



**Meeting of the Airports Commission
15th October 2014 - 09:30 - 12:30
Rm 6.02 Sanctuary Buildings**

Attendees:

Commission members:

Howard Davies – Chair
Vivienne Cox
Julia King

Apologies:

John Armitt
Ricky Burdett

Secretariat:

[Redacted]

Philip Graham

[Redacted]

External attendees:

Consultants:

[Redacted] – Jacobs (agenda item 4)
[Redacted] – PwC (agenda item 3)
[Redacted] – PwC (agenda item 3)
[Redacted] – Jacobs (agenda item 4)
[Redacted] – LeighFisher (agenda items
2 and 3)
[Redacted] – Jacobs (agenda item 4)

Expert Advisory Panel Members:

Ian Brown – (agenda item 4)
David Quarmby – (agenda item 4)
Andrew McNaughton – (agenda item 4)
James Neal – (agenda item 3)

1. Welcome

Howard Davies (HD) welcomed attendees to the meeting.

Julia King stated that she had given further consideration to the discussion of the economic analysis at the previous day's meeting. She asked the Secretariat ensure that the economic case included GDP/GVA outputs without construction impacts.

2. Operational Risk, Operational Efficiency, Delivery and the Management Case

The Secretariat presented a draft of the Management Case to the Commissioners and said that more details were to be added relating to Scheme Promoters' Procurement and Programme Strategies. The Secretariat explained that the Management Case would focus on two areas: 1) that the proposals could produce the stated benefits and 2) that there is a clear and credible pathway towards realising those benefits.

The Secretariat provided an explanation to the Commissioners on how the Management Case fitted with other workstreams. The Commissioners commented that the structure of the draft Management Case made sense and said that they would comment more formally on the document at a later stage.

██████████ (Leigh Fisher) described the operational analysis of each scheme noting in particular the flexibility to deal with different views of the future, different types of aircraft, passenger and business model, baggage handling and transfer and self-transfer capabilities, as well as total capacity expectations.

The following issues were discussed:

- Impacts on Northolt. Advice had been received from NATS about the impacts of Heathrow expansion on Northolt, and the Secretariat had also met with MOD.
- The analysis of passenger capacity and the use of Design Hour Passenger metrics, including links to commercial revenues and other relevant factors such as security and immigration systems. This included discussion of the views of the promoters.

3. Cost and Commercial and the Commercial and Financial Case

██████████ (Leigh Fisher) presented to the Commissioners the analysis of each scheme and associated costs and explained the methodology used by Leigh Fisher to prepare them. The consultants' work had sought to validate the costs put forward by the Scheme Promoters and broadly did so, although the Commission's estimates included different allowances for risk and optimism bias.

The following issues were discussed:

- The implications for the cost of the Gatwick scheme of different approaches to phasing.
- The more limited optionality in terms of phasing for the two Heathrow proposals.

██████████ and ██████████ (PWC) gave a presentation setting out the draft results of the Commission's commercial financing analysis. Discussion included consideration of:

- Debt and equity levels and potential aero charges increases and the potential impacts on various airport customers.
- Credit ratings of each airport and likely future strategies.
- Demand risk at each airport and the ability of markets to fund each scheme.

James Neal of the Commission's Expert Advisory Panel participated in the discussion and supported the approach to the analysis. ██████████ presented the summary structure of the Commercial/Finance Case explaining that it broadly followed the HMT Green Book approach with interpretation to reflect the current point in the development cycle of the work of the Commission.

4. Surface Access

██████████ (Jacobs) set out the methodology used in the Commission's surface access analysis and advised that a consistent approach had been followed for all Scheme Promoters. ██████████ also provided a short summary of the results of the analysis conducted for all three schemes. Andrew McNaughton, David Quarmby and Ian Brown from the Commission's Expert Advisory Panel participated in the discussion. The Commission and Expert Advisory Panel were content with the analysis completed.

The following issues were discussed:

- The differences between the HAL and Heathrow Hub schemes. ██████████ explained that the two surface access strategies analysed for Heathrow were the same in terms of road and rail, apart from works on the M25 (although both schemes required this to be tunnelled). The treatment of the proposed hub station was to be discussed later in the meeting.
- Catchment areas before and after the construction of airport and baseline improvements – in particular the effect of Thameslink, WRAtH and Crossrail.
- The extended baseline and its role in the analysis.
- Long-term pressures on capacity on existing transport links in the event of airport expansion e.g. on the Brighton mainline in the case of Gatwick expansion or on the Piccadilly Line, Great Western Main Line and Crossrail should expansion at Heathrow occur.
- Possible ways to alleviate capacity constraints including restructuring prices on Heathrow and Gatwick Express services (a sensitivity test on this had been carried out).
- Road access to the western campus of Heathrow in the HH proposal, which was constituted only a link from the South with no access available from other directions. This approach reduced housing loss but provided limited access.

The EAP said they were content with the consultants' reports on infrastructure.

In respect of the Heathrow Hub station, David Quarmby stated that the updated Jacobs report provided a balanced view of the strengths and weaknesses of this

proposal. The Commission confirmed that they were happy for this to be considered via a separate report and for the core surface access analysis of the Heathrow Hub scheme to remain on the basis of an 'on-site' surface access strategy.

5. Consultation questions, consultation document and the Strategic Case

The Secretariat presented a draft version of the consultation document taking on board comments made by the Commissioners since the September meeting. The Secretariat highlighted paragraphs which identified work which was planned to be taken forward following the consultation launch to provide additional validation of consultation analysis (this included fast time airspace simulation, air quality dispersion modelling and impacts of competition on aviation).

The Secretariat advised the Commissioners that counsel's advice was to be open at the time of consultation in setting out what additional work the Commission expected to be carried out and what additional evidence may be published after the consultation has been launched. The Secretariat assured the Commissioners that it would keep under close review whether any new evidence in these areas would fundamentally alter the tone of the consultation materials already published.

On the consultation questions, the Secretariat advised that the questions had been grouped into three categories: thoughts and conclusions on the three short-listed options, appraisal and overall approach. The Secretariat sought a steer from the Commissioners on their preferred wording for question 4 concerning additional analysis. The Commissioners agreed the wording "not fully addressed by the Airports Commission to date". The Commissioners requested that questions 5, 6, 7 and 8 be collapsed into three questions, with no need for a general question on the Commission's results.

The Secretariat presented the Strategic Case template to the Commissioners which led to short discussion on the structure and content of the template. The Commissioners asked the Secretariat whether a section on "passenger experience at terminals" was part of the "passenger experience" section which the Secretariat confirmed. The Commissioners said that the Secretariat should ensure that part 1(c) included benefits of access to new markets provided by capacity expansion. The Commissioners asked the Secretariat to ensure that impacts on the London agglomeration should be included in the Strategic Case Template. The Commissioners also said that it should be ensured that reference is made to the freight industry, and environmental considerations in the Strategic Case.

ACTIONS:

- **Secretariat to reword consultation questions 5, 6, 7 and 8 into 3 questions.**
- **Secretariat to incorporate the Commissioners' remarks on draft Strategic Case into revised draft.**

6. AOB

It was noted that the John Armitt (JA) had been consulted about the proposed change in the date for the launch of the consultation and was in agreement that on balance the date should be amended to the 11 November. This was formally agreed by the Commissioners.