

HACC RESPONSE TO CAP 1541 THE CAA CONSULTATION ON CORE ELEMENTS OF THE REGULATORY FRAMEWORK TO SUPPORT CAPACITY EXPANSION AT HEATHROW

Introduction

1. The Heathrow Airport Consultative Committee HACC is an independent statutory committee first convened in 1948. It meets quarterly to discharge its role of fostering communication and understanding between the airport's owners and operator and its users, both passengers and airlines, local authorities and interest groups. An important part of the HACC is the Passenger Services Sub-Committee (PSSC), which represents the particular interests of all passengers.

Competition for Expansion Assets

2. Competition for and subsequent ownership of certain assets of the expansion programme by 3rd parties might decrease HAL's development costs. However, the revenue stream from these assets would presumably go to the 3rd party concerned and not be available to flow into the 'Single Till'. This would result in higher landing charges. The HACC considers an alternative approach could be to require HAL to seek competitive tenders for all expansion assets. This process could be monitored by the Consumer Challenge Board.

Single Till Boundaries

3. The HACC consider that the existing 'Single Till' boundaries are appropriate but that they should remain under review. If any significant additional non-aero revenue streams are identified following the expansion, then they should be brought within the 'Single Till' boundaries.

Incentives

4. The HACC consider the existing regulatory incentives are appropriate for the current two runway operation. However, they will not suffice for the expansion period. It will be necessary to introduce additional incentives which could include cost targets for expansion assets, cost of finance, timescales for expansion projects and other project efficiency measures. The Consumer Challenge Board may have an important role to play in defining these objectives.

5. In order to ensure HAL have the best forecasts of operational expenditure, commercial revenues and passenger traffic volumes, it may be appropriate to draw on the PwC financial model currently being developed.

6. The HACC agree that the incentives for passenger traffic volumes should be re-examined following the opening of the new runway capacity.

7. The HACC agree that the CAA should introduce a new licence condition for HAL to further incentivise its development and maintenance of an efficient and resilient airport.

Costs

8. The HACC consider the CAA will need to have full visibility of the costs of the expansion programme and need to compare them against the costs of similar developments wherever possible. A degree of benchmarking may be possible and incentives designed around them.

Affordability and Financeability

9. The HACC supports the current studies with PwC and KPMG to improve the understanding of the affordability and financeability of the expansion. This will introduce expertise and a degree of independence into the process which will help provide reassurance that the project is well founded.

Surface Access

10. The HACC supports the principle that the user of surface access should pay. As far as the expansion of Heathrow is concerned, the airport should contribute a fair share of the costs of the new road and rail infrastructure. However, there should be a public funding contribution from Government where the new infrastructure provides wider benefits.

11. A view has been expressed that the Government should not fund the re-direction of the A4, the A3044 and the M25 diversion (tunnel or viaduct) as these works are essential for the 3rd runway. Furthermore, the Southern Rail Link should be wholly funded by HAL (because it is needed to enable the public transport targets to be met) as should be the Western Rail Link used for airport access.

Price Control

12. The HACC supports the extension of the current regulatory price control period until 2020. It sees merit in the proposal to change the pricing cap from RPI-1.5% to RPI-0% as a smoothing mechanism. The additional revenue should be considered as a contribution to the depreciation of the Regulatory Asset Base.

13. The HACC supports the timetable for developing the H7 regulatory framework given in the consultation document.

Further Information

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