

YOUR LONDON AIRPORT

Gatwick

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Chris Hemsley
Director, Consumers and Markets
Regulatory Policy Group
Civil Aviation Authority
CAA House, 45-59 Kingsway
London, WC2B 6TE

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Dear Chris

Assessing the market power of Heathrow, Gatwick and Stansted

I am writing in response to the letter from Iain Osborne from 27 May 2011. Gatwick Airport, as an airport currently designated for the purposes of economic regulation under the Airports Act 1986, welcomes the CAA kicking off its work to assess competition in the south east airport market. We will of course fully participate in the CAA's efforts to understand competition in this market and how it will further develop going forwards.

Following on from our participation during the CAA's development of its Competition Guidelines, we see the main areas where the CAA will need to focus its efforts on understanding competition being:

- Focussing on the end-user (e.g. passengers) as well as airlines in terms of preferences and ability to switch;
- The definition of the product market, in particular whether this leads to it being appropriate for the CAA to continue to regulate all of the airport's activities, in the event that the CAA finds Gatwick to have significant market power;
- The geographic scope of the market, in particular whether the market is broader than the south east, due the ability of airlines to switch demand;
- Understanding the competitive price level, in particular, to the extent that it is different from the prevailing regulated price level and how this impacts market definition and an airport's market power;
- Fully incorporating constraints emanating from different 'sides' of the market into the CAA's analysis;
- Fully incorporating constraints emanating from airline buyer power into the CAA's analysis; and

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- Understanding the performance and behaviour of airports, in particular on how the recent performance and behaviour of Gatwick has led to improvements in the passenger experience since the sale of Gatwick at the end of 2009.

Tomorrow, we are due to hold an initial discussion of your approach to your competition assessment and how we can usefully engage on this important work. This will be followed by a more detailed meeting in early July. In addition to these meetings we will of course be happy to meet on other occasions as your work progresses.

We also intend, in September, to make a submission on our view of competition in the south east airport market, including on the question of whether Gatwick has significant market power. This is intended to be a useful addition to your evidence-base and the timing will allow you to fully take it into account when you formulate your initial conclusions on market power at the end of the year.

Yours sincerely,



Colin Garland

Senior Manager, Economic Regulation