



Response to consultation on setting future price controls – review of approach, CAP 2618

Executive summary

Heathrow Southern Railway Ltd. have developed detailed proposals for a new railway to deliver modal shift from road to rail, significantly reducing Heathrow's local environmental impacts in much shorter timescales and with greater certainty than decarbonising aircraft and the wider aviation ecosystem. The scheme has widespread stakeholder support, including Heathrow Airport Ltd, TfL and local councils.

We suggest the CAA's review considers an approach to setting H8 price controls that will assist in delivering such sustainable surface access schemes, helping meet the CAA's and Government's time-bound net zero targets and commitments.

Heathrow Southern Railway Ltd, the promoters of a scheme to provide Southern rail access to Heathrow, welcomes the opportunity to respond to this consultation. Our proposal provides rail access from key airport catchments which are currently reliant on road, dramatically reducing the very significant environmental impacts of airport surface access by road.

Heathrow Airport Ltd's 2023 carbon analysis confirms that passenger and colleague surface access greenhouse gas emissions equated to c.45% of aircraft emissions in the Landing and Take-Off Cycle.¹ There is therefore very significant scope for sustainable surface access to reduce Heathrow's carbon footprint and environmental impacts.

We note "the purpose of the review is to help ensure our approach to economic regulation ... is fit for purpose and achieves outcomes that meet our primary and secondary statutory duties under CAA12 for the regulation of HAL."

We welcome confirmation that the review will consider "whether HAL or NERL could play a wider role in the changes needed across the aviation sector in order to achieve net zero," if there are "more steps that HAL ... could reasonably take during H8 ... to contribute towards net zero" and "any changes the CAA should make to enable this."

The review will also "consider how H8 ... can contribute towards the CAA's wider environmental sustainability strategy." However, this is stated under Section 3, which describes "broader strategic issues ... outside the scope of this lessons learnt review, so that this review remains appropriately focused on issues to be considered for the next HAL ... price control (H8)".

¹ Passenger and colleague surface access 561,233 tonnes CO₂e, aircraft in the LTO cycle 1,267,909 tonnes CO₂e – p.66, Heathrow's Sustainability Report 2023, published February 2024
https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/heathrow-2-0-sustainability/reports/2023_Heathrow_Sustainability_Report.pdf

This suggests that sustainability will principally be considered in the context of *“future price control frameworks to ensure that they do not inadvertently create longer-term barriers to delivering net zero and we will consider whether new policies are needed to support transition of the sector and the environmental sustainability agenda.”*

We are concerned that this effective deferral would prevent a focus on the very significant environmental benefits that Heathrow Southern Railway could deliver in the short term, without the need for new policies which would inevitably delay the necessary and increasingly urgent transition to net zero.

In contrast, any significant reduction in aircraft emissions is inevitably long term, recognising the need for transformational airframe and engine technologies and the long economic lifespan of commercial aircraft. These are also areas that fall largely outside the scope of Heathrow’s economic regulation.

In *“assessing how relevant regulated activities impact the local environment,”* the CAA’s Environmental Strategy confirms an approach that *“balances our long term vision with short term deliverables.”* It also confirms that *“mitigating the impact of global warming with a focus on carbon emissions”* is the first, and presumably most critical of four stated priorities.

The Strategy also recognises that *“for the (aviation) sector to continue to provide accessible, competitive and sustainable services to consumers, significant and sustained progress will be needed to improve its environmental performance in relation to emissions, noise, air quality and other adverse impacts.”*

We therefore suggest that the environmental benefits of new sustainable surface access schemes should be considered as a key issue for the current review, rather than being left to future consideration.

It is helpful that the CAA’s Sustainability Strategy confirms its research *“indicates consumers tend to consider carbon before noise.”* A strategy to significantly shift airport access journeys from road to rail would not only deliver short term and meaningful reductions in carbon emissions but provide a very visible demonstration of the CAA’s and Heathrow’s commitment to reducing the airport’s environmental impact.

We do not believe new policies are needed for enabling investment in sustainable surface access. CAA12 sets out *“the need to ... take reasonable measures to reduce, control or mitigate the adverse environmental effects of the airport to which the licence relates, facilities used or intended to be used in connection with that airport (“associated facilities”),”* defining *“associated facilities, in relation to an airport, means facilities used, or intended to be used, in connection with the airport.”*

In 2023 the Government’s call for evidence on the 2040 zero emissions airport target confirmed *“that airport operations should include infrastructure that supports surface access (e.g.....railway stations)”* and sought views on how best to include this infrastructure within the target for all airport operations in England to be zero emissions by 2040.

As H8 will extend to the end of 2031, we suggest that it is critical to include surface access in the core review of the regulatory framework for this next period if there is to be meaningful progress in meeting the Government’s target.

The CAA's role as an economic regulator also means it cannot defer or delay decisions relating to Net Zero, when it is clear that Government's policy ambition by 2040 would need those airports that it regulates to adequately invest to meet that target.

We note the CAA's intention to use expert consultants and an advisory panel in taking the review forward and hope their remit will include consideration of surface access in general and the specific environmental benefits of modal shift from road to rail.

The consultation suggests this external input will include recent lessons from other UK regulated sectors. Following the Energy Act passing into law in October 2023, we note Ofgem welcomed the addition of a statutory net zero duty to its principal objective to protect the interests of existing and future consumers.

We suggest that even without similar specific legislation, CAA12 provides a clear framework for the CAA to have the necessary regard to its environmental duty and to Government's wider environmental policies.

Heathrow Southern Railway Ltd. is backed by Aecom as investor and delivery partner, and supported by a wide range of stakeholders, including Heathrow Airport Ltd. and TfL.

We would welcome the opportunity of supporting this important review and providing any evidence the CAA and its consultants might find helpful.

We also suggest a meeting as a positive way forward, to discuss some practical thinking about how best to incentivise and secure the delivery of Heathrow Southern Railway and similar, well developed schemes that will be essential to meeting the critical, time-bound net zero targets and commitments.

28th March 2024

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