

YOUR LONDON AIRPORT *Gatwick*

13 OCTOBER 2010

Dr Harry Bush
Group Director Economic Regulation
Civil Aviation Authority
CAA House, 45-59 Kingsway
London
WC2B 6TE

Reference: Q5-027-LGW01

Dear Harry

Airport regulation: Lessons learnt from Q5 price control process and improvements for Q6

I am writing with regard to the above consultation document that the CAA published on 11 October. We will provide a fuller response to the consultation by 19 November but I want to make you aware now of our disappointment with the lack of acknowledgement in this document of:

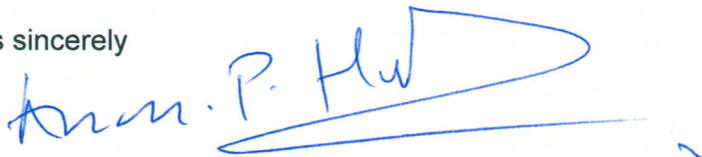
- i) the sale of Gatwick Airport to GIP, which has led to significant structural changes in the market in which the currently designated airports operate and to an associated increase in competition; and
- ii) the CAA's own work to develop guidelines on how it will assess competition between airports and to assess alternative forms of regulation.

We consider that the increase in competition and the CAA's work to assess competition between airports and to consider alternative forms of regulation provides a real opportunity for the CAA to deliver for passengers the benefits of competition envisaged by the Competition Commission in its Airports Market Investigation decision.

In our view the CAA needs to develop and implement a regulatory framework that delivers this vision. It is not appropriate at this time for the CAA to begin to implement a standard Q5-type price control at Gatwick for the period beyond 2013. The document published on Monday could be read as indicating that this is the CAA's current thinking.

We would expect that the CAA's next document reflects changed market circumstances as well as the CAA's own parallel workstreams.

Yours sincerely



Kyran Hanks
Strategy & Regulation Director