



Department  
for Transport

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23 January 2019

Dear Richard,

Thank you for your September 2018 letter and report assessing Heathrow Airport Limited's (HAL) engagement with, and response to, the airline community on its plans for expansion at Heathrow airport and whether this engagement is appropriately reflecting consumers' interests. I welcome the areas of progress and I note your concerns about: (i) HAL's provision of high quality information to both airlines and the CAA; and (ii) stakeholder support for HAL's new timetable.

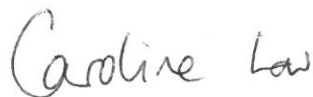
I agree with your view that the provision of high quality information – in particular with regard to capital expenditure - will be a critical test of HAL's credibility. This information is essential for securing your and airlines' confidence in HAL's ability to deliver expansion in a way that meets the Secretary of State's 2016 ambition to keep airport charges close to current levels. The Secretary of State is clear that HAL should provide the information required to allow stakeholders to understand the range of possible airport charges in advance of its planned Statutory Consultation in June 2019.

The Secretary of State met John Holland-Kaye and Emma Gilthorpe on 17 December. At that meeting, John and Emma explained that their objective is to remain in line with the £14bn target for capital costs of runway opening, with charges at close to current (2016) levels and 'spades in the ground' by the start of 2022. I now expect HAL to provide me with further detail about costs and schedule, recognising Heathrow remains at the early stages of programme maturity. An initial view will be shared during February 2019, with further updates in April 2019 ahead of HAL's June consultation. HAL will also provide an update on airport charges – recognising that many of the inputs (opex, commercial revenues and passenger forecasts) and regulatory framework will still be under development at that stage.

Alongside this information, can I request, in advance of HAL's Statutory Consultation, that you update the Department on: (i) your views on how HAL's proposed timetable reflects the best interest of consumers (e.g. with regard to phasing proposals), as well as any risks around the interface between HAL's plans to deliver an operational runway by 2026 and the regulatory timetable (e.g. whether there is sufficient time for airline scrutiny of proposals); and (ii) whether there are credible scenarios in which HAL can deliver its proposed Masterplan in line with the Secretary of State's ambition on airport charges. I understand that a full update on affordability would be dependent on the provision of information by HAL, and that a sensitivity to your previous analysis on possible airport charges may be the most appropriate approach in this instance.

I look forward to receiving your next report and would like to take this opportunity to thank you and your team for the collaborative approach to engaging with the Department.

Yours sincerely,

A handwritten signature in cursive script that reads "Caroline Low".

**Caroline Low**  
Director, Heathrow Expansion Programme