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Meeting of the Airports Commission
10th June 2014 – 10:00 – 16:00
Rm 6.02 Sanctuary Buildings

Attendees:

Commission Members:

Howard Davies - Chair (HD)

John Armitt (JA)

Julia King (JK)

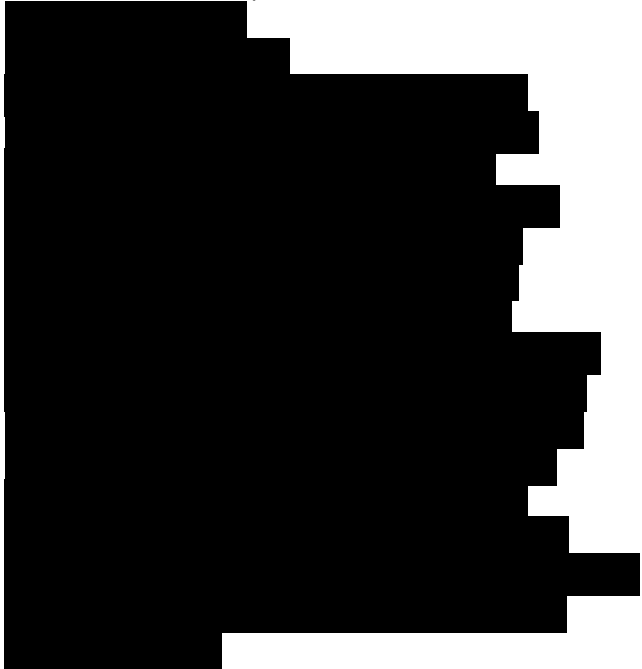
Ricky Burdett (RB)

Apologies:

Vivienne Cox (VC)

Secretariat:

Phil Graham (PG)



1. Update on Secretariat Progress

PG advised that HD would not arrive at the meeting until 11am and sent his apologies. HD instructed that the Commission meeting should proceed without him, starting with the appraisal update as he had recently discussed progress on this item with the leads.

PG provided an overview of Secretariat work to Commissioners. Overall significant progress has been made since the last Commission meeting on 20th May.

The Secretariat has received proposals from the scheme promoters. For Gatwick, further additional material had been received and the Secretariat is considering how this should be dealt with. A comprehensive plan for the Appraisal Process has been developed and strengthened and work has started to review all material received. Clarification meetings with scheme promoters have started to take place. The first meeting with Gatwick, on Monday 9th June, was attended by Stewart Wingate, and other senior and Technical Staff. The Secretariat has received letters from Heathrow raising questions on elements of the Commission process which it will respond to in due course.

Regards to the Inner Thames Estuary, draft reports of two studies have been produced and a large amount of work is ongoing on the remaining two. PG indicated that the most challenging element was proving to be getting useful information from airlines on how they might respond to a decision to progress a Thames Estuary airport. The Secretariat was continuing to seek input in this area.

There had been no official response from HMG or the Department for Transport to the Interim report. Work continues by the DfT on getting clearance. Philip Rutnam was expected to have a teleconference with Sir Jeremy Heywood to discuss the matter further. PG will be asking for a readout of the teleconference and an update on when a response may be forthcoming.

ACTION: PG to request a readout of the teleconference between Philip Rutnam and Sir Jeremy Heywood on the response to Airports Commission Interim Report.

Although there has been no response to the Interim Report this has not stopped movement in areas highlighted in the report's recommendations. The recent announcement on the Thameslink franchise and the new rolling stock for Gatwick Express were noted, as was the establishment of the Senior Delivery Group recommended by the Commission. In relation to the establishment of an Independent Noise Authority, PG noted that there did not yet appear to be consensus across Whitehall and in any case there was unlikely to be any opportunity to legislate in the remainder of the Parliament. The Department for Transport was therefore considering to what extent the objectives of this recommendation could be achieved by the CAA.

2. Appraisal Update on Refreshed Schemes

The Secretariat gave the Commission an overview of the materials received from scheme promoters since receipt on 14th May of the updated scheme designs and an update on the Appraisal Team's work. The quality assurance of data is mainly

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complete though further clarification is needed with the scheme promoters. The high level aim for end of June is to finalise the Commission's understanding of all the proposals. Appraisal Team Members each gave presentations on the submissions in their areas of work for each of the scheme proposals (with the relevant Account Manager), covering the various appraisal modules. The Commissioners asked the Secretariat to consider how best to test the claims made in the proposals such as journey time and passenger experience.

Note – HD arrived at 11am

3. Event with Promoters

The Secretariat gave the Commission an overview on the planned event with promoters scheduled for 17th September seeking agreement from the Commission on the approach. The event will be an opportunity for scheme promoters to meet with the Commission prior to consultation and for the Commission to probe and scrutinise each scheme in greater depth. The intention will be to have more technical representatives attending, rather than solely the senior executives of each promoting organisation, as the discussion should be focused on key items of detail. The Commissioners added that this event should not just be another opportunity for promoters to provide a revised pitch. The Commissioners agreed with the proposed approach. The Commissioners agreed that the Secretariat should look into alternative venues to hold this event due to numbers and logistics.

ACTION: Secretariat to look into alternative venues to host the 17th September Scheme Promoter Event.

4. Strategic Case

The Secretariat presented on the Strategic Case work and gave an update on the Airline Competition work. The Secretariat proposed that the Strategic Case (which is one part of the overall business case) should be structured as a strengths, weaknesses, opportunities and threats (SWOT) analysis. This would be consider each proposal's alignment with the assessment of need and give an assessment of wider positive and negative impacts for the options. The strengths and weaknesses of the analysis will be suited to connectivity and assessment of need whilst opportunities and threats will be suited to consideration of outside trends. Commissioners commented that the production of the Strategic Case is difficult and it must be kept to the key issues required and not push into areas such as resilience which will be covered elsewhere. The Commission agreed to the SWOT analysis method of approach for the Strategic Case. HD asked whether a less detailed SWOT analysis (drawing upon the Phase 1 decision-making approach) could be carried out for the Inner Thames Estuary before the Commission makes its decision and requested one to be considered. PG advised that the Secretariat would discuss with Counsel.

ACTION: RC to speak to Counsel about whether a SWOT analysis can be undertaken for the Inner Thames Estuary at the 24th June conference call.

On the scenarios workstream, the Secretariat provided a short presentation explaining the various drivers such as capacity issues and market scenarios which might make

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the proposals more or less attractive and also the list of game changers. A consideration of how Heathrow and Gatwick operate under the business models and how Gatwick can improve its long haul capacity was discussed and also how the flexibility of airline business models to adapt would be key. The possible impacts of a more market based approach to slots and a change in costs were noted.

It was explained that the final outcome will be a connectivity profile for each of the options, covering a number of scenarios and with outputs segmented by market. The Commissioners questioned to what extent the Secretariat would be able to attach quantified probabilities to the outcomes. On the basis that this was unlikely to be feasible, they advised that this exercise should be treated as a sensitivity analysis.

5. Updated Demand Forecasts

The Secretariat presented an update on the demand forecasts since the Interim Report. It was explained that the updated forecasts were produced using an improved model with updated assumptions, for example on oil price and GDP forecasts. There was a discussion on the differences between the demand forecasts stated in the Interim Report and the revised demand forecasts. The revised figures indicate that unconstrained demand will grow marginally more rapidly than in the previous forecasts. This is due to a number of factors including a more optimistic GDP forecast and an increase in load factors on some routes. The updated forecasts also showed shadow costs appearing at Gatwick, London City, Luton and Stansted at different times from those stated in the Interim Report but overall the forecasts continued to support the assessment of need set out in the Interim Report. The Commission asked the Secretariat to consider how best to present the figures and explain any differences.

ACTION: HD requested the Secretariat to do further work to validate the revised demand forecasts and determine any implications

6. Round up of stakeholder meetings attended

JA, VC, and RB provided a read-out of their recent visit to the **Highways Agency and Network Rail**. No follow up actions required. The Commissioners and Secretariat recently visited both organisations and the Secretariat is continuing to work with them.

HD gave the Commission a brief round-up of recent meetings he had held with stakeholders.

BAR UK Event

HD gave a well-received speech at the BAR UK Event which was attended by various foreign airlines who use UK airports.

Meeting with Lucy Chadwick

The delay to the Department's response to the Interim Report was raised. Philip Rutnam will be speaking with Jeremy Heywood on the matter and PG will ask for a readout (as explained above).

Meeting with Carolyn McCall, CEO easyJet

At this meeting easyJet indicated they although they have no current plans to fly from Heathrow, they would not rule out doing so in the right circumstances, with cost being

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the key issue. They also confirmed that they are part of the Gatwick Connect service, although only a very small proportion of their customers currently use it. They would look at the outcomes of Norwegian's introduction of low-cost long haul transatlantic flights, but had no plans to introduce such services themselves. easyJet suggested a session with the Secretariat on appropriate terminal design for a low cost carrier.

Meeting with Charlie Cornish, Manchester Airports Group (MAG)

MAG believe improving the operations and service at Stansted is the correct business option for them at the moment and planning for long term development over the next decade to make the airport more attractive is their primary focus.

Telephone call with John Holland-Kaye

Introductory call with new incoming CEO of Heathrow Airports Limited. HD noted John Holland-Kaye was up to speed on the key issues.

Meeting with Susan Baer, Global Aviation Planning Leader, ARUP

HD met with Susan Baer, who is the former Aviation Director for the Port Authority for New York and Newark, on a recent visit to New York. She will be coming to London in July on other business and HD suggested the Commissioners meet with her.

ACTION: Secretariat to make arrangements for the Commission to meet with Susan Baer during her visit to London.

The issue of the Expert Advisory Panel (EAP) members was raised. The Commissioners commented that they would like to know when the Secretariat use the panel and to meet with EAP members, if not all together then on a one to one basis on relevant issues. The Commission agreed that it would be a good idea for panel members to attend a future Commission meeting to discuss the areas of work they have been contributing to and that this should be noted in future papers presented to the Commission.

ACTION: Secretariat to consider when appropriate for EAP members to attend a future Commission meeting.

Meeting with ACNUSA Officials (French Airport Pollution Control Authority)

HD met with ACNUSA officials. It has few official powers and duties, beyond being able to collect a small levy from all passengers for a central fund to put towards insulation etc. for those affected by aviation noise. Board panel members were from different French Ministries and it was difficult to see how they fitted with the French Aviation Authority. Its remit also included air quality issues.

7. Delivery Issues

The Secretariat presented a draft of the Delivery Discussion Paper to the Commission. The Commission were informed of the recent CAA paper and the outputs from this will be referenced in the Economic Regulation section of the Delivery Discussion Paper. Commissioners requested that the paper should simply state the options for consideration and not make qualitative statements about them. The paper was noted and it was agreed that the final version will be signed off via correspondence. The paper is scheduled for publication in early July.

8. Inner Estuary

The Secretariat presented two papers to the Commission one summarising the responses to the call for evidence exercise and the other a draft report on the emerging outputs from the socio-economic study for information. The Commission agreed they would like to receive reports of each of the studies in draft form as and when they are ready for review.

ACTION: Secretariat to send draft reports for each of the Inner Thames Estuary Studies to the Commission as and when they are ready for review.

HD commented it was difficult to understand the full impacts of IROPI on the consideration of the Habitats Directive for the Inner Thames Estuary. The discussion focussed on how to follow the Directive, what stages need to be met, and where and when any challenge may come from. HD will raise this matter with the European Commission Director General of Environment on a visit to Brussels scheduled on 20th June.

JK left at 4pm.

9. AoB

i) Note of Last Meeting

The note of the last Commission meeting held on 20th May was not agreed due to time constraints. ■ requested the Commission to send any further comments they may have by email.