

CAA Economic Regulation Team
Sent via email to economicregulation@caa.co.uk

12th June 2026

Dear CAA Economic Regulation Team

HSPG RESPONSE TO HEATHROW CAPACITY EXPANSION – CONSULTATION ON REGULATORY MODELS (CAP 3251)

HSPG supports the process outlined by the CAA to publish the next iteration of the analysis of possible changes to regulatory models alongside the draft ANPS. Government must tell the market what is needed, and then economic regulation can incentivise its delivery in an efficient and an effective manner. So, the ANPS is the critical starting point for considering future economic regulation. This is clearly of particular significance in relation to shortlisted option 4 about which HSPG has very significant reservations.

The CAA must be clear about how it will reflect in its assessment the Government's objectives on climate change, noise and air quality alongside the central CAA focus on the efficient and timely delivery of new capacity. In the framework for evaluation the criteria relating to raising the finance necessary for expansion includes reference to 'the costs of environmental mitigations.' Choices on the models to be applied must reflect the ambit of those costs to be included within the scheme and that relies on what the Government says in the ANPS. Accordingly, we hope that the next iteration of the proposals alongside the draft ANPS will enable this issue to be fully addressed.

In that context, it remains essential that any future regulatory model does not compromise accountability for mitigating externalities on local communities, or complicate efforts to maximise the economic benefits of the airport for neighbouring authorities.

In respect of the shortlisted options, HSPG is comfortable with the analysis and the conclusions being drawn in relation to shortlisted options 1 and 2 including moving to a longer-term regulatory framework for expansion. We also support the focus of further work on incentives for effective delivery which must be structured in such a way to ensure that they will have effect on those who are responsible for running the operation in the longer term.

In relation to shortlisted option 3, HSPG continues to view changes to facilitate competition in the delivery of infrastructure including competitive tendering as relevant options that should be considered further. When it comes to extending competition to operations, as the CAA paper identifies, scope is fundamental. Safety-critical or highly integrated assets e.g. runway operations, taxiways, airfield maintenance, ground-based navigation systems and inter-terminal transit must remain in HAL ownership and control. HSPG supports the expert review that the CAA is commissioning but considers it essential to set a very high bar for competition to be used in cases where there is a potential to affect integration of operations.

HSPG remains extremely sceptical about shortlisted option 4 for direct competition between HAL and another service provider on the airport. Theoretical opportunities for reducing costs through greater competition run up against real world considerations about integration in a very complex operating environment. Any purported incentives to greater efficiency - including penalties - must be assessed on this basis.

If such a model were to be adopted, the asset or operation must be clearly separable from the wider operation of the airport, and the purported gains would have to be credible. As the CAA paper points out there are obvious doubts about how credible it will be in practice for consumers to switch between

different terminals, clear risk of discriminatory pricing to undermine effective competition between those terminals on top of the wider questions of operational fragmentation.

In that context, HSPG notes and supports the views expressed by Steer that introducing multiple independently governed operational systems would “materially reduce clarity of system-wide operational accountability and would increase the coordination risk between construction and live operations”. It would also introduce parallel delivery and operational structures for construction, increase the complexity of co-ordination between assets and introduce multiple independently governed terminal systems operating alongside a unified airfield operator during construction.

HSPG also notes the comment in the Mott MacDonald review of multi-operator airports that they ‘required significant contractual governance and procedures to deliver a reasonable level of resilience.’ Given that the DfT is currently unwinding such arrangements in respect of train operating companies because they have failed to deliver effective services for customers, it seems curious to be considering analogous arrangements with what would inevitably be very significant reliance on detailed contractual remedies. Moreover, in relation to other options the CAA have been concerned about the amount of work that would be involved in developing a system operator (of the kind that NESO represents in the energy sector or GB Railways in the rail sector) yet such arrangements albeit on a smaller scale would seem essential if there were to be independent operators in action on the same airfield.

The strength of the views from stakeholders other than the airline operators on these issues also suggests that the engagement that the CAA plans with HAL, Heathrow West and DfT should be broadened.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Mark Frost', written in a cursive style.

Mark Frost, Associate Director Heathrow Strategic Planning Group
On Behalf of HSPG members