

YOUR LONDON AIRPORT

Gatwick

28 OCTOBER 2013

Sir Howard Davies
Airports Commission
Sanctuary Buildings
20 Great Smith Street
London
SW1P 3BT

REF: AC-LGW-029

Dear Sir Howard,

Emerging Thinking speech of 7 October - Gatwick Airport response

I am writing to take up the opportunity to respond briefly to the speech you gave on 7 October setting out the Commission's emerging thinking.

First, we welcome the Commission's assessment that demand is likely to continue to rise over time, that additional capacity will be required, and that this additional capacity should be provided in the South East. This assessment is consistent with our own forecasts and analysis.

We welcome the Commission's continued emphasis on the need to assess the case for capacity increases at one location or another against a broad range of relevant issues, similar to the Phase 1 sift criteria. We consider that, against such a set of broad objective tests, there is a very strong case for the inclusion of Gatwick in the Commission's shortlist in December.

We agree also with the Commission's repeated emphasis on the need for its eventual recommendation to be deliverable. Within the past ten years, recommendations for expansion at Stansted and later at Heathrow have turned out not to be deliverable and the Commission will clearly wish to satisfy itself that its chosen recommendation for new capacity can be delivered in business, planning, environmental, legal and political terms.

We believe that the case for Gatwick is very strong in this respect, as well as in terms of being on stream by the mid-2020s.

We are now beginning to plan for Phase 2 of the Commission's work and, assuming that Gatwick is shortlisted, one of our primary tasks will be development in detail of Gatwick's preferred runway option and related business case. In that context, we would like to flag up three issues which we believe the Commission should address not later than the first quarter of 2014.

1. Confirmation of the selection criteria and their weighting

During the first half of 2014, Gatwick will need to decide which, out of our current set of runway options, is to be taken forward for full analysis as Gatwick's eventual single

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Gatwick

proposal to the Commission. In doing so, we will clearly have regard to the Phase 1 sift criteria (which the Commission has already indicated it will continue to use during Phase 2) but it would be of great assistance if the Commission could indicate soon the weightings it will assign to these criteria.

Unless these weightings are known, promoters risk discarding options which would have been viable in the light of the eventually disclosed selection criteria and weightings. In other words, it will be impossible for promoters to make properly informed decisions as to which schemes to put forward unless there is transparency about the selection criteria and their weightings.

2. The CAA's policy guidance in relation to financing of new runway developments

The CAA's policy guidance on financing new runway developments will obviously be crucial to the viability of the business cases of those airports which are subject to economic regulation, and is likely to be very influential for any other proposals. It is important that this guidance is issued for consultation and finalised early in 2014 so that promoters can proceed with preparation of their business cases on the basis of a settled policy and in line with the Commission's overall timetable.

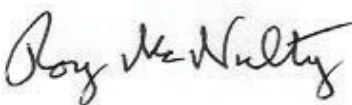
3. Assumptions regarding additional capacity

Another important ingredient for preparation of each business case is the assumption to be made regarding additional capacity. There will clearly be a marked difference between a business case which assumes that the new runway in question is the only one being taken forward within the planning horizon, and a business case which assumes that another new runway is opened within a similar time period.

An early indication from the Commission as to which assumptions or scenarios should be used for business cases would be most helpful, and would be useful also in reducing the risk that the eventual submissions made to the Commission are based on very different assumptions.

In summary, we are in general agreement with the Commission's emerging thinking as outlined in your speech of 7 October. We now await the shortlist, and request that the Commission gives early consideration to the issues we have mentioned above, so that Phase 2 can proceed to schedule – as Phase 1 is already doing.

Yours Sincerely,



Sir Roy McNulty
Chairman