

Sir Stephen Hillier
Civil Aviation Authority,
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Beehive Ring Road,
Crawley,
West Sussex,
RH6 0YR

05/03/2021

CAA consultation on changes to the Regulated Asset Base (RAB) for Heathrow Airport Limited (HAL) (CAP 2098).

Dear Sir Stephen,

This is a response to your latest consultation on economic regulation at Heathrow Airport, on behalf of the Heathrow Strategic Planning Group (HSPG). HSPG is a constituted grouping of 10 'willing' local authorities and local enterprise partnerships⁽ⁱ⁾ responsible for much of the functional economic and travel to work area around Heathrow Airport.

Our central concern relating to this consultation is the direct impact that decisions on an adjustment to the Regulated Asset Base (RAB) will have on the environment and the area in which the airport is situated. HAL have already reduced expenditure on some initiatives to mitigate their impact on the environment as a result of the financial pressures they face. A decision to adjust the RAB could potentially allow for some important environmental protection projects and programmes to be restarted by the airport operator. For the organisations represented by HSPG this would be of a direct benefit and we would urge you to consider this carefully when reviewing the matter.

Accordingly, HSPG is deeply concerned that the CAA may not have considered their duty to ensure their decisions do not have an adverse impact on the environment. We believe it is increasingly imperative that the CAA is fully aligned with the wider Government policy agenda - especially around achieving net zero carbon emissions. In responding to the devastating impact of the pandemic and the desire to 'build back better' the CAA must ensure that they make support for initiatives that will decarbonise the aviation sector central to their approach going forward.

We are sceptical that actions which affect to lower the cost of air travel (under a banner of consumer protection) are any longer aligned with public expectation - given they directly contribute to increasing carbon emissions from flight.

More specifically related to this consultation we are concerned that restricting HAL's ability to make changes to their RAB potentially removes much of their ability and space for discretion to invest in measures that further environmental protection.

Given the scale of the airport's financial losses over the last 11 months, many of these environmental enhancement measures are being unavoidably withdrawn. We are concerned that the lack of a decision on a RAB adjustment is directly linked to cuts to investment in sustainability measures now, and may further harm the prospects for such investment in the future. The people most likely to lose out from these cuts are the communities based around the airport that we

represent who bear the brunt of the negative environmental externalities arising from the airport's operations.

In particular this has devastated the airport's work to promote sustainable transport. The team tasked with reducing emissions from transport has been slashed by 70%, all travel promotions for airport staff withdrawn, supported bus services have been curtailed, or cancelled completely - with some communities now left without a viable sustainable transport option to access airport opportunities.

In addition, we understand that Heathrow has already paused critical sustainability investment projects such as enhanced Time-Based Separation (eTBS) Pairwise, that would not only cut carbon but also improve resilience and reduce the number of late running aircraft, helping reduce noise at sensitive times. Without any adjustment to the RAB we understand that this project, and others, will likely be part of a £1.5bn cut to Heathrow's capital programme for the H7 price control period. Noise insulation schemes available to local communities have also been paused.

We note that Heathrow, in their Revised Business Plan, have committed to bring forward a number of measures if the CAA make a decision on an adjustment this year. These measures, which could have significant benefits for the communities we represent, includes:

- Acceleration of the eTBS programme
- Restoration of a Free Travel Area by Q3 2021.
- Restoration of noise and vortex budgets

The contention from the CAA therefore that the matter of whether HAL is permitted or not to make a RAB adjustment does not engage that duty to avoid adverse impact on the environment is not, we believe, a fair reflection of the reality of the consequences of that decision.

We were heartened to read this sentence in your letter to the SoS on 25 January, in response to the annual priority setting exchange of correspondence:

The activities and ambitions I have described above are currently undertaken as an element of our existing regulatory remit (airspace regulation, certification, consumer information provision) rather than being part of a holistic environmental strategy, set in the context of the Government's wider approach to decarbonising aviation and the UK economy. I look forward to discussing the CAA's role in delivering the Government's ambition and securing a wider remit where we can add value, such as the work of the Jet Zero Council.

Our reading of this is that the CAA is open, even eager, to adopt a more holistic approach towards supporting decarbonisation and that this should apply across the full remit of your activities, including those relating to consumer protection.

We understand that regulation of the airport is complex, and needs careful consideration to avoid unintended consequences for decades to come. We are particularly keen to understand how additional investment headroom potentially facilitated through allowing changes to be made to the RAB could be protected for use exclusively on decarbonisation initiatives. We would also be interested in understanding the role that the CAA could play in helping incentivise the hypothecation of airport revenues from certain activities back into sustainability initiatives in order to create virtuous circles.

For example, revenues from the proposed forecourt access charge could be ring fenced for sustainable transport projects that enhance low carbon opportunities for airport users to access the campus.

Airport users have just as much riding on us fulfilling our duties under the Paris Agreement as non-users. We therefore hope to hear more about how the CAA's approach will be developed in the run up to COP 26 to ensure that the regulatory framework is fit for purpose in a world now committed to achieving net zero on an accelerated timeline. We would welcome the opportunity to meet with CAA to discuss the matter further and gain a better shared understanding of how your consumer protection function in relation to regulating Heathrow could be developed in future to support the UK's ambitious environmental agenda.

Yours sincerely,

Mark Frost

Associate Director, HSPG

On Behalf of HSPG members

ⁱ Full Members of the HSPG (and signatories of an 'Accord') are: Elmbridge Borough Council, Enterprise M3 Local Enterprise Partnership, London Borough of Ealing, London Borough of Hounslow, Royal Borough of Windsor and Maidenhead, Runnymede Borough Council, Slough Borough Council, Spelthorne Borough Council, Surrey County Council, Thames Valley Berkshire Local Enterprise Partnership

Other organisations have 'Observer' status and participate in certain activities, including: Buckinghamshire LEP, Buckinghamshire Council, Wokingham Borough Council, London Borough of Richmond, Colne Valley Regional Park, relevant Government agencies including DfT and MHCLG, and the West London Alliance (of London Boroughs). The Group works closely with aviation interests and Heathrow and airport stakeholder groups such as Heathrow Community Engagement Board and Heathrow Area Transport Forum.

Our principal interest is to support the sustainable future of both the sub-region and the airport, and we lobby for greater recognition and engagement with this perspective. We are committed to fostering a genuine joint collaborative multi-agency approach towards the future planning of the whole of the functional economic area surrounding Heathrow Airport - both inside and outside of the GLA boundary.