

Sir Stephen Hillier,  
Civil Aviation Authority

Sent via email to economicregulation@caa.co.uk

17<sup>th</sup> December 2021

Dear Sir Stephen.

## **HSPG response to CAP2265A ‘Initial Proposals’ Consultation**

### Background

This response is made by the Heathrow Strategic Planning Group (HSPG), a constituted grouping of ‘willing’ local authorities and local enterprise partnerships<sup>1</sup> committed to jointly leading a collaborative multi-agency approach on the future planning of the functional economic area surrounding Heathrow Airport. The Group was formed in late 2015. It is independent of, but constructively engages with, Heathrow Airport Ltd (HAL). The Group collaborates on interventions that could improve the area around the airport and acts as a conduit between the members and Heathrow Airport Limited, Government, neighbouring area interests (including the West London Alliance of London Boroughs) and other key stakeholders.

This response has been agreed at officer level across all HSPG members. HSPG have specifically discussed our response to this consultation with the Heathrow Area Transport Forum (HATF), and we echo many of the points made in their own submission.

### Consultation Response

HSPG have responded to the previous consultation on this subject (CAP2098). In particular, we highlighted the critical need for decarbonisation to be fully and properly considered in the assessment framework being employed by the CAA when determining the adequacy and acceptability of the airport’s Business Plan.

Having reviewed the ‘initial proposals’ documentation it is clear that this need remains unaddressed. There is no mention of carbon reduction, net-zero or even sustainability more generally in the summary document that accompanies this consultation. This is all the more surprising given it commenced in the very month that the UK hosted COP26.

It is clear that the public are increasingly concerned about climate change and the need for action to mitigate its extent – latest data from the ONS Opinions and Lifestyles survey (October 2021) shows that 75% of respondents were concerned about climate change and 81% indicated they had already taken some action themselves to change their lifestyles to help tackle the issue<sup>1</sup>. Given this it is likely that passengers themselves would expect the regulatory framework to give the same weight to the issue that they do, an expectation that would be unmet on the basis of the ‘Initial Proposals’ as currently formed.

There is clear direction on decarbonisation from the top of government, most recently articulated in their Net-Zero and draft Jet Zero strategies. There is an emerging plan by the airport to rise to this challenge, and they have clearly articulated the aspiration that pollution levels should never return to pre-pandemic levels. This position reflects the existential nature of the threat that the need for carbon reduction poses for the industry.

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<sup>1</sup> [Three-quarters of adults in Great Britain worry about climate change - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk/articles/three-quarters-of-adults-in-great-britain-worry-about-climate-change)

The current process of economic regulation that applies to Heathrow however appears to offer little support for these plans, and indeed can seem to stand in the way of achieving this objective by limiting resources for delivery. We are concerned that the CAA seems to take a very narrow view of what constitutes the “interests” of airport users for the purposes of the Civil Aviation Act, or the range of issues they are concerned about regarding the quality of airport operations – which seems out of step with the evidence about public priorities we have quoted earlier.

Other regulators seem to be ahead of the CAA on decarbonisation, with explicit reference to net-zero often a core objective. By contrast, the CAA appears to interpret its duty to mitigate adverse impacts on the environment in a reactive way, rather than proactively working with its regulated company and stakeholders to facilitate net-zero. The argument that the CAA ‘only’ regulates Heathrow and not other airports or airlines is not an acceptable reason to ignore this imperative given the scale of the environmental impact of the airport’s operations and its high public profile in this space.

We also make the following more detailed points on your ‘Initial Proposals’.

- We welcome the evolution of the current Service Quality Rebates and Bonuses (“SQRB”) arrangement into a more structured Outcome Based Regulation (OBR) framework, and the inclusion of an indicator around reducing Heathrow’s carbon footprint on the ground and in the air in this proposed structure. However, we note there is currently no target presented under this indicator, nor any decipherable relationship between the OBR framework and determinations on the adequacy of the business case. For example, it is not clear how the inclusion of an indicator for carbon could then lead to the proposed removal of capital spend on measures that deliver that outcome (e.g. Electric Vehicle charging points across the airport campus).
- We appreciate that there are various delivery models that can be used to facilitate decarbonisation across the airport’s operations – not just via capital investment that is added to the Regulated Asset Base. HSPG has no basis on which to take a view on the balance between these different models. However, the polluter pays principle is a useful starting point and a greater focus on Total Expenditure (TOTEX) may be useful in understanding the relative merits of different delivery approaches. We are though concerned that arguments about financial mechanisms are hindering the pace of progress on this issue and that firm leadership is required by the regulator to overcome this barrier to action.
- We support the proposal to increase wider stakeholder engagement and oversight of the capital programme. Such enhanced oversight and focus also needs to be given to carbon reduction more generally, and should include engagement with appropriate experts in this field alongside wider stakeholders including those representative of the local community. Developing a proposal for an independent scrutiny panel for reviewing the airport’s net zero plan may have merit, using the model of HATF and the important role they play in monitoring the surface access strategy. Such arrangements must be backed by an approach to these issues that ensures ready access by non-specialists to information about the decarbonisation impacts of business plans and regulatory decisions. This could helpfully be summarised in a plain English environmental statement that would accompany any such decision.

## Summary

Reflecting the duty that the CAA is under to promote decarbonisation, we would urge you to address directly the need for a 'flight plan' for achieving net-zero at the airport as soon as practicable; proactively facilitating discussions with the airport and airlines to secure the appropriate investment and coordination across their forward plans to reduce carbon in line with the targets required by Government.

Yours Sincerely,



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

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<sup>1</sup> 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, 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 some activities, including: Government, Highways England and West London Alliance (of London Boroughs), Royal Borough of Windsor and Maidenhead. The Group works closely with Heathrow and airport stakeholder groups such as Heathrow Community Engagement Board and Heathrow Area Transport Forum.