



Economic regulation of Heathrow: policy update and consultation

Online seminar

1 July 2020

Welcome

- Thank you for joining our first online seminar.
- Our focus today will be a high level overview of what we regard as the most important issues.
- We want to hear from you if you think that there are important things that are missing or require further clarification, and how best we can engage with stakeholders on the detail of issues as we go forward.
- Consultation responses are due 18 August, and where appropriate we would be happy to host further discussions, in addition to receiving written responses.
- As this seminar is a new approach we would like your feedback on what goes well and what we might do better in the future.



Context

- The industry has faced unprecedented challenges and changes in the past few months – we are changing as well.
- RAB-based building approach to the regulation of HAL remains appropriate, but with some adaptations to the assessment of the individual building blocks.
- In this consultation we focus on 4 key issues:
 - consumers interests;
 - financeability and WACC;
 - capex incentives; and
 - early costs
- We have proposed some changes to these policies, and we have considered how our thinking translates into the requirements for HAL in developing its Revised Business Plan (RBP).
- We have also set out our initial views on next steps for the H7 programme

Overview



- Given the impact of the Covid-19 pandemic, and the Court of Appeal decision regarding the Airports National Policy Statement, we have refocused our work on the economic regulation of HAL.
- We will focus on a “two runway airport” for HAL’s next price control (H7), which will commence from 1 January 2022.
- Setting the H7 control will not be a “business as usual control” due to these challenges, and we will respond by:
 - considering changes to the regulatory programme and timetable,
 - using scenarios to explore how uncertainty might impact air traffic volumes, airport costs and revenues, and
 - a more flexible and interactive process and timeline, with continuing emphasis on the importance of Constructive Engagement between HAL and airlines.