

Airports Commission Discussion Paper 06:

Utilisation of the UK's Existing Airport Capacity

AC-LGW-110

Gatwick Airport Limited Response

25 July 2014

Introduction

Gatwick welcomes the Commission's Discussion Paper which rightly acknowledges the importance of the Commission's work for the whole of the UK, including for non-London airports and for airports in the South East other than Heathrow and Gatwick.

Gatwick recognises the critical importance of this subject. There is a clear need for the UK to make best use of the capacity available within the UK airport system, and air connectivity is vitally important for the rebalancing of the UK economy.

The key issues for the regions of the UK are:

- air connectivity with London;
- development of overseas air connectivity.

Air connectivity with London

Domestic air services compete with other transport modes and as such they are:

- time sensitive – including journey time to and through the airport;
- price sensitive – including the impact of airport charges and Air Passenger Duty (APD);
- quality of service sensitive.

A second runway at Gatwick, adding capacity within a competitive system of London airports, provides passengers with a convenient range of destinations within London and the South East and enables competition between airports and between airlines on domestic routes, leading to increased choice, lower fares and better value for money.

By spreading services between the regions and London's main airports (rather than concentrating future services at Heathrow) passenger journey times will be minimised.

Overseas air connectivity

Major non-London airports including Manchester, Edinburgh, Newcastle and Birmingham are also competing to grow their overseas connectivity. This key objective is supported by:

- next generation aircraft with improved operating economics enhancing the viability of direct services;
- huge growth of hubs in the Middle East and Turkey creating opportunities for onward connection to major east-bound destinations.

The rapid growth in direct international services from the non-London airports has resulted in improved connectivity, lower air fares, greater choice, lower travel times and higher service standards. These services also support vital inbound traffic to the non-London airports, supporting the rebalancing of the UK economy.

An expanded Gatwick will increasingly provide more onward connections, supported by its soon to be upgraded transfer passenger capability and a short haul feeder network which will overtake Heathrow's, along with a growing range of long haul destinations. This growing array of services will be in direct competition with Heathrow and the other London airports, providing passengers

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with more choice and more affordable air fares. Expanding the London system through Gatwick rather than Heathrow will stimulate traffic, increase competition and generate more onward connections for passengers from other parts of the UK. Most of these connections would be subject to direct competition from within the London system, resulting in better value for money for travel between the UK regions and overseas destinations via London.

To support the above themes:

- The Commission should consider the implications for the strategies of airports close to the London catchment area, such as Bristol and Birmingham, and for London airports other than Gatwick and Heathrow, of its recommendation for another runway in the South East;
- The Commission should be mindful of the contribution which these airports can make to increasing competition and choice, which has been a key theme of UK aviation policy for many years and has again been to the fore since the break-up of BAA by the Competition Commission.

It is Gatwick's view that further expansion of Heathrow would reintroduce an element of monopoly, expand its market power, and as such could have a detrimental effect on the operations and commercial viability of other UK airports. In contrast, expansion of Gatwick would deliver additional capacity in the South East and increase the degree of competition within the London system. This would help other London and UK airports to continue to compete, specialise and grow.

All of these airports make a vital contribution towards meeting demand and providing air connectivity and it is unhelpful if their efforts to accommodate growth are unnecessarily impeded. We agree with the Commission's observation in Section 4.5 of the Discussion Paper that the combined London system of multiple independent competing airports delivers benefits such as choice and specialisation over and above the scale of capacity, citing London City Airport as a good example of a specialised, differentiated offering within a competitive market.

Gatwick recognises that it is vitally important that the regions of the UK have the direct access to London (and also onward connections through London) that they need. Gatwick serves more UK destinations than any other UK airport. Gatwick has set out a range of measures which should encourage future connectivity from the UK regions to and through an expanded Gatwick.

Gatwick has for many years been the leading London airport in terms of domestic destinations served, and this position has strengthened over time by comparison with other airports in the London system. In 2000 Gatwick had services to 11 UK destinations, Heathrow 10 and Stansted 9. By 2013 Gatwick had services to 12 UK destinations, whilst Heathrow's had fallen to just 7 and Stansted to 5. Other London airports are playing their part. As the Commission has noted in its Discussion Paper, Flybe plans to establish five domestic routes into London City. These examples illustrate that a multi-airport system in the South East with sufficient capacity would be well-placed to deliver domestic connectivity.

The discussion paper focuses primarily on airports other than Heathrow and Gatwick. Although Gatwick does not feel well placed to respond to all of the Commission's questions, we do have perspectives on a number of them. We have structured our response in two main sections:

- we firstly set out our overall position on the key themes addressed in the paper;
- we then respond to those questions where we consider it appropriate for Gatwick to do so.

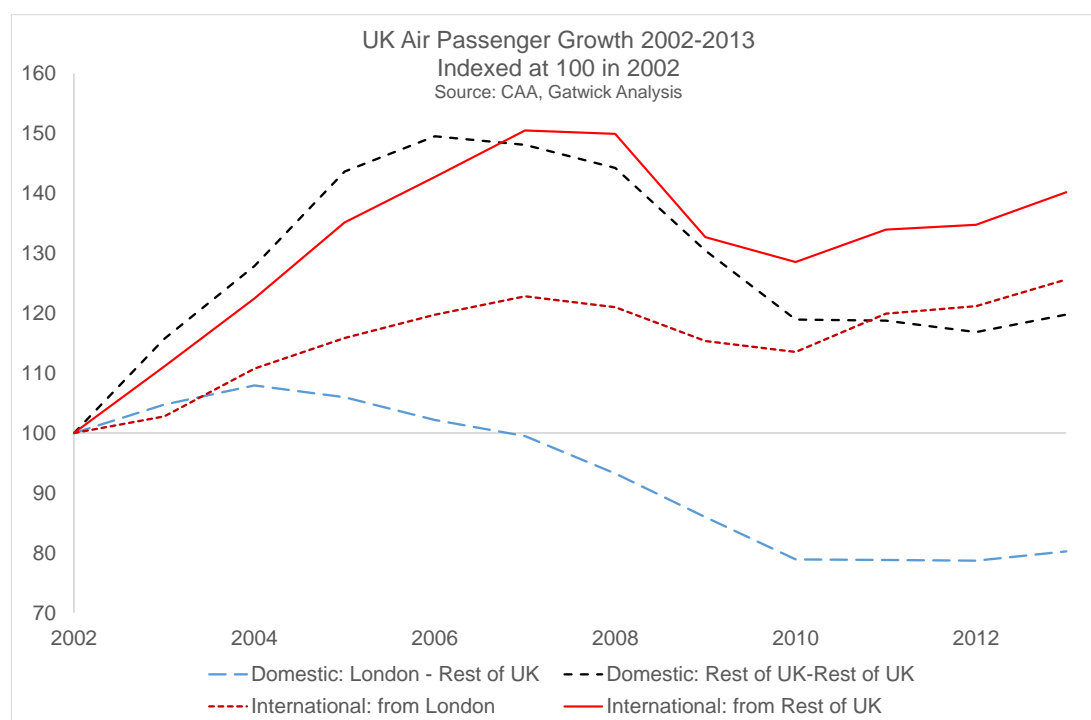
Domestic Connectivity

Whilst we broadly agree with the Commission's assessment of domestic connectivity in the recent past, we believe that some of the findings presented in the Discussion Paper tend to be dominated by the impact of the recent global financial crisis, and are therefore not necessarily reflective of the position over a full economic cycle, nor of the likely long term trend.

We believe that a longer view demonstrates that domestic connectivity has grown quite strongly. Between 2002 and 2007, international traffic from regional airports grew by 50%. There has been particularly strong growth to the rapidly growing hubs in the Middle East and Turkey through which the connectivity of the UK regions to destinations in Asia, Australasia, the Middle East and Africa have been dramatically improved. Over the same time period, domestic air travel between regional airports grew at almost the same rate.

In contrast, domestic traffic to London airports was broadly flat. This lack of growth can be at least partly attributed to the strong international passenger growth achieved at regional airports – reducing the need for passengers to transfer at London airports for international travel. Within that general context, we agree with the Commission's analysis that there are examples of growth in this market, for example, in relation to Flybe's announcement that it will be establishing five domestic routes into London City airport including one to Exeter which will be the first new daily route to London from a UK region for ten years. This may in part illustrate the specialist role that London City plays within the London system of airports and which cannot be replicated elsewhere.

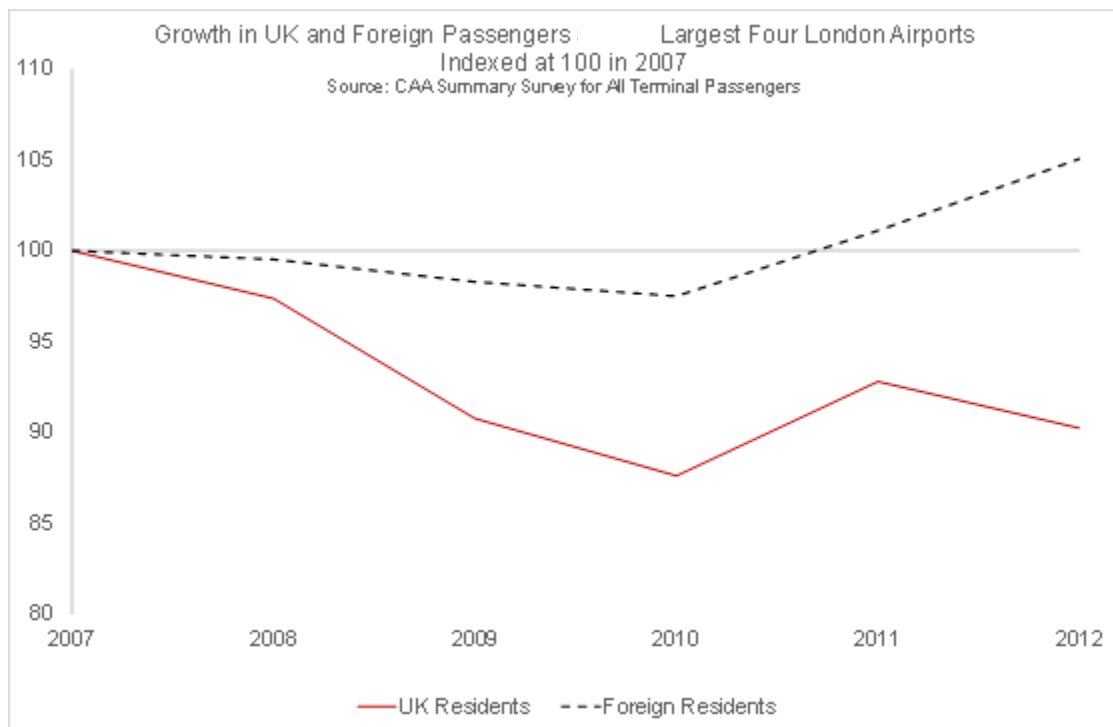
The global international crisis has had a more severe impact on air travel from regional airports (compared to London airports). Nevertheless, looking at the long term picture, domestic traffic between regional airports recorded 20% growth in the period 2002-2013. While domestic traffic to/from London airports remains below 2000 levels (for the reason set out above), traffic has remained stable since 2010.



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In fact, the generally sluggish performance of domestic traffic since the recession reflects the broader trend of reduced travel patterns of UK residents on both international and domestic flights. International travel from UK airports has been boosted by the relatively strong growth of foreign passengers (see chart below). As domestic travel is predominantly undertaken by UK residents, it does not receive a similar benefit.



We consider that the Commission should take into account the following points affecting domestic demand for air travel, and separate them as appropriate from the more general trends:

- The initial boost to air travel as a result of rail speed restrictions post Hatfield;
- Later pressure on air travel as a result of improved rail journey times and capacities (for example significant decline in Manchester air traffic as a result of improved rail services);
- Improved attractiveness of rail through introduction of Wi-Fi on trains, which is only now beginning to be introduced on aircraft;
- Pressure as a result of the disproportionate impact of APD on domestic air travel, since it is charged twice;
- The impact of the international financial crisis on demand;
- The effect of increased direct international services and services to newly emerging alternative hubs for non-London airports, reducing the need for connections via London, (which has in turn reduced the importance of Heathrow as a hub for non-London passengers) and has thus reduced demand for domestic services.

How are the business models of non-London airports changing and how can they be expected to change further?

The analysis presented by the Commission that smaller regional airports are struggling more than the larger ones seems valid. This is borne out for example in the success of larger airports such as Edinburgh in attracting new routes and increasing competition in a newly competitive market.

The Commission's analysis serves to emphasise how important it is that the Commission provides advice to the Government on how best to protect / enhance regional air services generally.

We note that the European Commission's Airport Observatory is undertaking a series of reviews of Member State practice in relation to airport planning, policy and operation and has the potential to produce material which may be relevant to the Commission's task. It is not yet clear whether this work will produce information, comparisons or learning points that will be of relevance to the Commission, but they may well do so. These studies are intended to be completed by early next year.

Passengers using non-London airports for international flights increasingly welcome the convenience and choice that direct international connectivity now provides. For example, since 2003, the number of passengers at Edinburgh airport has grown at an average rate of 2.8% per annum from 7.5 million passengers per annum (mppa) to 10 mppa (despite the impact of the recession and adverse structural changes). During this time, the number of destinations served directly by Edinburgh airport has grown from 71 to more than 130 and the majority of these new services have been to international destinations. Gatwick firmly believes that the option of direct UK regional connections to international destinations, including connections to major European airports and to emerging hubs, should be viewed by the Commission as a benefit for the UK's connectivity as a whole, rather than as a threat to Heathrow or Gatwick.

Alongside enhancement to direct international connectivity for non-London airports, connectivity with London remains important for many regional airports.

As such, providing more capacity in London should help regions maintain and where possible enhance connectivity to London. Total journey time including time to get to and through the airport, punctuality of service and operating costs including airport charges are all critical factors for connecting the UK regions with London. Gatwick is clearly a better option than Heathrow when the consequences of expanding either airport are being considered.

One issue that the Commission does not address directly in its Discussion Paper is the implications for regional airports that are relatively close to the South East of England (such as Birmingham and Bristol) of a decision to provide another runway at either Heathrow or Gatwick. In Gatwick's view, it is important that the Commission addresses this issue as we believe it is relevant to the future prospects for international connectivity from those airports as well as accessibility from those regions to London and to air services at the London airports. We believe this is an important omission from the Commission's paper as there is inevitably a degree of overlap in the catchment areas of these nearby regional airports with the shortlisted London airports. Clearly, the commercial decisions of airlines to mount services from these airports will to some degree be influenced by the availability of competing services from nearby London airports.

Can the Connectivity provided by these airports be enhanced? What are some of the options for Government and other bodies to intervene in this sector?

We believe that the Commission has identified an appropriate list of possible interventions that could be made by Government and other bodies in order to enhance the connectivity provided by the non-London airports.

In terms of 'ring fencing' slots for domestic routes, whilst there is nothing to prevent carriers changing slots from international to domestic routes, we consider that the slot allocation regulation is unlikely to provide a means by which regional access could be safeguarded

We support the introduction of Public Service Obligation (PSO) status to Gatwick routes where the Government thinks these are appropriate and where they comply with PSO requirements.

We would emphasise the unhelpfulness of the present APD regime for domestic air travel whereby, as the Commission has noted, passengers incur APD on both legs of the journey. We would support measures for reform to APD. The sensitivity of domestic passenger demand to the price of air travel is clear and, as noted, the Commission should assess the likely consequences of expansion at Heathrow compared with at Gatwick on direct air fares through the combined impacts of higher cost and less competition.

It is appropriate to take into account of existing and planned improvements to the rail network and other surface access options in assessing importance of air connectivity.

We note the importance of inbound tourism and business development to the economies of some regions. Should Gatwick be selected as the location for the South East's next runway we propose to support regional routes by providing advertising capacity for use by Visit Britain, airlines promoting regional routes, and other regional tourist and inward investment agencies.

What strategies have airports serving London and the South East historically pursued? How are these changing, and how can they be expected to change further?

There are a few more general points that Gatwick would make here. We wish to highlight the importance of the London and South East system as a whole, in providing convenience, competition and real choice for passengers. The development of a system of airports has helped London to achieve its leading position as the best connected city in the world.

In the London system, there is evidence of specialisation. Perhaps the most striking example of this specialisation is the role played by London City which accommodates an unusually high proportion of business passengers at some 65% of total throughput as a result of its key position close to the business and financial centre of London. London City's success has been based on a combination of its location and ability to offer very quick times from passenger arrival to departure gate and vice versa. Total passenger journey time is a critical factor for domestic travel.

We believe the Commission has accurately identified these factors in the way it has set out its understanding of the strategies of the non-shortlisted London airports in section 5 of its Discussion Document.

Increased capacity in the London system will facilitate domestic connectivity. Since any third runway at Heathrow is likely to have its capacity constrained for environmental reasons, expansion at Gatwick would provide capacity for more passengers than expansion at Heathrow.

The break-up of BAA by the Competition Commission has been beneficial and has led directly to:

- greater investment in airport infrastructure;
- demonstrable improvements to quality of service;
- innovation in service delivery; and
- more productive airline relationships which facilitate growth of new entrants and reduce fares.

We believe that a strong case can be made that an additional runway is required in 2025, earlier than the Commission's stated date of 2030, especially given the recovery of the UK economy and air traffic growth since the Commission's interim report. We consider that Gatwick is the only option that could be delivered by 2025 given the greater political, technical and financial risks of attempting to deliver a third runway at Heathrow. A new runway at Gatwick is:

- simpler to construct;
- built largely on land in agricultural and light industrial use;
- land is safeguarded for development;
- no significant third party risks or dependencies (unlike Heathrow).

In addition, we believe that the chosen location for another runway in the South East of England could have important implications for the development prospects of the London airports that have not been shortlisted. Again, we believe that the Commission should give consideration to this issue when considering responses to its Discussion Paper.

What are the constraints to developing further utility and connectivity at airports serving London and the South East? How and by whom can these constraints be mitigated to support developing further utility and connectivity?

We suggest that the Commission could address this theme as follows:

- Firstly, to understand the scope for current and planned surface transport infrastructure to sustain and support future development at each of the airports in London and the South East;
- Secondly, given forecast population increases, particularly in the South East, to understand what additional (not directly airport-related) investment in surface transport infrastructure is desirable and necessary;
- Thirdly, to consider whether airport capacity development could be met within this planned investment before going on to consider whether investment directly linked to airport development is needed.

The approach set out above will ensure that public funds spent on surface transport infrastructure are efficiently deployed, by ensuring that the surface transport infrastructure serves background growth in demand, as well as serving airport demand directly.

In taking this approach we encourage the Airports Commission to give consideration to two further issues:

The first is to consider what priority should be given to the provision of high quality public transport access to airports? This is particularly relevant to rail access where there can be a natural tension between the needs of airport users and those of commuters and other users. The Government encourages airports to aim for high levels of public transport usage but in Gatwick's view could give more support towards achieving that objective when making decisions on the provision of new rail infrastructure. While we appreciate the recommendation by the Commission and the subsequent decision by the Government to allocate an initial £50m towards the cost of upgrading the Gatwick railway station, we believe it would be desirable to go further in supporting measures to encourage greater use still of rail access to airports. In the case of Gatwick, consideration should be given to the priority that is attached to timetabling to encourage ease of access by rail as well as the rolling stock issues that are now being addressed through the franchise. In the case of other airports such as London City we believe a higher priority should be attached to promoting multimodal transport connectivity by providing better access to Crossrail through the provision of a new station.

The second consideration is planning restrictions that the Commission raises in Section 6 of its Discussion Document. Caps such as an Air Transport Movement Limitation are generally applied after careful consideration has been given to what constitutes the best balance of the benefits of allowing an airport to grow as against the environmental effects of such growth. In Gatwick's view it is not possible to generalise about the lifting of such caps as each situation needs to be considered on its own merits.

Gatwick's Response to the Commission's Questions

Q. Is the Commission correct to identify a reduction in air connectivity between the UK regions and the London airport network over the last decade? How do recent new routes to the capital, and the stabilisation in passenger numbers on domestic routes to and from London since 2010, affect this analysis?

A. There has indeed been a reduction in flights between the UK regions and London. This is a market response to a number of factors. These include:

- A reduction in demand in second tier UK airports reflecting the depth of the recession;
- A preference for airlines to make use of scarce slots, particularly at Heathrow and Gatwick, for other routes that show better demand and therefore offer better revenue/yield;
- A process of transition from traditional regional operators to Low Cost Carriers (LCCs), which is taking time to work through and is leading to changes to service patterns;
- Improved rail connections to London and less congestion on the motorway network (reflecting the state of the economy);
- The liberalisation of EU and UK aviation leading to more direct routes from UK regional points to overseas destinations, lessening the need for transfers at London airports;
- The growth in connections between the UK regional airports (such as Glasgow, Edinburgh, Newcastle, Manchester and Birmingham) and the rapidly growing hubs in the Middle East and Turkey, which has enabled increasing numbers of passengers to choose to avoid London altogether as a connecting point to many ultimate long haul destinations;
- The need for enhanced security checks in response to terror threat assessment has also played its part in dampening demand.

In the end, passengers make logical choices about how to reach their destination based on three key factors – convenience, elapsed time for the journey and cost. Not all of these have worked to the benefit of smaller regional airports. Notwithstanding the above, the impact of the recent global financial crisis is not necessarily reflective of the position over a full economic cycle, nor of the likely long term trend, and we believe that a longer view would demonstrate that domestic traffic has grown strongly over the period, and that it is only relatively recently that traffic has declined.

Q. How do respondents view these trends developing in the future?

A. The efficiency brought by the LCCs' lean operating model and market approach seems likely to become universal, pushing a more rigorous market based approach to decisions on services. Notwithstanding this, the economic recovery and rebalancing of the UK economy can be expected to increase demand for travel to which airlines will wish to respond. Airlines will, however, be frustrated from responding fully unless more airport capacity is provided in the South East and beyond that (as we explain elsewhere) some level of protection for regional access is likely to prove necessary as capacity constraints once again bite.

All the evidence - whether fundamental analysis or the fleet plans of airlines in the UK and overseas - points to a continuation of the key factors that have been transforming UK aviation over the last decade. These are the ongoing expansion in market share of the LCCs; their expansion into the medium haul market and into the business and premium traffic sectors; and the on-going rise of the Middle East and Turkish hubs and the increasing importance of inbound traffic.

Newly emerging trends are also discernable and will all have an impact. These include the growing importance of, and benefits flowing from, competition between airlines and airline / airport combinations especially in the South East, North of England and the lowland market in Scotland. The introduction of new technology for long and short haul aircraft will help the development of LCCs, particularly within the long haul market, and help direct routes compete with indirect connections. Finally the application of new technologies will provide opportunity for much greater innovation to support more efficient passenger connections and improve operation of airports and aviation more generally

Government intervention is harder to judge. The health of domestic UK aviation is significantly dependent on its cost structure. Future increases or decreases in APD could therefore have a significant impact in the sector.

Q. Is the Commission's analysis of the multiple factors influencing domestic air connectivity between London and the UK regions accurate? Of the factors outlined, which are the most significant or important for explaining how the market has developed? What additional factors, if any, should the Commission be mindful of?

A. The Commission's analysis seems to us to cover broadly the right issues. In Gatwick's view the impact of a newly competitive London airport system, with the three largest airports owned by three distinct private sector groups does not figure prominently enough. The development of a system of competing airports has helped London to achieve its leading position as the best connected city in the world.

The overriding factor in the health of the airport and airline sectors, as well as of routes linking the regions to the capital is the health of the UK economy and, at a more granular level, in regional variations in economic performance. Regional air connectivity is both an enabler for, and a beneficiary from, the economic rebalancing that many people advocate.

As previously stated, the health of domestic UK aviation is significantly dependent on its cost structure so future increases or decreases in APD could therefore have a significant impact in the sector.

Q. Is overall transport connectivity between London and the regions at an appropriate level? What are the social or economic consequences of changes to air connectivity? Can respondents provide any comparisons or other evidence to support their response?

A: Overall connectivity between London and the regions should be increased where possible. Increased air connectivity between London and the regions directly benefits the regions concerned by providing greater opportunity to attract inward investment and develop business relationships. The success of high frequency routes such as London-Edinburgh and London-Glasgow

demonstrate the scale of activity generated once a critical mass is reached in terms of service frequency. Owing to the high proportion of international inbound tourists visiting London, strong direct connectivity between London and the regions is also important to regional tourism.

In total, 2.2 million passengers per year use London - Northern Ireland services.

According to the Northern Ireland Chamber of Commerce, aviation supports £1bn of exports from Northern Ireland and foreign tourists spend £195m a year in Northern Ireland and account for 360,000 visits, 150,000 of whom arrive by air.

The Northern Ireland Affairs Select Committee 2012 report “An air transport strategy for Northern Ireland” provides useful context. The Commission states in its report: *“it is undeniable that improved air connectivity is absolutely vital for the strengthening of private sector business in NI and economic rebalancing. It is equally evident that expansion at London airports is crucial for the UK to maintain its position as a leading global hub and is particularly important for Northern Ireland. A decision on the future of airport capacity and configuration in London and the South East of England will have a significant impact upon the Northern Ireland economy.”*

Whilst Northern Ireland has a critical need for good air connectivity, the impact for other areas of the UK, whilst not as dramatic, has the same relationship between quality of air connectivity and economic benefit.

Q. What future trends do respondents envisage in domestic air connectivity excluding routes into London? How relevant are the factors explored in relation to London and the regions for these other domestic routes?

A. Domestic air connectivity within the UK which is not related to the London airports is clearly an important consideration for the Commission. An example of such connectivity is between Glasgow airport and the Highlands and Islands. Domestic air connectivity with the South West of England and air connectivity with Northern Ireland are equally good examples where services are vital to those regions. Here, airport capacity is not the main issue; rather it is typically the route economics of those services. We expect these trends to continue into the future along with growth of direct services into Europe (where these are profitable) as economies recover. We also expect to see continued growth of direct long-haul services from the larger regional airports such as Manchester and Birmingham (following the extension of its runway). We anticipate further direct services to new and emerging hub airports in Turkey and the Middle East.

Q. Is the Commission accurate in its analysis of the market dynamics affecting the non-London airports sector? Is the Commission correct to identify a broad trend, especially since 2007, in larger regional airports retaining or building their route networks, whilst smaller regional airports' route networks shrink? What explanations can respondents provide for this trend?

A. The Commission's analysis that smaller regional airports are struggling more than larger competitors seems valid. Pressure on profit margins from greater competition and some reduction in demand from a weaker economy and the impact of APD has meant that smaller airports do not

have sufficient flexibility to reduce / eliminate airport charges to compensate for lower volumes of passenger demand / yields compared with the larger airports.

Airlines have therefore tended to - concentrate their capacity in the bigger markets; negotiate new contracts with the larger airports; and capture cost reductions through a more streamlined operation.

Q. Can respondents provide any evidence to counter or support the Commission's analysis of the UK population having quick access to relatively high numbers of airports, or to build on the Commission's comparison between the UK and other countries' airport networks?

A. The European Commission's Airport Observatory is undertaking a series of reviews of Member State practice in relation to airport planning, policy and operation. It is not yet clear whether this work will produce information, comparisons or learning points that will be of relevance to the Commission, but they may well do so. These studies are intended to be completed by early next year.

Q. In the longer term, what is an appropriate, adequate or ideal shape for the UK's airport system? Is consolidation of the airport network desirable, inevitable, both or neither?

A. Airports in the UK operate in a market governed by UK and EU competition law, laws relating to the provision of State Aid (subsidies), planning laws and, in a few cases, are also subject to economic regulation of their charges and service levels. By and large, UK airports are not in receipt of public subsidies. Most airports are either privately owned or operate as if they were privately owned.

This approach to the provision of airport services has given rise to a healthy, competitive and vibrant UK aviation industry, especially since the breaking up of the BAA monopoly; and it is Gatwick's belief that these benefits should be maintained and further embedded in future. The operation of these policies is, over time, likely to lead to a rationalisation in the provision of airport services as scale and other efficiencies will tend to favour larger airports over smaller airports, and those airports which have strong catchment areas will fare better than those which do not. While this will inevitably lead to a loss of utility to some communities and individuals, the overall benefits gained should comfortably outweigh the disbenefits.

In order to maintain connectivity and cohesion across all the countries and regions of the UK, communities should have a clear route to seek support from Government in cases where the necessary minimum level of air services is under threat.

Q. Has the Commission correctly identified the major options to support or bolster the regional airports sector? Of the options here explored, which have the potential to be most beneficial?

A. We think the Commission has identified the right list of interventions that could be made. We support PSOs to Gatwick where the Government thinks these are appropriate and where they

comply with PSO requirements. We have noted elsewhere in this submission the unhelpfulness of the present APD regime for domestic air travel whereby, as the Commission has noted, passengers incur APD on both legs of the journey. We would support measures for reform to APD in this respect. We believe the Commission is right to take into account further improvements to the rail network and other surface access options. We have also noted previously that we consider that the slot allocation regulation is unlikely to provide a means by which regional access could be specifically encouraged or secured.

Q. Are there any ways that government, or any other stakeholders, could improve airport site access? Are there any innovative ways that airports could resolve site access problems?

A. We would suggest that Government could address airport surface access as follows:

1. understand to what extent current or planned infrastructure is able to sustain / support likely future airport development;
2. given forecast population increases, particularly in South East England, to assess what investment in transport infrastructure is necessary to support background (non-airport related) demand;
3. consider whether airport development can be also be met within this planned investment;
4. consider whether any additional investment solely linked to airport development is needed.

Where an opportunity to connect to new, planned or existing surface access infrastructure is identified by an airport operator, we consider that it would be appropriate for the Commission to urge Government and the relevant public agencies to accommodate best practice in multimodal strategic planning when considering such projects, and, where feasible, to facilitate provision of such connectivity.

Q. Are there particular pros and cons to airport developments moving through the NSIP or Town and Country planning process for a) developers or b) communities?

A. No aviation related development proposal has so far been taken through the NSIP process. However, experience from the energy sector suggests that the process can work reasonably satisfactorily. Work is underway to better understand what learning can be taken from these initial experiences and to streamline the NSIP process where appropriate. The NSIP process has the benefit, for communities and developers alike, of clearly setting out the policy context of a particular development, via a democratic decision making process leading to a National Policy Statement.

Q. Could either the NSIP or Town and Country planning process be improved, either the process itself or development of supporting policy, to support developers and meet the needs of local communities?

A. The NSIP and Town and Country Planning processes under the 2008 Planning Act have not so far been used in relation to airport development proposals. We do, however, urge the Commission to be clear about the nature of its advice to the Government in relation to whether it will

recommend not only a chosen airport location but a particular development proposal as that should inform the nature and content of the future work programme.

Q. Is there a current case for lifting planning caps for any airports in London or the South East? If not now, when should these caps be reviewed?

A. Gatwick understands that the only way in which these caps can be removed or raised is through a planning application or via a change to a legal obligation under planning acts. The circumstances under which a legal obligation under the planning acts can be lifted or raised are limited, for example, by agreement with the planning authority. If the Commission believes there is a case for lifting these caps then it should express its support for doing so when it gives its advice to the Government but it also needs to acknowledge that these conditions or obligations were put in place for a reason and so it will be important for the Commission to understand the implications of any lifting or raising of a planning cap. Where planning permission has been granted (as in the case of London City Airports 120,000 movements) it is important that these developments should be allowed to proceed without further delay as appears currently to be the case at present and we would encourage the Commission to take whatever steps it can to unblock the delivery of such capacity which will become increasingly important in the time before another runway can be provided.

Q. Are there any areas of legal, tax or regulatory constraints, not considered by the Commission in its Interim Report, which merit further review?

A. We have noted elsewhere in this submission the unhelpfulness of the present APD regime for domestic air travel whereby, as the Commission has noted, passengers incur APD on both legs of the journey. We would support measures for reform to APD in this respect. We support the Airport Operators' Association campaign for reform of APD.