposes of setting the H8 price control, we will use forecasts from the Office for Budget Responsibility ("OBR") Economic and fiscal outlook, which is a publicly available and well-regarded set of CPIH forecasts that provides the required forecasting horizon. There would be a risk of inconsistency if we were to use a mix of BoE forecasts for 2026 and 2027 and OBR forecasts for later years in H8.

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28 CAA, CAP3232 Initial Proposals for H8 Section 3: financial issues and calculating the price cap, March 2026, paragraph 10.48-10.84

29 Bank of England, Monetary Policy Reports

1.53 We note the airlines' questions on our calculations of the price profiling factor for 2027 X_{2027}. Normally, the price profiling factor X_{t} would be an output of financial modelling and would be fixed for each year before the start of the price control. As we are setting a holding price cap for the first year of H8 at a specified level, we need to calculate a value for X_{2027} consistent with this specified level. We therefore decided that X_{2027} will remain the same when we implement inflation true up.

1.54 We set out our detailed approach on implementing the true up of 2027 inflation in Appendix C.

True up of four adjustment terms

Our June proposals

1.55 We proposed not to include the adjustment terms AC_{2027}, T_{2027}, TDO_{2027} and TRS_{2027} in the calculation the 2027 holding price cap. This is not because we considered that there are necessarily shortcomings in these adjustment terms. Rather, their non-inclusion is a timing issue as we need to have the holding price cap in place to protect consumers before the relevant H8 policies have been finalised.

1.56 Nonetheless, it is important to retain some form of true up when the outturn figures of these adjustment terms for 2027 become available, to support the implementation of H8 policies throughout the five-year period of the H8 price control. To facilitate such a true up, we proposed that HAL should provide, in the 2027 charges consultation, forecasts for AC_{2027}, T_{2027}, TDO_{2027} and TRS_{2027}. HAL should also provide outturn figures for them when they become available.

1.57 We also said we would discuss our approach to these matters with stakeholders.

Stakeholders' views

1.58 The LACC/AOC agreed that it is appropriate to address these adjustments (such as traffic risk sharing and capital triggers) when the policies are set, and highlighted that it is important for the CAA to ensure that these adjustments are logged and properly made once policy is finalised. In addition, it noted that airlines should have the opportunity to meaningfully engage and shape the true-up mechanism(s).

1.59 Aer Lingus, BA, Iberia and Vueling considered that any post 2027 adjustments for TDOC, traffic risk sharing, capital governance or other quantities should reflect the CAA's H8 Final Decision, should be subject to meaningful airline scrutiny and should be returned or recovered promptly rather than allowing discrepancies to persist.

1.60 BA referenced its representations to the CAA on reforms to capital governance potentially impacting the $\mathrm{AC_t}$ and capital trigger ($\mathrm{T_t}$) factors and the calibration, extent and timing of the TRS adjustments. BA said that any changes to the relevant policies should be reflected in the adjustment terms. Adjustments could be made through an adjustment term in 2028.

Our assessment

1.61 We note the airlines' support in the true up of the adjustment terms $\mathrm{AC_{2027}}$, $\mathrm{T_{2027}}$, $\mathrm{TDO_{2027}}$ and $\mathrm{TRS_{2027}}$. To support a true up, we confirm the approach set out in the June 2026 Consultation, that HAL should provide, in the 2027 charges consultation, forecasts for $\mathrm{AC_{2027}}$, $\mathrm{T_{2027}}$, $\mathrm{TDO_{t2027}}$ and $\mathrm{TRS_{t2027}}$. This could be provided as an addendum to the 2027 charges consultation that HAL has already shared with airlines.

1.62 We will consider further BA's suggestion that an adjustment term could be introduced to the price control formula for 2028 to allow for an appropriate adjustment. We intend to explore this further in the final proposals for H8.

Calculation of allowed revenues for H8

Our June proposals

1.63 We proposed to take the level of the forecast holding price cap for 2027 as an input to the H8 financial modelling to work out the H8 total allowed revenues for the remaining four years of the H8 price control. This would be designed to ensure that the holding price cap does not alter the net present value of HAL's allowed revenues over the five year period of the H8 price control.

1.64 In the light of these arrangements, we said that the precise level of the holding price cap for 2027 is not material in the context of the five year period, as it will get trued up (or down) in the calculation of the final proposals and final decision for the H8 price control.

Stakeholders' views

1.65 The LACC/AOC and BA considered that the CAA's statement that "*the precise level of the holding price cap for 2027 is not material"* is misinformed and fails to recognise the practical consequences of annual charge changes for airport users and consumers.

1.66 BA and IAG said while any over- or under-recovery may ultimately be adjusted through the H8 settlement, airlines must make commercial, network and investment decisions in real time based on the charges they face in a given year and so the level of the 2027 holding cap is material.

Our assessment

1.67 We recognise and acknowledge stakeholder comments on these matters. Nonetheless, the approach set out in this final decision should reassure stakeholders we have a reasonable and proportionate approach to the 2027 holding price cap.

1.68 The availability of a mechanism to true up (or down) the 2027 holding price cap in the calculation of the H8 allowed revenues should provide additional assurance that over the five-year period of H8 price control revenues will be consistent with the H8 final decision.

Other issues raised

1.69 The following sections set out issues raised by stakeholders that were not the focus of the June 2026 Consultation.

Expansion related expenditure

Stakeholders' views

1.70 HAL made the following points:

- it was concerned that the proposed 2027 holding price cap did not adequately reflect expansion-related expenditure that is already being incurred and is expected to increase materially during 2027. It said the holding price cap should avoid creating unintended barriers to investment or introducing unnecessary financeability pressure during the transition into H8;
- it recognises the CAA's desire to avoid prejudging wider policy decisions relating to early cost recovery, but considered that the absence of final decisions does not justify the exclusion of material expansion expenditure from the 2027 holding price cap;
- the 2027 holding price cap should contain a mechanism capable of reflecting expansion expenditure, otherwise it risks creating a disconnect between the draft Heathrow Expansion National Policy Statement, the expenditure required to deliver government objectives, and the regulatory arrangements governing HAL's revenues;

- HAL welcomed the recognition in the CAA's Draft Decision on the regulatory treatment of early costs[30] that efficient early expenditure should attract an appropriate return, and that timely recovery of financing costs is an important component of supporting investment. It said the holding cap consultation should therefore include provision for the return on early expenditure incurred before 2027, depreciation on expenditure incurred before 2027, and the return on forecast expenditure during 2027; and
- HAL provided an illustrative mechanism for incorporating expansion expenditure into the 2027 holding price cap in Appendix A of its response to our consultation.

1.71 The LACC/AOC and A4A agreed with the CAA's proposal not to include recovery of broader early expansion costs within the 2027 holding price cap. A4A considered that airlines should not be required to fund costs before the CAA has determined that they are efficient, justified and in the interests of consumers.

1.72 The LACC/AOC, BA and IAG commented that the CAA's Initial Proposals for H8 proposed a step increase in airport charges and do not recognise the cumulative impact of early expansion costs to kick in from 2028 according to the CAA's Draft Decision on the early costs of expansion (CAP3238), which could create further upward pressure on airport charges.

Our assessment

1.73 We remain of the view that it is appropriate to set the holding price cap for 2027 on the basis of the broad approach envisaged in the H8 Initial Proposals. Our Decision on early costs for 2025 and 2026 relates to adjusting HAL's price control revenue in 2026 for certain elements of early costs incurred in 2025 and 2026.

1.74 As we have yet to finalise decisions on wider aspects of early cost recovery it would not be appropriate to pre-empt those decisions in formulating the holding price cap for 2027. Therefore, we have decided not to adjust the holding price cap for 2027 for the early costs of capacity expansion.

1.75 Nonetheless, we recognise that the decision we have made on early costs for 2025 and 2026 will put further upward pressure on airport charges over the H8 period. We will reflect this decision in our final proposals for the H8 price control.

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30 CAA, CAP3238 Draft Decision on the regulatory treatment of early costs of capacity expansion at Heathrow airport.

Forward looking capital expenditure (capex) incentives

Stakeholders' views

1.76 HAL considered that the increasing number of projects reaching completion under the forward looking capex incentive framework means that a mechanism will be required during H8 to reflect incentive outcomes in prices. It provided an illustrative mechanism for incorporating forward looking capex incentives into the H8 charging framework in Appendix B of its response.

1.77 For the 2027 holding price cap calculation, it proposed an approach with these steps:

- forecast incentive performance would be assumed to be zero when setting charges;
- actual outcomes would subsequently be calculated using outturn information; and
- any resulting adjustment would be incorporated through the correction-factor process.

Our assessment

1.78 We consider that adding an adjustment for forward looking capex incentives in the calculation of the 2027 holding price cap would create complexity, and further discussion and consultation is appropriate before these arrangements are settled. Nonetheless, we appreciate the work that HAL has done in this area and will discuss further with stakeholders as part of the wider H8 process.

Terminal Drop-off charge (TDOC)

Stakeholders' views

1.79 Aer Lingus, BA, Iberia and Vueling said HAL should return the known 2026 terminal drop-off charge (TDOC) over-recovery of £0.65 per passenger, through a lower 2027 holding price cap. They said HAL had increased the TDOC by £1 in November 2025 after the 2026 airport charges consultation had concluded. Under the prevailing H7 arrangements, 65% of the additional revenue generated should be returned to airlines.

1.80 The LACC/AOC, Aer Lingus and BA reiterated the airline community's earlier recommendation in the H8 process that the CAA introduce a licence condition requiring HAL to return to consumers 100% of any additional TDOC revenues generated by increases in the tariff above its current £7 level.

1.81 The LACC/AOC and BA said that HAL could seek to increase the TDOC tariff during H8 in order to retain windfall gains under the current risk-sharing arrangements, and that its proposal removes this perverse incentive.

Our assessment

1.82 Outturn TDOC revenues will be known only after the end of 2026, after this final decision on the holding price cap, therefore it is not reasonable to try and make any adjustments for 2026 TDOC revenues as part of this final decision.

1.83 We note the airlines comments on introducing a new licence condition requiring HAL to return over-recovered TDOC revenues and will consider this further as part of the wider H8 process.

Cargo revenues

Stakeholders' views

1.84 Aer Lingus, BA, Iberia and Vueling considered that as cargo-only flights use common airport infrastructure, the associated revenues (around £13 million) should be recognised in the 2025 revenue recovery calculation. Including this in the correction factor calculation for 2027 would reduce the holding price cap by £0.781.

Our assessment

1.85 We note the airlines' proposal on including cargo revenues in the calculation of the correction factor. This proposal will involve a fundamental change in the method of calculating HAL's price control revenue and the correction factor and it does not appear appropriate to consider these issues as part of the work on the holding price cap. During the H7 period cargo revenues were assumed to be a component of the single till calculation and not price control revenue.

Traffic forecasting

Stakeholders' views

1.86 The LACC/AOC, Aer Lingus, Iberia and Vueling said that the passenger forecast (of 85.9 million) we have used to set the 2027 holding price cap is too low.

1.87 IAG said the airline community has made extensive representations on both the level of the forecast and the continued use of the shock factor. It said that the shock factor has not been demonstrated to improve forecast accuracy and risks embedding a downward bias in the forecast, and that there was a risk of duplication if a downward shock adjustment is applied to the traffic forecast while HAL is separately protected through a traffic risk-sharing mechanism.

1.88 Aer Lingus and BA highlighted that the Irish Aviation Authority rejected an asymmetric risk adjustment for extreme and transient traffic shocks.

Our assessment

1.89 We consider that this stage the traffic forecasts in the H8 Initial Proposals remain the best forecast available for the purposes of setting a holding price cap for 2027. We will continue to work with stakeholders on this issue in the H8 process.

Timing of implementation

Stakeholders' views

1.90 The LACC/AOC and BA considered that the higher proposed 2027 holding price cap compared with airport charges in 2026 will result in a late-stage step increase in charges relative to 2026. Airlines have already be selling tickets for next year based on current charges and a significant late-stage increase will exacerbate the shortfall between what is currently being recovered for 2027 and what ultimately HAL will be charging. IAG, Iberia and Vueling made a similar point.

Our assessment

1.91 We note that every year, HAL consults on its charges in August and publishes its decision in October, in line with the requirements specified in the Airport Charges Regulation. Our June 2026 Consultation signalled likely direction of travel on the holding price cap for 2027 and so provided all stakeholders with information on likely charge levels ahead of HAL's normal charging consultation.

Summary of our decision

1.92 Based on the assessment above, we have decided:

a) to set the level of the forecast 2027 holding price cap at £28.658 (in 2027 prices), consisting of:

   i. the forecast baseline charge of £28.951, derived from the mid-point between £25.79 and £27.44 (2024 CPIH-real prices) and adjusted for inflation;

   ii. a minor addition of £0.063 in respect of service quality bonuses earned in 2025; and

   iii. a reduction of £0.356 through the correction factor mechanism to reflect the differences between forecasts used by HAL to set charges in 2025 and outturns for 2025.

b) to use the correction factor mechanism to true up CPIH inflation within the 2027 holding price cap. The difference between Forecast and Outturn holding price caps should be adjusted through the correction factor K_{2029} in the calculation of the maximum revenue yield for 2029;

c) on the four adjustment terms: allowed capex AC_{2027}, capital triggers T_{2027}, terminal drop off charge TDO_{2027} and traffic risk sharing TRS_{2027}:

   i. to exclude them from the calculation of the 2027 holding price cap;

ii. to require HAL to provide forecasts for AC_{2027}, T_{2027}, TDO_{2027} and TRS_{2027}. This could be provided as an addendum to the 2027 charges consultation that HAL has already shared with airlines;

iii. to consult on potential true up mechanisms in the H8 Final Proposals;

d) to take the level of the forecast holding price cap for 2027 as an input to the H8 financial modelling, in order to work out the H8 total allowed revenues for the remaining four years of the H8 price control; and

e) to implement the forecast 2027 holding price cap through a change to the price control condition in the Licence, with improved drafting of Conditions C1.1 and C1.4.

1.93 Appendix B sets out the statutory notice and licence modifications to implement this Final Decision.

APPENDIX A

Our duties

A1 The CAA is an independent economic regulator. Our duties in relation to the economic regulation of airport operation services (“AOS”), including capacity expansion, are set out in the CAA12.

A2 CAA12 gives the CAA a general (“primary”) duty, to carry out its functions under CAA12 in a manner which it considers will further the interests of users of air transport services regarding the range, availability, continuity, cost and quality of AOS.

A3 CAA12 defines users of air transport services as present and future passengers and those with a right in property carried by the service (i.e. cargo owners). We often refer to these users by using the shorthand of “consumers”.

A4 The CAA must also carry out its functions, where appropriate, in a manner that will promote competition in the provision of AOS.

A5 In discharging this primary duty, the CAA must also have regard to a range of other matters specified in the CAA12. These include:

- The need to secure that each licensee is able to finance its licensed activities;
- The need to secure that all reasonable demands for AOS are met;
- The need to promote economy and efficiency on the part of licensees in the provision of AOS;
- The need to secure that the licensee is able to take reasonable measures to reduce, control and/or mitigate adverse environmental effects;
- Any guidance issued by the Secretary of State or international obligation on the UK notified by the Secretary of State; and
- The Better Regulation principles.

A6 CAA12 also sets out the circumstances in which we can regulate airport operators through an economic licence. In particular, airport operators must be subject to economic regulation where they fulfil the Market Power Test as set out in CAA12. Airport operators that do not fulfil the Test are not subject to economic regulation. As a result of the market power determinations we completed in 2014 both HAL and GAL are subject to economic regulation.

A7 We are only required to update these determinations if we are requested to do so and there has been a material change in circumstances since the most recent determination. We may also undertake a market power determination whenever we consider it appropriate to do so.

APPENDIX B

Notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") of the CAA's decision to modify the Licence

Introduction

B1 This Appendix constitutes notice under section 22(6) of the Civil Aviation Act 2012 ("CAA12") ("Notice") that the CAA has decided to modify the licence granted to HAL by the CAA under section 15 CAA12 on 13 February 2014 ("the Licence") to implement the policy decisions set out in Chapter 1 of this decision.

B2 The modifications to the Licence we have decided to make are set out below together with an explanation of the reasons for them and their effects. References to the Summary and Chapter 1 (Stakeholders' views and our assessment) of this decision document and to the Initial Proposals[31] are provided to indicate where further relevant supporting materials on the reasons for and effects of these modifications are to be found. To the extent that the reasons for and effects of the modifications are set out in the Summary, Chapter 1 and the Initial Proposals, those reasons and effects are deemed to be incorporated in this Notice.

B3 The modifications are set out below in "tracked change" format, marked in redline where appropriate, compared with the current version of the Licence which took effect on 1 January 2026.

B4 The licence modifications set out in this decision will take effect six weeks after the publication of this document, which is 26 October 2026.

Modifications to implement a holding price cap for 2027

Reasons for and effects of the licence modification

B5 For the reasons set out in the Summary and Chapter 1 (Stakeholders' views and our assessment) of this document, we have decided to modify the Licence to implement a price cap applicable to HAL's yield per passenger for Regulatory Year 2027. The overall effect of this is to ensure that the interests of consumers will continue to be protected by a price cap until our final decision on the H8 price control comes into effect.

31 CAA, CAP3232 Initial Proposals Section 3: financial issues and calculating the price cap, March 2026.

B6 As noted in Chapter 1, the effect of having a holding price cap for 2027 is that the outturn yield collected by HAL from airport charges in 2027 should not exceed the maximum revenue yield for 2027.

B7 We have decided that the forecast 2027 holding price cap will be set by the formula shown below, rather than a fixed number. The effect of this approach is to make the 2027 maximum airport charges reflect more accurately the outturn inflation for 2027.

B8 The formula will set HAL’s forecast maximum revenue yield per passenger that HAL can earn from airport charges in 2027, M_{2027}, and is based on a modified version of the current formula specified in Condition C1 of the Licence. We have decided that the forecast M_{2027} should be £28.658, as given by:

$$\mathrm{M}_{2027} = \mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027}) + \mathrm{Y}_{2026} \times \mathrm{B}_{2025} - \mathrm{K}_{2027}$$

$$= £(28.951 + 0.063 - 0.356)$$

$$= £28.658$$

where

- $\mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027})$ is the forecast baseline charge, and is set at £28.951 (see paragraph 1.92(a)(i));
- B_{2025} is the service quality bonuses; and is calculated to be 0.230% (see paragraph 1.92(a)(ii));
- K_{2027} is the correction factor for Regulatory Year 2027, and is calculated to be £0.356 (see paragraph 1.92(a)(iii)).

B9 We have decided that the adjustment terms AC_{2027}, T_{2027}, TDO_{2027} and TRS_{2027} (corresponding to allowed capex adjustment, capital triggers, terminal drop-off charge and traffic risk sharing respectively) should not be included in the formula to calculate HAL’s holding price cap for 2027 M_{2027}. These terms reflect specific features of HAL’s price control arrangements that are being considered as part of the wider H8 price control review. As we are yet to finalise our policies in these areas for the H8 period, we have decided that we will not include these adjustment terms in the formula for calculating the 2027 holding price cap.

B10 When we calculate M_{2027}, we need to calculate the forecast average revenue yield per passenger for Regulatory Year 2026 Y_{2026}. In the formula for calculating Y_{2026}, we propose the following:

- the price profiling factor for 2026 X_{2026} should be set at zero, consistent with the current version of the Licence;
- the allowable security and/or heal and safety cost factor S_{2026} should be set at zero, consistent with the existing arrangements for these matters.

B11 Following the June 2026 Consultation we have also identified an improvement to our proposed licence modification, which concerns the rephrasing of Conditions C1.1 and C1.4, to avoid duplication and ambiguity. We have drafted the licence modifications below to reflect this.

Licence modifications

B12 In the light of the above, we decided to implement the following modifications to the Licence:

- to modify Conditions C1.1, C1.2, C1.4, C1.6, C1.9, C1.24, C1.25(i) and Table 7 of Schedule 1; and
- to replace Conditions C1.5, C1.7, C1.8, C1.10 to C1.23 with "[NOT USED]".

B13 The modifications we decide to make to the licence conditions in question in relation to the maximum revenue yield per passenger for 2027 M_{2027} (shown in red below) are[32]:

C1.1 When the Licensee fixes the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Year 2027~~2023~~ it shall fix those charges at the levels best calculated to secure that; in that Regulatory Year, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the maximum revenue yield per passenger, which shall be calculated in accordance with Condition C1.4~~£31.57~~.

C1.2 If the Licensee has fixed the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Year 2027~~2023~~ at levels that exceed the maximum yield per passenger set out in Condition C1.1, the Licensee shall, within one month of Condition C1 Price Control coming into effect in relation to the Regulatory Year 2027~~2023~~, consult airlines under the Airport Charges Regulations 2011 (2011 No.2491) to reset its prices to a level calculated to secure compliance with Condition C1.1.

C1.4 ~~When the Licensee fixed the amounts to be levied by it by way of airport charges in respect of relevant air transport services in the Regulatory Year 2024, it shall fix those charges at the levels best calculated to secure that, in that Regulatory Year, the total revenue at the Airport from such charges divided by the total number of passengers using the Airport does not exceed the~~ The maximum revenue yield per passenger for Regulatory Year 2027~~, which~~ shall be calculated as follows:

[32] We have not shown the conditions that we propose to replace with "[NOT USED]" in this Notice.

$$M_{2027} = Y_{2026} \times (1 + CPIH_{2027} + X_{2027} + B_{2025}) - K_{2027}$$

$$\cancel{M_{2024} = Y_{2023} \times (1 + CPI_{2024} + X_{2024} + B_{2022}) + \frac{AC_{2024}}{Q_{2024}} - \frac{T_{2024}}{Q_{2024}} + \frac{TDO_{2024}}{Q_{2024}} - AK_{2024} - K_{2024}}$$

where

(a) $M_{2027}\cancel{M_{2024}}$ is the maximum revenue yield per passenger using the Airport in Regulatory Year 2027~~2024~~ expressed in pounds sterling;

(b) $Y_{2026}\cancel{Y_{2023}}$ is the average ~~maximum~~ revenue yield per passenger using the Airport in Regulatory Year 2026~~2023~~, as defined in Condition C1.6;

(c) $CPIH_{2027}\cancel{CPI_{2024}}$ is the percentage change between:

(i) the average value of the Office for National Statistics monthly L522~~D7BT~~ Consumer Prices Index including owner occupiers' housing costs over Regulatory Year 2027~~2024~~;

(ii) the average value of the Office for National Statistics monthly L522~~D7BT~~ Consumer Prices Index including owner occupiers' housing costs over Regulatory Year 2026~~2023~~;

(d) $X_{2027}\cancel{X_{2024}} = 3.043\%\cancel{-20.07\%}$;

(e) $B_{2025}\cancel{B_{2022}}$ is the bonus factor in Regulatory Year 2027~~2024~~, based on the Licensee's service quality performance in Regulatory Year 2025~~2024~~, as defined in Condition C1.9; and

(f) [NOT USED]

(g) [NOT USED]

(h) [NOT USED]

(i) [NOT USED]

(j) [NOT USED]

(k) $K_{2027}\cancel{K_{2024}}$ is the correction factor in Regulatory Year 2027~~2024~~, as defined in Condition C1.24.

C1.5 [NOT USED]

Average revenue yield per passenger $Y_{2026}\cancel{Y_{t-1}}$

C1.6 $Y_{2026}\cancel{Y_{t-1}}$ is the average revenue yield per passenger in Regulatory Year 2026 ~~t − 1~~ calculated in accordance with the following formula:

$$Y_{2026} = Y_{2025} \times (1 + CPI_{2026} + X_{2026}) + S_{2026}$$

$$\cancel{Y_{t-1} = Y_{t-2} \times (1 + CPI_{t-1} + X_{t-1}) + S_{t-1}}$$

where

(a) $Y_{2025} = £26.913$ $\cancel{Y_{2023} = £31.570 + S_{2023}}$;

(b) $CPI_{2026}$$\cancel{CPI_{t-1}}$ is the percentage change between:

(i) the average value of the Office for National Statistics monthly D7BT Consumer Prices Index over Regulatory Year 2026 ~~t – 1~~;

(ii) the average value of the Office for National Statistics monthly D7BT Consumer Prices Index over Regulatory Year 2025 ~~t – 2~~;

(c) $X_{2026} = 0$ ~~X_t has the same value as in Condition C1.5(d), except that in respect of Regulatory Year 2024, X_{2024} has the same value as in Condition C1.4(d)~~; and

(d) $S_{2026} = 0$ ~~S_{t-1} is the allowable security and/or health and safety cost per passenger in Regulatory Year $t - 1$, as defined in Condition C1.7 to C1.8.~~

Allowable security and/or health and safety cost per passenger S_{t-1}

C1.7 [NOT USED]

C1.8 [NOT USED]

Bonus factor $B_{2025}$$\cancel{B_{t-2}}$

C1.9 $B_{2025}$$\cancel{B_{t-2}}$ is the bonus factor based on performance achieved in respect of the specified elements k and bonus measures bm of the Licensee's service quality performance as each such term is defined in Condition D1. The bonus factor shall be calculated in accordance with Schedule 1 of this Licence.

Allowed capex adjustment AC_t

C1.10 [NOT USED]

C1.11 [NOT USED]

C1.12 [NOT USED]

C1.13 [NOT USED]

C1.14 [NOT USED]

C1.15 [NOT USED]

Trigger factor $\mathbf{T_t}$

C1.16 [NOT USED]

C1.17 [NOT USED]

Terminal drop-off charge $\mathbf{TDO_t}$

C1.18 [NOT USED]

C1.19 [NOT USED]

Triffic risk sharing adjustment $\mathbf{TRS_t}$

C1.20 [NOT USED]

C1.21 [NOT USED]

Additional correction factor $\mathbf{AK_t}$

C1.22 [NOT USED]

C1.23 [NOT USED]

Correction factor $\mathbf{K_{2027}}\cancel{\mathbf{K_t}}$

C1.24 $K_{2027}\cancel{K_t}$ is the correction factor (whether positive or negative value) to be made in Regulatory Year 2027 ~~t~~, which is calculated as follows:

$$K_{2027} = \frac{1}{Q_{2027}} \times (R_{2025} - Q_{2025} \times M_{2025}) \times \left(1 + \frac{I_{2025}}{100}\right)^2$$

$$\cancel{K_t = \frac{1}{Q_t} \times (R_{t-2} - Q_{t-2} \times M_{t-2}) \times \left(1 + \frac{I_{t-2}}{100}\right)^2}$$

where

(a) $R_{2025}\cancel{R_{t-2}}$ is the total revenue from airport charges in respect of relevant air transport services levied at the Airport in Regulatory Year 2025 ~~t – 2~~ expressed in pounds sterling;

(b) $Q_{2025}\cancel{Q_{t-2}}$ is the number of passengers using the Airport in Regulatory Year 2025 ~~t – 2~~;

(c) $M_{2025}\cancel{M_{t-2}}$ is the maximum revenue yield per passenger using the Airport in Regulatory Year 2025 ~~t – 2~~ expressed in pounds sterling~~, except that in respect of Regulatory Year 2022,~~ $\cancel{M_{2022}}$ ~~it shall bear the value £30.19~~;

(d) $I_{2025}\cancel{I_{t-2}}$ is the appropriate interest rate for Regulatory Year 2025 ~~t – 2~~, which is equal to:

(i~~ii~~) the specified rate plus 3% where $K_{2027}\cancel{K_t}$ is positive; or

(ii~~v~~) the specified rate where $K_{2027}\cancel{K_t}$ is negative.

Definitions

C1.25 In this Condition C1:

(i) **specified rate** means the average of the three month Treasury Bill Discount Rate (expressed as an annual percentage interest rate) published by the UK Debt Management Office (www.dmo.gov.uk/data/treasury-bills/tender-results/), during the 12 months from the beginning of May in Regulatory Year 2025 ~~$t-2$~~ to the end of April in Regulatory Year 2026 ~~$t-1$~~;

Table 7: Periods of bonuses earned to be taken into account when setting $\mathbf{M_t}$ as specified in Condition C1

Bonuses earned in Regulatory Year	are included in
~~2020~~	~~the overall H7 allowed revenues and profiled across H7~~
~~2021~~	~~the maximum revenue yield per passenger for Regulatory Year 2023~~
~~2022~~	~~the maximum revenue yield per passenger for Regulatory Year 2024 M_{2024} through the bonus term B_{2022}~~
~~2023~~	~~the maximum revenue yield per passenger for Regulatory Year 2025 M_{2025} through the bonus term B_{2023}~~
~~2024~~	~~the maximum revenue yield per passenger for Regulatory Year 2026 M_{2026} through the bonus term B_{2024}~~
2025	the maximum revenue yield per passenger for Regulatory Year 2027 M_{2027} through the bonus term B_{2025}

APPENDIX C

Further details of our calculations and the inflation true up

Introduction

C1 This Appendix gives further details of our calculations and explains how we intend to implement true up of inflation in the 2027 holding price cap.

C2 We currently forecast that our decision will lead to a 2027 holding price cap of £28.658 (2027 prices). This is based on our current forecasts of a few variables, such as CPI inflation in 2026 and CPIH inflation in 2027. When the outturns of those variables become available, this will allow us to calculate the outturn 2027 holding price cap. This will then form part of the calculation of the price cap for 2029 through the correction factor mechanism.

C3 The following section gives further details of our calculations, highlighting cases where these rely on forecasts rather than outturn values of inflation and other variables.

Forecast and outturn 2027 holding price caps

Overview of the 2027 holding price cap

C4 We forecast that our decision will lead to a 2027 holding price cap of £28.658, as given by:

$$\mathrm{M}_{2027} = \mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027}) + \mathrm{Y}_{2026} \times \mathrm{B}_{2025} - \mathrm{K}_{2027}$$

$$= £(28.951 + 0.063 - 0.356)$$

$$= £28.658$$

where

- $\mathrm{Y}_{2026} \times (1 + \mathrm{CPIH}_{2027} + \mathrm{X}_{2027})$ is the baseline charge for 2027, which we forecast to be £28.951;
- B_{2025} is the service quality bonus factor, and is calculated to be 0.230%; and
- K_{2027} is the correction factor for Regulatory Year 2027, which we forecast to be £0.356.

C5 We set out these three components below.

The forecast baseline charge for 2027

C6 The forecast baseline charge for 2027 is given by Table C1 below.

Table C1 Calculating the forecast baseline charge for 2027

Calculating the forecast baseline charge for 2027			
Forecast baseline charge for 2027[33]	=	Y_{2026}	The forecast average revenue yield per passenger for 2026
	+	CPIH_{2027}	The forecast CPIH Inflation adjustment from 2026 to 2027
	-	X_{2027}	Price profiling factor

C7 The forecast baseline charge is determined by three components

- the forecast average revenue yield per passenger for 2026, Y_{2026};
- the forecast CPIH inflation adjustment from 2026 to 2027, CPIH_{2027}; and
- the price profiling factor, X_{2027}.

C8 In the following sections, we go through the calculation of each component and specify which inputs are outturns (that is, not subject to true up through the correction factor mechanism), and which inputs are forecasts that are subject to a true up.

33 We have decided to take £28.951 as the forecast baseline charge for 2027.

The forecast average revenue yield per passenger in 2026 Y_{2026}

C9 The following table shows the calculation of the forecast average revenue yield per passenger in 2026 Y_{2026}:

Table C2 Calculating forecast average revenue yield per passenger in 2026 Y_{2026}

	Description	Units	Value	Source / calculation	Forecast or Outturn
Inputs					
A	Average revenue yield for 2025, Y_{2025}	£, 2025 prices	26.913	CAA calculation[34]	Outturn
B	CPI index_{2026}	D7BT index	141.551	OBR	Forecast
C	CPI index_{2025}	D7BT index	138.367	ONS	Outturn
D	Price profiling factor for 2026, X_{2025}	%	0	HAL Licence	Outturn
E	Security factor for 2026, S_{2026}	%	0	HAL Licence	Outturn
Calculation					
F	Forecast average revenue yield for 2026, Y_{2026}	£, 2026 prices	27.532	$= A \times \left[1 + \left(\frac{B}{C} - 1\right) + D\right] + E$	Contains an input which is a Forecast

C10 The forecast average revenue yield per passenger in 2026 Y_{2026} is:

$$Y_{2026} = Y_{2025} \times (1 + CPI_{2026} + X_{2026}) + S_{2026}$$

$$F = A \times \left[1 + \left(\frac{B}{C} - 1\right) + D\right] + E = £26.913 \times \left[1 + \left(\frac{141.551}{138.367} - 1\right) + 0\right] + 0$$
$$= £27.532$$

C11 This is a forecast of Y_{2026} as it depends on a forecast of CPI_{2026}. It is subject to true up through the correction factor mechanism which will use the outturn value of CPI_{2026}.

34 This is calculated by uplifting Y_{2024}, which was £26.036 (source: HAL 2026 charges consultation), for the difference between the average CPI outturns for 2024 and 2025 (respectively 133.858 and 138.367, source: ONS). Note that X_{2025} and S_{2025} were both 0.

CPIH inflation adjustment $\mathbf{CPIH_{2027}}$

C12 The following table shows the calculation of inflation adjustment in 2027 CPIH_{2027}:

Table C3 Calculating inflation adjustment $\mathbf{CPIH_{2027}}$

	Description	Units	Value	Source / calculation	Forecast or Outturn
Inputs					
G	$\mathrm{CPIH\ index}_{2027}$	L522 index	144.501	OBR	Forecast
H	$\mathrm{CPIH\ index}_{2026}$	L522 index	141.514	OBR	Forecast
Calculation					
J	Inflation adjustment, CPIH_{2027}	%	2.0017%	$= \frac{G}{H} - 1$	Some inputs are Forecasts

C13 The inflation adjustment in 2027 CPIH_{2027} is:

$$\mathrm{CPIH}_{2027} = \frac{\mathrm{CPIH\ index}_{2027}}{\mathrm{CPIH\ index}_{2026}} - 1$$

$$\mathrm{J} = \frac{\mathrm{G}}{\mathrm{H}} - 1 = \frac{144.501}{141.514} - 1 = 2.1107\%$$

C14 This is a forecast of CPIH_{2027} as it depends on forecasts of $\mathrm{CPIH\ index}_{2027}$ and $\mathrm{CPIH\ index}_{2026}$. It is subject to true up through the correction factor mechanism which will use the outturn values of $\mathrm{CPIH\ index}_{2027}$ and $\mathrm{CPIH\ index}_{2026}$.

The price profiling factor X_{2027}

C15 The following table shows the calculation of the price profiling factor in 2027 X_{2027}:

Table C4 Calculating the price profiling factor X_{2027}

	Description	Units	Value	Source / calculation	Forecast or Outturn
Inputs					
F	Forecast average revenue yield for 2026, Y_{2026}	£, 2026 prices	27.532	Calculated above	One input $CPIH_{2027}$ is a Forecast
J	Inflation adjustment $CPIH_{2027}$	%	2.1107%	Calculated above	Some inputs are Forecasts
L	Forecast baseline charge for 2027	£, 2027 prices	28.951	Table 1.3	Some inputs are Forecasts
Calculation					
X	Price profiling factor X_{2027}	%	3.043%	$= \frac{L}{F} - (1 + J)$	Some inputs are Forecasts

C16 The price profiling factor in 2027 X_{2027} is derived by:

$$\text{Forecast baseline charge for 2027} = Y_{2026} \times (1 + CPIH_{2027} + X_{2027})$$

$$L = F \times (1 + J + X)$$

$$£28.951 = 27.532 \times (1 + 2.1107\% + X_{2027})$$

$$X_{2027} = 3.043\%$$

C17 X_{2027} is a fixed value and will therefore not be subject to any true up.

The service quality bonus factor B_{2025}

C18 The service quality bonus factor B_{2025} is based on HAL's performance in 2025. It is an outturn and therefore is not subject to true up.

The correction factor K_{2027}

C19 The following table shows the calculation of the forecast correction factor K_{2027}:

Table C5 Calculating the forecast correction factor K_{2027}

	Description	Units	Value	Source / calculation	Forecast or Outturn
Inputs					
M	Total passengers in 2027, Q_{2027}	millions	85.9	CAA forecast[35]	Forecast
N	Total revenue from airport charges in 2025, R_{2025}	£m, 2025 prices	2,239	HAL regulatory accounts 2025, section 3.1	Outturn
P	Total passengers in 2025, Q_{2025}	millions	84.506	HAL regulatory accounts 2025, section 2	Outturn
R	Maximum yield per passenger in 2025, M_{2025}	£, 2025 prices	£26.179	HAL (see paragraph 1.32 above)	Outturn
S	Appropriate interest rate for 2025, I_{2025}	%	4.004%	UK Debt Management Office	Outturn
Calculation					
T	Correction factor for 2027, K_{2027}	£, 2027 prices	0.356	$\frac{1}{M} \times (N - P \times R) \times \left(1 + \frac{S}{100}\right)^2$	Some inputs are Forecasts

C20 The forecast correction factor K_{2027} is:

$$K_{2027} = \frac{1}{Q_{2027}} \times (R_{2025} - Q_{2025} \times M_{2025}) \times \left(1 + \frac{I_{2025}}{100}\right)^2$$

$$K_{2027} = \frac{1}{85.9\text{m}} \times £(2{,}239\text{m} - 84.506\text{m} \times 26.179) \times \left(1 + \frac{4.004 + 3}{100}\right)^2$$

$$K_{2027} = £0.356$$

C21 This is a forecast of K_{2027} as it depends on a forecast of Q_{2027}. It is subject to true up through the correction factor mechanism which will use the outturn value of Q_{2027}.

Calculating the Forecast 2027 holding price cap M_{2027}

C22 Based on the sections above, we can express the Forecast 2027 holding price caps as follows:

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35 CAA, CAP3232A Initial Proposals for H8 Section 1: consumer engagement, passenger forecasts and service quality, March 2026, Table 2.9.

Forecast $M_{2027} = Y_{2026} \times (1 + CPIH_{2027} + X_{2027}) + Y_{2026} \times B_{2025} - K_{2027} = 28.658$

where

- $Y_{2026} \times (1 + CPIH_{2027} + X_{2027}) = 28.951;$
- $Y_{2026} \times B_{2025} = 27.532 \times 0.230\% = 0.063;$ and
- $K_{2027} = 0.356$

C23 The Outturn 2027 holding price caps will be given by:

Outturn $M_{2027} = Y_{2026} \times (1 + CPIH_{2027} + X_{2027}) + Y_{2026} \times B_{2025} - K_{2027}$

where

- Y_{2026} is subject to true up through the correction factor mechanism which will use the outturn value of CPI_{2026};
- $CPIH_{2027}$ is subject to true up through the correction factor mechanism which will use the outturn values of $CPIH\ index_{2027}$ and $CPIH\ index_{2026}$;
- X_{2027} equals to 3.043%;
- $Y_{2026} \times B_{2025}$ is subject to true up through the correction factor mechanism which will use the outturn value of Y_{2026}, while B_{2025} is fixed at 0.230%; and
- K_{2027} is subject to true up through the correction factor mechanism which will use the outturn value of Q_{2027}.

C24 Table C6 summarises the CAA's decision:

Table C6 CAA's decision on Forecast and Outturn 2027 holding price caps[36]

Forecast and outturn 2027 holding price caps		
Forecast M_{2027}	$= Y_{2026} \times (1 + CPIH_{2027} + X_{2027}) + Y_{2026} \times B_{2025} - K_{2027}$ $= £28.951 + £0.063 - £0.356 = £28.658$	Depend on Forecasts of Y_{2026}, $CPIH_{2027}$ and K_{2027}
Outturn M_{2027}	$= Y_{2026} \times (1 + CPIH_{2027} + X_{2027}) + Y_{2026} \times B_{2025} - K_{2027}$ $= Y_{2026} \times (1 + CPIH_{2027} + 3.043\%) + Y_{2026} \times 0.230\% - K_{2027}$	Depend on Outturns of Y_{2026}, $CPIH_{2027}$ and K_{2027}

Implementing inflation true up for 2027

C25 We will use the Outturn M_{2027} to calculate the correction factor for 2029 K_{2029}, which will feed through to the calculation of the maximum revenue yield for 2029. This is consistent with the long-standing correction factor mechanism.

36 Table C5 supersedes the table in paragraph 2.26 of the June 2026 Consultation (CAP3279) and Table 1.4 of this document, which contain out-of-date information and a typographical error.