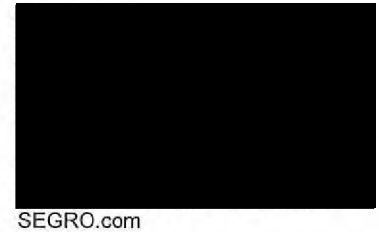


3 February 2015

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



Dear Sir Howard

**SEGRO response to the Airports Commission consultation on shortlisted options**

It was a pleasure to meet you last week at the Let Britain Fly roundtable event. I am now pleased to enclose our response to the Commission's latest consultation which includes the findings of our customer survey that I referred to at last week's meeting.

SEGRO plc is a leading owner and developer of warehousing and industrial property. In the UK we have a leading market position around South East airports including at Heathrow, Gatwick and Stansted. Reflecting the importance of Heathrow to 'UK plc' we own 19 million sq. ft. of commercial space within 10 miles of the airport, providing accommodation to 800 customers from a wide range of industries and sectors. Many of these customers rely on Heathrow to be able to move people and products all over the world.

Heathrow airport plays an important role in the UK's economic success, but capacity constraints means that our position as a leading trade and inward investment nation is under threat. For Britain to succeed in the global economy we must expand Heathrow. This is a view shared by an overwhelming majority of our customers – 84% of those businesses taking part in our survey expressed a preference for Heathrow.

SEGRO believes that urgent priority is to increase capacity at Heathrow to enable the UK to connect directly to the major emerging markets where most growth is likely to occur in the coming decades. Expanding Heathrow will deliver by far the most significant economic benefits to the UK economy (£112-£211 billion by The Commission's own estimates) and a very significant return on investment.

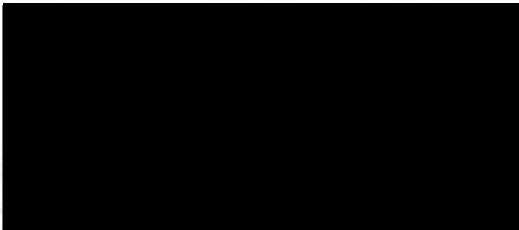
SEGRO is not against allowing Gatwick to build a second runway but we believe Heathrow should be the priority.

Furthermore:

- Only by expanding hub capacity at Heathrow can we ensure the viability of new and existing long haul routes from the UK. A second runway at Gatwick is unlikely to achieve the same level of connectivity and, being more focused on low cost carriers, will not provide the access or cargo capacity to the destinations that export-led UK businesses will need in order to tap into emerging market growth.
- All parts of the UK will benefit from the increased capacity with the creation of more regional flight connections. Heathrow airport is already the best integrated transport hub in the UK. Much of the infrastructure needed for expansion is already in place around the airport. Planned rail projects including Crossrail, HS2 and the proposed Western Rail Access will further enhance Heathrow's connectivity and accessibility both nationally and internationally.
- Heathrow can deliver the additional freight capacity to help Britain's "product-led" exporters do business globally. The airport has the ability to double cargo capacity to accompany the building of a third runway. As we discussed at last week's meeting, I urge the Commission to consider the importance of cargo and freight in the debate on expansion.

We are extremely grateful for your careful consideration of these important matters. If we can be of any further assistance please do not hesitate to contact me.

Yours sincerely



## Airports Commission Consultation on shortlisted options for expansion

3rd February 2015

### Introduction

This paper provides SEGRO's response to the Airports Commission Consultation on the shortlisted options, proposed by the Commission. It seeks to offer the views of SEGRO based on our experience and discussions with businesses around and close to Heathrow.

This paper is structured as follows:

1. Executive Summary
2. Methodology
3. Summary of SEGRO's customer survey
4. Our response to relevant questions raised by the Commission (focusing on strategic fit, economy, surface access and people)
5. Conclusion
6. Appendices (overview of SEGRO, case studies and dataset)

### 1. Executive Summary

- 1.1 SEGRO plc is a listed Real Estate Investment Trust and a leading owner, asset manager and developer of modern warehousing, light industrial and logistics property in Europe. In the UK, we have a leading market position around South East airports, including Heathrow, Gatwick and Stansted. With 19 million square feet of space within 10 miles of Heathrow airport, we provide accommodation to 800 customers from a wide range of industries and sectors.
- 1.2 Many of these customers rely on Heathrow airport to be able to move people, products and goods all over the world. Our customers operate in a wide range of different industries ranging from manufacturing, research and technology industries to transport companies and cargo handlers. Proximity to the UK's only hub airport is vital to their ability to compete in an international market place, as is their ability to access key overseas markets through direct air links.
- 1.3 Heathrow airport plays an important role in the UK's economic success, but capacity constraints means that our position as a leading trading and inward investment nation is under threat. For Britain to succeed in the global economy, we must expand Heathrow.
- 1.4 SEGRO is not opposed to Gatwick building a second runway but we believe that Heathrow expansion should be the priority.

1.5 Dialogue with our customers, including our most recent independent survey, also confirms that the overwhelming majority of them also believe Heathrow to be the most credible option for expansion.

1.6 The compelling reasons in favour of expanding Heathrow include:

- Heathrow will deliver by far the most significant economic benefits to the UK economy. The Commission has noted that these will be in the region of £112- £211 billion, and a significant return on the investment required.
- An expanded Heathrow will enable businesses to connect the UK to new and emerging global markets where most growth is expected to occur in the coming decades. Only by expanding our 'hub capacity' at Heathrow can we ensure that new and existing long haul routes from the UK are viable for both passengers and freight.
- Heathrow can deliver the additional freight capacity to help Britain's "product-led" exporters do business globally. The airport has the ability to double cargo capacity to accompany the building of a third runway.
- An expanded Heathrow will become the most accessible airport in the UK, both for passengers and exporters, thereby ensuring the benefits of greater international connectivity are felt by the whole of the UK.
- Heathrow airport is already the best connected transport hub in the UK and is, physically, on the right side of London to make it accessible to the maximum number of UK residents and businesses. It is the only airport with London Underground access and is also plugged in to the M25, M4, M40, M3 and M1 motorway network. Planned rail projects including Crossrail, HS2 and the proposed Western Rail Access will further enhance Heathrow's connectivity and accessibility.
- Much of the infrastructure needed for expansion is already in place around the airport. For example, the cargo and business community is already very well established and there is a skilled workforce that can make an expanded airport successful. Expansion at Heathrow would be building on success.
- 202 out of the UK's top 300 companies are already located within 25 miles of Heathrow, with proximity to the UK's only hub airport being a key reason behind their choice of location.

## **2. Methodology - Engaging with our Customers**

2.1 In order to respond to this consultation, SEGRO has engaged and consulted with a number of customers to help gather evidence on the importance of aviation to their businesses, the UK's global competitiveness and on their favoured options for expansion.

2.2 SEGRO has been contributing to this debate since the formation of the Airports Commission. We have submitted responses to the 2013 consultations on connectivity and the economy and long term capacity options. To inform these responses we surveyed customers and held a number of roundtable discussions. In November 2014, SEGRO undertook another roundtable event involving customers from its Heathrow and Slough portfolios as well as a number of trade body representatives.

- 2.3 From 9<sup>th</sup> – 28<sup>th</sup> January 2015, 2CV, a consumer research agency and member of the Market Research Society, conducted a phone survey of SEGRO's customers as well as the wider industry, including members of the Association of International Courier and Express Services (AICES) and the Airline Operators Committee for Cargo (AOCC). All respondents were able to give anonymous answers and had a decision making role within the company, being of a managerial/director position. 101 businesses responded to the survey, ranging from SMEs supplying the airport to the HQ's of major international companies. Overall these businesses employ over 20,500 people.
- 2.4 This paper is also informed by a series of case studies from our range of key customers representing different sectors, including [REDACTED] (medical devices), Hytera (mobile telecommunications), Signet International (transportation & logistics) Sciaky and Hanovia (high value engineering) Alpha LSG (airline caterer) and Courier Facilities Limited (international fast parcel). These can be found in Appendix 2.
- 2.5 Whilst the survey responses and other feedback from our customers have informed our comments, this document represents SEGRO's view on the most viable option for expansion and its response to the Consultation.

### **3. Summary of our customer survey**

- 3.1 An overwhelming majority of our customers backed expansion of Heathrow airport as the best option to deliver new capacity. 84% of survey respondents backed Heathrow for expansion with 12% backing Gatwick.
- 3.2 Good air connectivity plays a core role in the success of the local economy with 80% of customers rating it as 'quite' or very important and 96% saying airport expansion is good for local area. 46% of our customers who were surveyed said that, if Heathrow expanded, they would grow their businesses, compared with only 13% who would expand operations at Gatwick if expansion took place there.
- 3.3 The airport is vital for the local job market as our survey found that 64% of businesses surveyed say the majority or all employees live in the local area. Many have also been based in the area for many years with 72% of businesses having been based in the area for over 10 years. It is vital for the Commission to consider very carefully the impact the different expansion options would have on local jobs that are reliant on Heathrow airport.
- 3.4 The questions and datasets can be found at Appendix 3.

#### 4. Response to The Commission's Consultation : Strategic Fit – Why Heathrow airport is the best option for expansion

In this section we seek to address the elements of the sift criteria most relevant to SEGRO and its customers.

- 4.1 An expanded Heathrow will connect the UK to global markets. Heathrow is the UK's only hub airport, which ensures long haul routes from the UK are viable for both passengers and freight. Heathrow accounts for less than a quarter (23%) of all UK flights but 78% of UK's long-haul market is from Heathrow airport emphasising the importance and strength of its global connectivity. It is Heathrow's hub model that allows this high number of routes to be served and we firmly believe that expansion should build on this successful model.
- 4.2 Heathrow will also help connect to every part of the UK. Flights into Heathrow are vital for regional growth as they allow direct connectivity for areas like Liverpool, Leeds, Edinburgh and Glasgow with global markets. The current capacity constraint at Heathrow is already impacting on regional businesses as internal flights are being squeezed out by long-haul carriers. 23 Chambers of Commerce that represent 40,000 businesses around the UK have already publically backed expansion at Heathrow airport. The chambers recognise that Heathrow is one of only six international airports with more than 50 long-haul routes, and its expansion will help keep Britain's regional businesses at the heart of the global economy by connecting them into the fastest growing markets in Asia and South America.
- 4.3 Heathrow can deliver the additional freight capacity to help Britain's "product-led" exporters do business globally. The airport has committed to double cargo capacity as announced by Heathrow airport Ltd in 2014. As the UK's leading developer of industrial space for cargo handling and freight forwarding, SEGRO and its customers are well placed to respond quickly to any future growth in cargo capacity. Indeed, our survey found that 46% of businesses would look to expand their operations if Heathrow expands.
- 4.4 This is a critical issue for many of our customers. As one fast parcel operator told us: *'LHR is the gateway for the country and needs to be the best and largest airport in the country to support the economy. Any expansion needs to be at LHR.'*

## 5. Economy

- 5.1 To safeguard the future long-term economic success of the UK, it is vital we keep the UK at the heart of the global economy by maintaining and enhancing Britain's hub capacity. 2015 has begun with the news that Dubai airport has overtaken Heathrow in terms of passenger numbers. We cannot risk further reducing the number of destinations Britain is directly connected to. Direct, frequent and reliable international air connections are very attractive for foreign investors that are seeking to establish European headquarters, manufacturing facilities, distribution hubs and R&D centres in the UK. These direct air links also enable UK businesses to export high value products and services to overseas markets.
- 5.2 Economic power is shifting to emerging markets. By 2025, the six emerging economies of Brazil, China, India, Indonesia, South Korea, and Russia will account for over half of global growth. But capacity constraints at Heathrow are hindering the ability of UK businesses to connect with these markets. SEGRO customer Sciaky, a manufacturer of electric welding machines, already has to use European hub airports to export products to emerging markets which Heathrow is struggling to serve. This is creating inefficiencies and increasing cost for Sciaky, which impacts on the business's ability to compete effectively with overseas competitors.
- 5.3 The importance of daily flights has been made by our customer [REDACTED] at Hytera UK. The airport facilitates the efficient transfer of both staff and products from the company's headquarters in China to its UK base, which is also used as the base for the company's operations in northern and Western Europe.
- 5.4 Hytera is a good example of inward investment from China that the Government wants to attract. The company chose to locate its European hub in the UK, in order to benefit from its air links to China, in addition to its connectivity to countries across northern and Western Europe including France, Holland, Sweden, Norway and Denmark. Proximity to Heathrow was a key part of that decision highlighting again how influential air links are when foreign investors are deciding on their location for their European investment. This kind of investment decision is already at risk as other European hubs offer more routes to key destinations in China. It is, of course, worth noting that Paris and Frankfurt already have over 1,000 more annual flights to the three largest cities in China than any UK airport.
- 5.5 In contrast, and as noted by the Commission, Gatwick's model is a "mainly point-to-point business model, including a significant low-cost presence." In the majority of the models used by the Commission, Gatwick 'remains focused on the short-haul market', where future economic growth is stagnant. We and our customers are particularly concerned by this possible outcome as these are not the key destinations for growth that businesses need to connect with in the years to come. Critically, the low cost airlines that will use these routes will not provide the cargo capacity to support exporters as their operational model is passenger driven by very quick turnaround times.

- 5.6 As [REDACTED] from Courier Facilities Ltd stated to us: *‘Gatwick is the holiday maker’s airport, not a hub and would therefore have little or no benefit to cargo. A number of the airlines including the major operator flying from Gatwick do not even carry cargo.’*
- 5.7 For long haul carriers Heathrow remains the preferred UK airport to connect with. Vietnam Airlines’ recent move from Gatwick to Heathrow was taken to enable it to launch a daily, direct service to Hanoi and Ho Chi Minh City. Announcing the move, the UK & Ireland General Manager for Vietnam Airlines [REDACTED] said: ‘Moving our operations to Heathrow will enable us to offer the increased frequency and capacity needed to build on and cater to this growing demand.’ This is also a very important opportunity for British business, as demand for goods and services in Vietnam is expected to grow by around 250% between 2010 and 2020, faster than all emerging economies including China.
- 5.8 Connectivity to emerging markets is essential for UK manufacturers, such as Sciaky, whose Chief Executive, [REDACTED], has stressed that while there is a strong existing customer base in mature markets such as the UK, Europe and America, the majority of the company’s new business comes from emerging markets. Importantly for Sciaky, increased capacity should facilitate routes to ‘satellite cities’ where the majority of manufacturing sectors with a demand for his products are based, such as Xi’an in China which is a base for many of the manufacturers supporting the aerospace industry.
- 5.9 Heathrow has suggested that a third runway will allow it to open up 40 new direct, daily routes to fast growing economies such as San José, Wuhan and Kolkata. This also addresses a documented concern over the decline of Heathrow if it does not expand.
- 5.10 We agree therefore with the Commission’s assertion that, at Heathrow, “availability of more slot capacity provides both the potential for enhanced freight capacity on existing routes, as well as the creation of new routes, which would open opportunities for the cargo sector as well as passengers.”
- 5.11 Many customers noted that international businesses regularly review where they base operations in Europe. Anthony Hooey, Director of Transport and Logistics at logistics company, Signet International, noted:

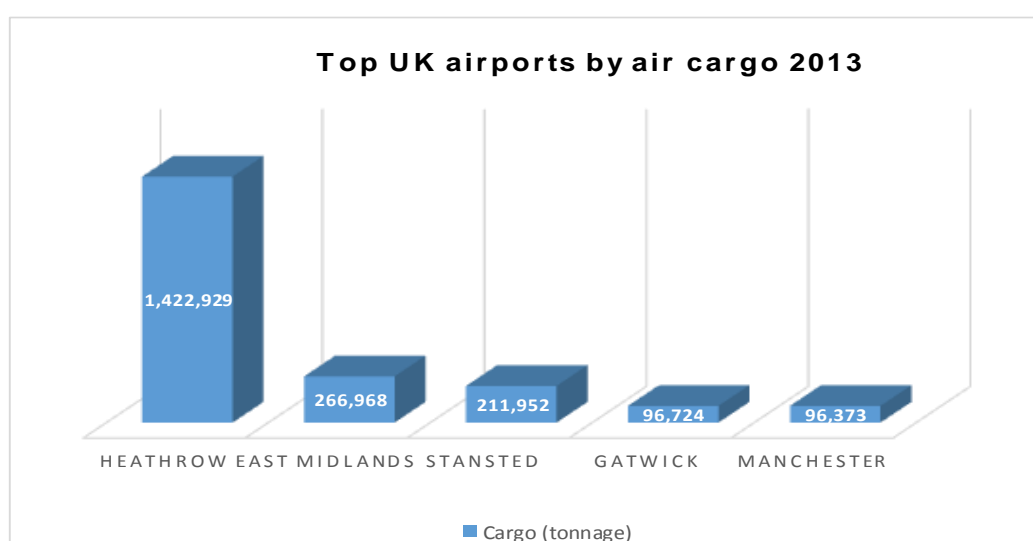
*“A number of global businesses regularly review where they should be based to serve their European business; indeed only recently Signet persuaded one of its customers that the UK was still the best place to do business. Infrastructure is one of the key issues.”*

## 6. The Importance of air freight to the UK economy

6.1 We urge the Airports Commission not to underestimate the importance of the air freight and cargo sector. Air freight is critical for the UK economy, employing around 39,000 people, many of which are located around Heathrow. The sector not only facilitates inward investment but it also enables British companies to export high value, time sensitive and perishable products to customers across the world, contributing to export-led growth. Heathrow airport dominates the UK air freight industry, accounting for nearly 40% of the UK's imports and exports by value.

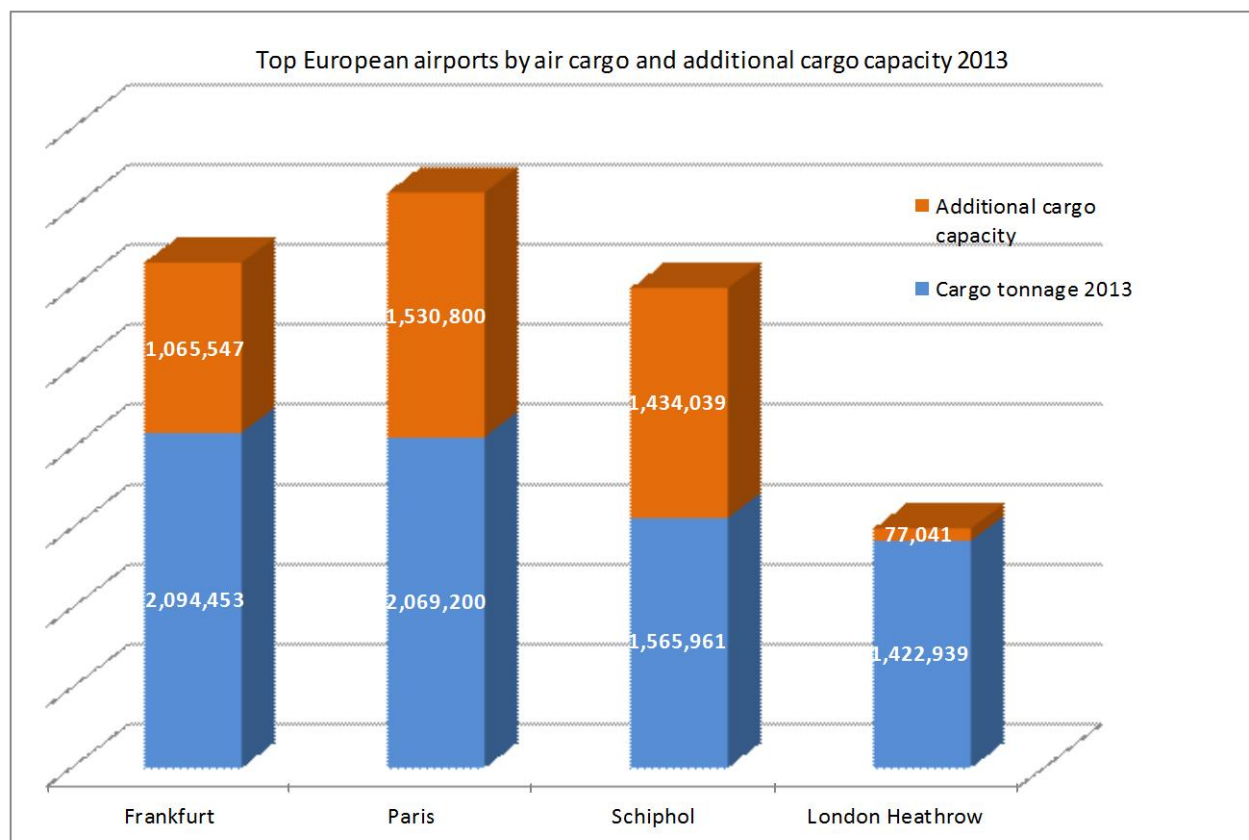
6.2 Our customers operating in sectors such as pharmaceuticals, advanced engineering or consumer retail need fast and direct access to overseas markets, especially emerging markets, if they are to continue to grow their businesses both from a UK and international perspective. This can only be achieved by expansion at Heathrow. This was a point made by all of our customers involved in the freight sector. They rely on the economies of scale that a hub offers. Goods are transported from across the UK and much further afield, consolidated at Heathrow and then transported across the globe using the airport's extensive hub network.

6.3 Heathrow is by far the largest (see graph over page) air freight airport in the UK carrying 65% of all UK air freight (by weight). It is important to note that the vast majority of air freight is not transported in dedicated freighter planes. Around 95% of UK air cargo is carried in the belly-hold of passenger aircraft, which is why a hub airport, like Heathrow, plays such a critical role in moving not just people but valuable products globally.



Source: Civil Aviation Authority

6.4 There is general consensus amongst our customers that the UK is already losing out to European competitor airports such as Schiphol, Frankfurt and Charles de Gaulle. In our survey one freight forwarder noted: *“As a country we need to compete with large European hubs such as Charles De Gaulle and Schiphol. As a forwarder we have a lot of cargo arriving in central Europe already, purely because the airlines cannot get landing slots at Heathrow.”*



Source: Airports Council International and airport websites

6.5 Many of our freight handling customers confirmed this and, for the foreseeable future, the situation looks like it can only get worse. The graph (above) demonstrates that not only is the UK losing ground on its European competitors, but Frankfurt, Paris and Schiphol all promote that by 2020 they will be able to accommodate additional cargo capacity at their hub airports to grow two-way global trade.

6.6 The capacity constraints at Heathrow mean there is very limited additional capacity to grow and the remaining UK airports do not offer the global reach required or cargo capacity to meet any additional demand. *As one cargo operator told us:*

*“If Heathrow is not allowed to expand and flourish then airports like Frankfurt, Schiphol and Charles De Gaulle will continue to take business away from the area and the country.”*

6.7 Our customers noted a number of adverse impacts on the UK as a result of cargo being trucked into the UK from European hubs. It reduces a company's ability to do business quickly and efficiently as goods take longer to reach their final point of destination. This is absolutely essential for a company like Karl Storz which manufactures surgical equipment in Germany and distributes its products to UK hospitals via Heathrow airport. Operations Director, [REDACTED] told us:

*'Working in the healthcare industry and supplying surgical equipment to NHS and private hospitals in the UK, means that there can be no delay in the delivery of goods such as blades and endoscopes. If there were, this would materially impact on hospitals' ability to carry out procedures on time, and this is detrimental to the patient and impacts negatively on the hospital's turnaround time. The reason for this is that some of the products are single-use times that the hospitals cannot afford to bulk buy and therefore order them on demand. The number of flights, and the cargo capacity, from Zurich in to London Heathrow helps the company to meet these demands.'*

6.8 If levels of cargo and freight continue to rise at European competitor airports, then so will the demand for new commercial property and associated services. The UK could find itself losing investment by existing UK-based cargo operators and handlers as demand at Heathrow contracts. This would mean the UK missing out on a host of new growth sectors such as e-commerce. [REDACTED], Managing Director of Courier Facilities, noted that his company transited 75 tonnes of goods in December 2014 for a well-known online clothes retailer. These had been shipped from Asia to the UK to be packed and then re-distributed to customers around the world. Currently, the UK is able to satisfy this requirement but whether this continues depends on whether the UK can continue to offer good connectivity.

6.9 There is significant doubt as to whether any of the airline alliances would fly from an expanded Gatwick to long haul destinations, meaning the opportunities for freight would be extremely limited. Expansion there would also mean that cargo operators would have to transport goods by road from Heathrow to Gatwick leading to the kind of inefficiencies outlined by one *cargo operator*:

*"We can recover cargo from Heathrow in 20-30 minutes. It would take 4 hours if it has to go to Gatwick. There are better road and train links at Heathrow, especially with Crossrail."*

6.10 Cargo and fast parcel operators, like many businesses, are keen to consolidate their operations to increase productivity and reduce cost. It would be UK exporters who would be footing the bill, making them uncompetitive compared to their European counterparts.

## **7. People – Heathrow is best placed to create jobs**

- 7.1 Heathrow is the largest single employer in the boroughs of Hillingdon, Hounslow, Spelthorne, Ealing and Slough because of the direct and indirect employment opportunities offered by the airport. Expansion would be very beneficial to employment prospects in the area.
- 7.2 The level of existing business infrastructure in West London and the Thames Valley means that it is much more likely to deliver the projected job creation figures set out by the Commission.
- 7.3 It is now a well-established fact that 120 of Britain's top 300 companies have their headquarters within a 15 mile radius of Heathrow, whilst there are 16 with the same radius of Gatwick. They are there for a reason. In particular, our manufacturing and pharmaceutical clients particularly acknowledged that being based in this area is also beneficial because of the proximity to London and access to the locally based skilled workforce.

## **8. Surface access**

- 8.1 Good surface access is an important aspect of where to expand aviation capacity. Heathrow airport is already underpinned by good road and rail infrastructure. Effective surface access allows companies to transport their people and goods to and from the airport in an efficient and timely manner, which is vital for our customers whose clients now expect 'just in time' delivery.
- 8.2 Many of our customers tell us that expansion at Gatwick would lead to delays as business would not be able to transport products or people as quickly, making Britain a less desirable country to do business for the long term. This would still be the case even if there was to be a very significant investment to improve access. Business people and goods coming into Heathrow may have to then travel to Gatwick to reach new routes being served from the airport which would be a major inconvenience and significantly undermine the hub model operated by cargo customers and business passengers.
- 8.3 One of our customers, [REDACTED] from Signet International, noted that *"Heathrow and the extensive transport network around it make London one of the best connected cities in the world."*

8.4 SEGRO is pleased to see Western Rail Access to Heathrow included in the extended baseline for both Heathrow short listed schemes. We believe that Western Rail Access should be delivered regardless of whether Heathrow expands, with planning for this project advancing well. The rail link is expected to generate economic growth of £800 million and efficiency savings of £1.5 billion, as well as a modal shift to public transport of 10% based on a two runway airport under current operations. WRAtH would play a major role in helping to mitigate against road congestion and provide a direct rail access which currently doesn't exist. If Heathrow expands, WRAtH will play a vital part in ensuring convenient, efficient and timely access to the airport, whilst minimising the impact of the regional road network.

## 9. Conclusion

9.1 Global economic power is shifting. By 2030, the E7's purchasing power will overtake that of the G7. We need to ensure the UK is at the heart of this economic growth by providing our exporters with direct and frequent air links to these emerging markets. These links will also help to safeguard and enhance Britain's position as Europe's leading destination for foreign direct investment.

9.2 The UK's position as a pre-eminent trading nation dating back for 350 years is being eroded. Our European competitors already have more direct flights to the emerging economies of Asia and South America. As a result of our historical indecision over airport expansion, it is countries such as France, Germany and Netherlands that are reaping the economic rewards.

9.3 Through consultation with many of our customers, we believe that only an expanded hub airport, Heathrow, can deliver the air connectivity needed to ensure the UK competes effectively in a global market.

9.4 We recognise that expanding Heathrow airport has its challenges. Effective public transport, environmental and noise mitigation measures will need to be put in place. But the opportunity of economic growth in trade and investment, new jobs and infrastructure upgrades is the prize Britain will benefit from if Heathrow expands.

## APPENDIX I

### Overview of SEGRO

SEGRO is a UK Real Estate Investment Trust ('REIT'), and a leading owner, asset manager and developer of modern warehousing, light industrial property, as well as of higher value uses such as offices and data centres. We own or manage 5.3 million square metres of space in £5.2 billion of assets (our share of which totals £4.1 billion), serving 1,250 customers from a range of industry sectors. Our properties are located around major conurbations and at key transportation hubs across eight European countries, principally in the UK, France, Germany and Poland.

In the UK, we have a leading market position around South East airports, including Heathrow, Gatwick and Stansted. Our Heathrow portfolio consists of over 6 million sq. ft.\* of space (\*assets under management). In close proximity to Heathrow, SEGRO also owns a two significant clusters including a 4.2 million sq. ft. portfolio at Park Royal and Greenford, which mainly serves the food and drink, media and urban logistics sectors and Slough Trading Estate (Europe's largest business park in single ownership) which provides over 6.1 million sq. ft. of commercial space.

These major portfolio clusters are all located within 10 miles of Heathrow airport and are home to over 800 customers. Our customers include many leading international businesses such as: O2, Telefonica, Blackberry, UPS, DHL, FedEx, DB Schenker, UCB, Rolls-Royce, TNT, Toll Global Forwarding, Menzies Aviation, Air France, WFS, Fiat, JAL, British Airways, Ferrari, LG Electronics, Ipsen, Lonza and Dnata.

These customers and many more are using Heathrow airport to move people, products and goods all over the world. Having close proximity to a globally competitive airport with high levels of connectivity and the ability to grow is vital to their ability to compete in an international market place.

For further information on SEGRO, please [click here](#) or go to [www.segro.com](http://www.segro.com)

## APPENDIX II

### Case studies from SEGRO customers

#### ██████████ Managing Director, Hytera UK

*The Managing Director of Hytera UK believes a third runway at Heathrow would enable the company to accelerate its already impressive growth in the UK, and strengthen the position of its UK operation as the hub of the company's activity in northern and Western Europe. The company relies on the direct links to China provided by Heathrow, and the airport's air freight capacity and surface connectivity are crucial for the company. Conversely, Gatwick expansion would not have the same beneficial impact, due to its limited freight infrastructure, lack of direct routes, and comparatively poor surface access.*

Hytera is a global manufacturer of professional, hi-tech, two-way radios for use in the oil and gas, utilities, transport and security sectors. Headquartered in Shenzhen, China, the company chose to locate its European hub in the UK, in order to benefit from its links to China, in addition to countries across northern and Western Europe including France, Holland, Sweden, Norway and Denmark.

██████████ was keen to stress that the company decided to relocate its UK office from its previous location in Milton Keynes to the Slough Trading Estate, as proximity to Heathrow is extremely important for the company's operations. The location makes the transfer of Hytera's products, its engineers and its executives from China to the UK and beyond into European markets as efficient as possible. Direct flights are also particularly beneficial for the company.

Air freight is essential for Hytera's business model. Through the routes provided by Heathrow, the company is able to ship low weight, high value products directly to its UK warehouse from China, where the alternative of sea freight would take 30 days. Air freight is able to save the company time and money, and boost the value of its trade through the UK. Yuan noted the better infrastructure at Heathrow for handling freight, and pointed to this as an important factor in the company's UK location.

Yuan emphasised that the journey to the airport from Hytera's UK base is between 10 and 15 minutes, highlighting the value of the location. The nature of the company's business also requires it to transfer goods and people once they arrive at Heathrow to regional towns and cities including Cardiff, Bristol and Swansea, all of which are better served by the road network around Heathrow, which provides convenient access to a significant road network, in contrast to Gatwick, which is more isolated. He also mentioned the prevalence of local intellectual talent as a significant added benefit from being based in West London.

Expansion at Heathrow would have significant benefits for Hytera. The company is already experiencing notable growth, but Andrew Yuan believes that a third runway would enable Hytera to accelerate the growth of its UK business, and make it easier for the company to do business in the UK and Europe by reducing its transport costs and increasing the efficiency of its operations

██████████, Director, Signet International

*Anthony Hooey, Director of international freight forwarding and logistics business Signet international, supports expansion at Heathrow airport because it is already perfectly positioned to ensure goods can be delivered to key UK markets as quickly as possible. He also notes that the UK is competing with the rest of Europe to be the port of call of choice for imports and cannot risk falling behind.*

Signet international is an international freight forwarding and logistics company based on the Slough Trading Estate. They specialise in delivering 'everything you can get on the high street' such as fast moving consumer goods including high end electrical items, clothing and bicycles for retailers. As such they depend on Heathrow with its large number of direct air links to countries across the world to ensure they can deliver goods to customers as quickly as possible.

██████████ favours expansion at Heathrow because the infrastructure is already in place, especially the extensive road network, around the Thames Valley for Signet to be able to pick up goods from Heathrow and distribute them all over the country to their customers. He noted that Heathrow and the extensive transport network around it make London one of the best connected cities in the world. Expansion at Gatwick would be not be as good for the business because it would take longer for goods to get to their customers given that they are based near Heathrow and the midlands and the transport infrastructure connecting the airport to key customers is less extensive.

Anthony made an important broader observation about attracting business investment to the UK. He stated that the priority must be to make the UK the preferred European port of call for imports. He noted that when the EU was first formed the Dutch Government made a conscious decision to make their customs very user friendly so giving Holland a big competitive advantage over the rest of Europe and making it the first choice European logistics centre. This adversely impacted UK business and Customs revenues compelling them to develop their own initiatives to attract business back to the UK.

We are in a similar situation now, with other European Governments taking the conscious decision to expand hub capacity whilst the UK lags behind. A number of global businesses regularly review where they should be based to serve their European business, indeed only recent Signet persuaded one of its customers that the UK was still the best place to do business. From his experience infrastructure is one of the key issues. Signet's customers often have a very a very short window to transport seasonal goods at peak times so good air links are particularly important.

The UK risks losing these businesses to European competitors if links from other European hubs become markedly better and this would have a huge impact on the business supply chain in the UK. Anthony emphasised that Governments across the world compete for business and it is vital that the UK Government makes a decision to expand Heathrow as quickly as possible.

████████ Chief Executive, Sciaky

████████, supports a third runway at Heathrow airport over expansion at Gatwick airport. Expansion at Heathrow will provide more routes to new business opportunities and the additional direct links will help Sciaky to respond to tight deadlines set by international clients.

As a point to point model, Gatwick serves predominantly short haul leisure destinations and has limited flights to the long haul, emerging markets. It has a smaller freight/cargo capacity than Heathrow. The majority of aircraft servicing short haul, holiday destinations lacks the cargo capacity offered on bigger long-haul aircraft.

Sciaky is an SME exporter of high end electric welding machinery for the aerospace, engineering and automotive sectors. Sciaky engineers fly across the globe to service equipment produced at its manufacturing facility on the Slough Trading Estate, where the company has been based for 80 years. The company benefits from the prevalence of skilled workers in the area and the majority of its workforce is based locally.

Sciaky relies on exporting its goods and services overseas and its proximity to Heathrow means that it can meet demanding deadlines. Within 30 minutes, Sciaky can access Heathrow's freight facility and send its products to international clients.

████████ says that being able to travel direct from Heathrow enables good customer service and also saves his company time and money. For example, the number of direct flights from Heathrow to Toulouse meant that Sciaky was able to deliver vital parts to its customer Airbus in less than 24 hours, allowing production to continue.

████████ believes that direct routes to new and existing markets enabled by a hub model at Heathrow is better for business. However, the lack of capacity at Heathrow has had a direct impact on Sciaky's business. The company was forced to fly its products from competitor airports after the route it needed wasn't available from Heathrow which added time and cost to the process. Kunzig made it clear that a major benefit of Heathrow is that it has the infrastructure to handle a large freight operation, which is simply not the case at Gatwick.

*"New routes from Gatwick would also be less appealing to our business as the process of onward distribution would take far longer meaning it would take more time to export goods to customers."*

The extra capacity at Heathrow created by expansion would directly benefit Sciaky. It would enable the company to grow by exploring new business opportunities in emerging countries and build on its ability to export its products and meet the needs of its international customer group efficiently from its base in the UK - where it has been for almost a century.

██████████, Operations Director, Hanovia

██████████, Operations Director of Hanovia, manufacturer of industrial ultraviolet water treatment technology, supports a third runway at Heathrow airport. Hanovia are reliant on direct routes to a large number of markets across the world. These are served by the UK's hub airport, Heathrow, and enable Hanovia to meet urgent demand for their products. The company also requires ease of access to cargo facilities, and this will be better met by an expanded Heathrow due to the strength of its existing cargo operation.

Hanovia manufactures industrial ultraviolet reactors for disinfecting, and removing chemicals from fluids. The company has been based on the Slough Trading Estate for 90 years. The company has exported over 50,000 reactors to all 4 corners of the world, including developed and emerging markets, such as America, China, Chile, South Africa, Australia, the UAE and India. Jim noted that emerging markets is where Hanovia sees strong growth. The company therefore relies on direct flights to both mature and emerging markets as it is required to transport both goods and people to these locations often at very short notice particularly for commissioning and after sales support.

Being based near a well-connected hub allows Hanovia to offer speed and flexibility to its customers which is critical for remaining competitive in a global market. The only other option for Hanovia is to ship products by sea, which often is just too slow.

Hanovia is therefore able to benefit from the direct flights to long-haul routes which are more prevalent at Heathrow, and would be increasingly available at an expanded Heathrow due to its hub model. The freight capacity at Heathrow is also essential for Hanovia. Jim acknowledged that the existing freight infrastructure and presence of the freight forwarders at Heathrow is a major advantage for the Hanovia, enabling the rapid and efficient shipping of goods to the markets in which it operates. It ensures that Hanovia can continue to operate in the UK and export from its base there.

██████████, Director of Operations, Karl Storz

Karl Storz manufactures surgical equipment and transports them to hospitals and veterinary surgeries all over the UK. It is a global company with its Headquarters in Germany and offices in Slough and Dundee in the UK. Nicky Cahuac, Director of Operations at Karl Storz, favours Heathrow expansion because of the connectivity it provides allowing the company to import its goods quickly and efficiently from European manufacturing centres. Additionally, the excellent road networks allow the company to efficiently transport equipment and employees to move quickly between the different offices.

██████████ said that the proximity to Heathrow was a 'deciding factor' in the company's decision to originally base in Slough. It had originally been based in Docklands for access to London City airport, but chose to relocate to Slough because of the presence of Heathrow airport, and excellent road access to the rest of the UK. Fast access to the major road networks that Heathrow provides is vital, as the company needs to be able to turn its deliveries around quickly. Working in the healthcare industry and supplying surgical equipment to NHS and private hospitals in the UK, means that there can be no delay in the delivery of goods such as blades and endoscopes. If there was, this would materially impact on hospitals' ability to carry out procedures on time, this is detrimental to the

patient and impacts negatively on the hospitals turnaround time. The reason for this is that some of the products are single-use times that the hospitals cannot afford to bulk buy and therefore order them on demand. The number of flights, and the cargo capacity, from Zurich in to London Heathrow helps the company to meet these demands.

Karl Storz has 62 employees in Slough and supplies endoscopes and surgical equipment to hospitals, veterinary clinics and Industrial customers in the UK. It is the service arm of a larger company with headquarters in Germany. As such Heathrow is vital for providing connectivity to these offices and the company uses the airport for business travel to and from Germany on a weekly basis. The company also has offices in Dundee and currently employees are able to fly to and from Dundee and have their meetings all within one day due to the connectivity that Heathrow provides. Nicky Cahuac, Director of Operations at Karl Storz believes that expanding Gatwick would be problematic for the company as this daily turn around would no longer be possible. If employees were to travel from Gatwick the company would incur additional costs, as the journey would now include an overnight stay and travel costs from the company's Slough base.

A year ago the company reviewed its location and chose to remain in Slough. Proximity to Heathrow was one of the key reasons for this decision. In nine years, the location decision will be reviewed again and connectivity issues will be a key part of the decision making process. Should Heathrow be impacted by expansion this would influence Karl Storz's decision on where to locate.

██████████, Managing Director, Courier Facilities Ltd

Courier Facilities Ltd. operates an Internal Transit Shed Facility serving the courier, express and airline industry at Heathrow airport.

As an approved HMRC border control facility for the express sector, Courier Facilities are used by 38 airlines operating to and from Heathrow flying on 180 routes.

The utilisation of a single hub is critical for the ability of the express sector to transfer goods rapidly from the UK to destinations around the world. Gary Kendall therefore supports expansion at Heathrow over Gatwick. He notes that Gatwick is the holiday maker's airport, not a hub and would therefore have little or no benefit to cargo. A number of the airlines including the major operator flying from Gatwick do not even carry cargo.

He stated that if new routes went from Gatwick instead of Heathrow this would be bad for UK plc. Heathrow would continue to fall behind other European hubs airports such as Frankfurt and Amsterdam Schiphol. He noted that the UK was already 10 to 15 years behind those hubs and a quick decision was needed to expand Heathrow.

██████████ noted that in countries where expansion had happened the Government had supported an integrated transport system that was attractive to businesses and this is one of the reasons why Dubai along with Abu Dhabi and Qatar are so successful alongside the European hubs.

He noted that if there wasn't expansion more and more cargo would be trucked from the UK into Europe and then flown from one of the European hubs airports as they were expanding route capacity all the time to key destinations in China, Latin America and the new emerging markets of Africa. This wouldn't work at all for the express operators as their model is dependent upon moving time critical goods and would put other freight carriers at a significant disadvantage.

██████ noted that CFL transited over 75 tonnes of goods in December 2014 for a well-known online clothes retailer. These goods had been shipped from Asia to the UK for distribution, to be re-packed and then re-distributed to growing market of e-commerce customers located around the world, including those individuals seeking UK brand names back in Asia.

Britain is well placed for this kind of work, but for the UK to truly take advantage of this growing and vibrant global market it will need greatly improved air connectivity to emerging nations that only a three runway hub airport at Heathrow could deliver.

██████, Procurement, Supply Chain & CI Director, Alpha LSG

Alpha LSG provides catering services for a multitude of airlines operating out of the UK's airports. The company employs approximately 3,600 people across the UK, including 1,600 in its new £12 million premium catering facility at Heathrow. The facility includes a culinary academy for training aspiring chefs, which also enables the company to meet a diverse range of cuisines according to the preference of the airline – with Alpha LSG expected to produce high quality international cuisine including Chinese, Japanese, Thai, Halal and European food, locally produced, for the carriers operating predominantly long-haul routes from Heathrow.

Wayne Gandy noted the difference in demand for Alpha LSG's products, with flights they service from Heathrow requiring substantially more in the way of fresh meals, whereas catering arrangements for flights from other airports more often focus on small, bulk produced snacks. The higher prevalence of long-haul services from Heathrow requiring full meals, including particularly high quality meals in business and first class, means that the company produces more fresh meals for the long haul carriers at Heathrow than at the other airports it operates at across the UK combined.

The nature of the company's operations at Heathrow are important, and so different to the catering that they provide for the more predominantly short-haul routes from other airports that the Heathrow operation is considered a separate operational entity, and the business is structured accordingly.

Ultimately, expansion at Heathrow would increase the volume of flights from Heathrow, thereby increasing the demand for Alpha LSG meals, particularly at the premium end of the market.

## Appendix III - 2CV Survey of SEGRO customers

### Q1 (Q1)

How many employees do you have at your site?

Under 1 year	2	2.0 %
1-3 years	5	5.0 %
4-7 years	11	10.9 %
8-10 years	11	10.9 %
11-15 years	13	12.9 %
16-20 years	5	5.0 %
Over 20 years	54	53.5 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q1 (Q1)

Total number of employees represented by survey

Q1	20558.0	
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### 2 (Q2)

What proportion of your workforce lives locally to their place of work?

None	0	0.0 %
Some, but less than half	13	12.9 %
About half	23	22.8 %
The majority	51	50.5 %
Everyone	13	12.9 %
I don't know	1	1.0 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q3 (Q3)

Which of the following describes how your business uses or works with London Heathrow airport?

Freight/cargo forwarding	42	41.6 %
Fast parcel	33	32.7 %
Ground handling	13	12.9 %
Road haulage	25	24.8 %
Business travel	51	50.5 %
Catering	3	3.0 %
Airline	22	21.8 %
Support services or airport supplier	19	18.8 %
Maintenance	13	12.9 %
Export/import of products/services	47	46.5 %
Other (please specify)	19	18.8 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q3x (Q3x)

Why is your business based where it is?

To ensure close proximity to the airport	61	60.4 %
Proximity to London	21	20.8 %
The quality of the road/rail infrastructure	19	18.8 %
Access to a skilled workforce	10	9.9 %
Other (please specify)	44	43.6 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q4c (Q4c)

Thinking of your business as a whole e.g. at a regional, national or international level, how important is aviation and global connectivity to the success and growth of your business?

Not at all important	12	11.9 %
Somewhat important	7	6.9 %
Quite important	18	17.8 %
Very important	64	63.4 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q5 (Q5) - Airport expansion is important for the long term economic success of the UK (1)

To what extent do you agree or disagree with each of the following statements on airport expansion?

Strongly agree	78	77.2 %
Agree	20	19.8 %
Neither agree or disagree	3	3.0 %
Disagree	0	0.0 %
Strongly disagree	0	0.0 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q5 (Q5) - I support airport expansion (2)

To what extent do you agree or disagree with each of the following statements on airport expansion?

Strongly agree	68	67.3 %
Agree	23	22.8 %
Neither agree or disagree	8	7.9 %
Disagree	2	2.0 %
Strongly disagree	0	0.0 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

**Q5 (Q5) - Airport expansion can be beneficial to businesses operating in the local area (3)**

To what extent do you agree or disagree with each of the following statements on airport expansion?

<b>Strongly agree</b>	64	63.4 %
<b>Agree</b>	33	32.7 %
<b>Neither agree or disagree</b>	2	2.0 %
<b>Disagree</b>	1	1.0 %
<b>Strongly disagree</b>	1	1.0 %
<b>Total</b>	101	100.0 %

**Q5 (Q5) - There is nothing to be gained from expanding UK airports (4)**

To what extent do you agree or disagree with each of the following statements on airport expansion?

<b>Strongly agree</b>	0	0.0 %
<b>Agree</b>	2	2.0 %
<b>Neither agree or disagree</b>	3	3.0 %
<b>Disagree</b>	25	24.8 %
<b>Strongly disagree</b>	71	70.3 %
<b>Total</b>	101	100.0 %

**Q5 (Q5) - It is important to consider environmental impact when planning airport expansion (5)**

To what extent do you agree or disagree with each of the following statements on airport expansion?

<b>Strongly agree</b>	40	39.6 %
<b>Agree</b>	44	43.6 %
<b>Neither agree or disagree</b>	13	12.9 %
<b>Disagree</b>	2	2.0 %
<b>Strongly disagree</b>	2	2.0 %
<b>Total</b>	101	100.0 %

**Q5bN (Q5bN)**

Thinking about airport expansion for the long term e.g. adding an extra runway to airports... which of the following airport expansions do you most support and why?

Please select just one answer.

<b>London Heathrow airport</b>	85	84.2 %
<b>London Gatwick Airport</b>	12	11.9 %
<b>None of these</b>	4	4.0 %
<b>Total</b>	101	100.0 %

### Q5d (Q5d)

You mentioned you would most support expansion at London Heathrow airport. There are two potential expansion options at London Heathrow airport, which option would you most support?

Expansion of the existing North-West runway	11	12.9 %
The addition of a new third runway	46	54.1 %
I am unsure	28	32.9 %
<b>Total</b>	<b>85</b>	<b>100.0 %</b>

### Q6n (Q6n)

Should an additional runway open at Heathrow airport, which, if any of these, would you most likely do?

I would open or expand operations at London Heathrow and/or employ more staff	46	45.5 %
I would expand operations at other locations instead	3	3.0 %
I would do nothing - it would not affect my business	42	41.6 %
I am unsure	10	9.9 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q7n (Q7n)

Should an additional runway open at Gatwick airport, which, if any of these, would most likely do?

I would open or expand operations at London Gatwick and/or employ more staff	13	12.9 %
I would expand operations at other locations instead	2	2.0 %
I would do nothing - it would not affect my business	79	78.2 %
I am unsure	7	6.9 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q7a (Q7a)

You mentioned that should there be expansion at Gatwick airport you would expand your business operations there or at other locations. What impact would this have on your existing operations at London Heathrow?

It would have a positive impact on operations at Heathrow	2	13.3 %
It would have no impact on operations at Heathrow	11	73.3 %
It would have a negative impact on operations at Heathrow	2	13.3 %
I am unsure	0	0.0 %
<b>Total</b>	<b>15</b>	<b>100.0 %</b>

### Q8 (Q8)

If London Heathrow was scheduled to expand, which, if any, of these do you think need to be improved?

Parking at the airport (cost and availability)	68	67.3 %
HGV parking at the airport	44	43.6 %
Road access to the airport	81	80.2 %
Fast direct rail access to the airport	77	76.2 %
Improved cargo facilities	58	57.4 %
Security	56	55.4 %
Amenities for your staff	30	29.7 %
Passenger facilities	57	56.4 %
Other (please specify)	7	6.9 %
None of the above	1	1.0 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>

### Q10 (Q10)

To what extent do you feel that the current capacity at London Heathrow impacts on your business's ability to grow?

The current capacity supports business growth	9	8.9 %
The current capacity has no impact on business growth	45	44.6 %
The current capacity limits business growth	47	46.5 %
<b>Total</b>	<b>101</b>	<b>100.0 %</b>