



A Second Runway for Gatwick

Response to Airports Commission Consultation

Executive Summary

3 February 2015

Airports Commission: London Gatwick 180

YOUR LONDON AIRPORT
Gatwick

Executive Summary: A second runway for Gatwick

1. The Commission has a very important task

- a) The UK is the best connected country in Europe, and London is the best connected city in the world.
- b) This has been achieved through making the most of our geographical advantages in serving the world's major aviation trunk routes, particularly the Trans-Atlantic market; through the enterprise and abilities of our aviation sector; and through consistent Government policies favouring liberalisation and competition.
- c) These policies have meant that, for more than thirty years, the UK has led the way on the liberalisation of air transport.
- d) Our efforts on liberalisation led, within the EU, to the growth of Low Cost Carriers (LCCs), to greater competition and to lower fares; and then to more competitive world markets, through the gradual development of liberalised EU air service agreements with other major regions, such as the USA, though the benefits to consumers on US routes has been restricted through the granting of anti-trust immunity to the three main airline alliances.
- e) In the airports sector, the break-up of the BAA monopoly and its replacement by a London airports system under a variety of owners has led the way towards competition between London's airports and more generally to the enhancement of competition in the air transport market through multiple airline/airport combinations.
- f) Passengers are already seeing the benefits of this change through a wider range of airline business models, routes, fares and other innovations from London's airports as well as having a choice of airports outside of London for flights to many destinations, thus continuously improving air connectivity for London and the rest of the UK.
- g) Greater operational efficiency and lower airport charges should continue to flow from this competitive dynamic.
- h) But the achievement of the full range of benefits is constrained by the long-standing difficulty in the UK context of securing approval to increase runway capacity and by the continued dominance of Heathrow in the London market, particularly for long haul traffic.
- i) The Commission has the very important task of easing these constraints in ways which support economic growth. At the same time, as the Commission has recognised, the UK is one of the most environmentally responsible countries in the world, as is manifested in UK Government policies and in our comprehensive planning system. Striking the right balance between Economy and Environment is a crucial part of the Commission's task, and it is clear that any additional airport capacity will have to meet demanding environmental standards, particularly in respect of noise and air quality. Only one of the shortlisted schemes – a second runway at Gatwick – is clearly able to achieve this.

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2. All previous attempts to add a third runway at Heathrow have failed

- a) In 2000, after a five-year Public Inquiry, the Inspector, Roy Vandermeer Q.C., made a recommendation, accepted by the Government of the day, that Heathrow Terminal 5 be built, and it was built.
- b) Vandermeer also stated that a third runway at Heathrow would have “such severe and widespread impacts on the environment as to be totally unacceptable”.
- c) It should not be surprising therefore that, except for a brief period in 2009/10, every strategic assessment of airports policy before and since the Inspector’s conclusion – the Third London Airport Inquiries (1981-83), the ‘Airports Policy’ White Paper (1985), RUCATSE (1993), the ‘Future of Air Transport’ White Paper (2003) and its Progress Report (2006) has reached the same conclusion, and looked for and identified viable alternatives to an unacceptable and undeliverable third runway at Heathrow.
- d) In many ways the environmental challenges of Heathrow expansion are the same today, but one thing that has changed is that Gatwick (under separate ownership) is now a viable alternative for expansion.
- e) The Commission now has the opportunity finally to propose a Gatwick alternative which is not just viable but better, and can actually happen.

3. The Commission’s opportunity

- a) The Commission’s terms of reference require it to make recommendations for the optimum approach to meeting the UK’s international connectivity needs, including their economic, social and environmental impacts.
- b) The Commission therefore has the opportunity in its final report to recommend how to inject further capacity into the market in a manner which stimulates competition, consumer choice and resilience. No recommendation can appeal to all scheme promoters, airlines or other concerned groups. But the Commission can make a recommendation that cements the benefits of aviation liberalisation for years to come, while having proper regard to the industry’s environmental impacts. To do this, the Commission will have to complete a thorough, balanced, fair and well-evidenced assessment of the schemes on its short-list.

4. The case for Gatwick – real competition in the London airports system

- a) Last May, we proposed adding a second runway at Gatwick as the best means of fulfilling the Commission’s remit – a solution that can be delivered at an affordable economic cost, and at a fraction of the environmental cost of the Heathrow schemes.
- b) With a second runway, Gatwick would:
 - serve all airline business models;

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- engender more competition; and
 - deliver a network that will be robust to future market changes, rather than assuming that the future of our aviation market will be the same as its Heathrow-dominated past, only bigger.
- c) Furthermore, putting two world class airports at the heart of the London system would enhance the position of London as a true global city, ensuring the connectivity of the UK and its capital to the rest of the world develops in a way that offers the best aviation future for the whole country.
 - d) Adding a second runway at Gatwick delivers more Origin and Destination (O+D) passengers, more business passengers, more inbound travel and more passengers to and from regional airports, both directly to foreign destinations and indirectly, via London's airports, than do the Heathrow schemes.
 - e) Adding a second runway at Gatwick would better complement regional aviation than would expansion at Heathrow, as more passengers would fly directly to and from regional airports, while preserving London system capacity for UK passengers who wish to transfer onto international routes not served by their local airport.
 - f) Adding a second runway at Gatwick is also the only way to ensure competition on an equal footing between London's two largest airports.
 - g) In contrast, an expansion at Heathrow would further entrench that airport's dominant position, especially in long-haul markets. It would also constrain the growth of services operated from other airports outside of London.
 - h) According to the Commission's analysis, a second runway at Gatwick provides at least the same connectivity in the UK as would be achieved through further expansion of Heathrow, but with much greater operational resilience and much lower environmental impacts.
 - i) Our own analysis goes further by assessing the impact of the airport charges and, more importantly, the air fares which would be generated by a Gatwick expansion through a greater boost to competition. Taking into account these critical factors, we demonstrate that Gatwick expansion will generate more passengers and better connectivity both for London and the UK regions.

5. Our comments on the Commission's assessment

- a) The Commission has done a huge amount of work, in a relatively compressed time, to assess three different short-listed schemes against a comprehensive set of criteria. We recognise the strength and ambition of the Commission's appraisal framework and the work which the Commission has done to date.
- b) And we are pleased that the Commission's assessments generally support the case that Gatwick made in May.
- c) The Appraisal Framework provides the basis for a thorough assessment of the short-listed schemes. However the assessments must be balanced, fair and well-evidenced if they are to provide a robust basis for the Commission's conclusions.

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- d) The Commission makes clear in its Consultation documents that it has further work to complete. We have a significant number of comments and suggestions to make on the work to date, which are covered in our answers to the Consultation document questions.
- e) Our focus in this Executive Summary is on a smaller number of key issues that need particular attention so as to ensure that the Commission's final recommendations are fair to all of the promoters and have a firm, robust and defensible foundation.

6. Traffic forecasts are key to the assessments, so must be robust

National Demand

- a) Many of the UK-level forecasts produced by the Commission support the arguments we made in our May submission by confirming that:
 - Gatwick expansion can meet the air traffic needs of the country;
 - it can, in particular, best meet the needs of the short haul traffic flows that comprise more than 70% of flights and the needs of the LCCs that will in the main be operating these flights; and
 - the Gatwick scheme does this while also allowing for more flights to new and existing long haul destinations through Gatwick, Heathrow and the other airports in the London system, as well as from the rest of the UK.
- b) All of the Commission scenarios also show the same total O+D traffic at the UK level, irrespective of where the next runway is built – which implies that the UK-wide economic benefits of all the schemes should be broadly the same, though in the case of Gatwick more dispersed throughout the UK. (For that and many other reasons, the experimental PwC economic analysis which reaches dramatically different conclusions cannot be relied upon).
- c) The Commission's own analysis also confirms the continuing predominance of European and short haul traffic. It also takes account of the growth of LCCs and new emergent carriers, as well as the significance of the growth in traffic through the Middle East and from the Far East.
- d) It also recognises the aircraft technology changes that support these market trends, in particular the future dominance of the "hub-busting" Boeing 787 and Airbus A350 aircraft.
- e) All these points, together with the unstoppable shift in hub activity towards the Middle and Far East, are shown to be leading to a gradual decrease in the importance of transfer traffic in London and in Europe more generally.
- f) The traffic modelling used to generate the Commission's analysis therefore appears to be an acceptable tool for assessing overall aggregate national demand.

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Forecasts by Airport

- g) Nonetheless, the modelling is seriously flawed when it attempts to allocate future passenger growth to individual airports. It has a persistent tendency to over-forecast Heathrow and other airports; and to under-forecast Gatwick. This is illustrated in Tables 1.1 and 1.2 below. This structural bias leads to consistent and large errors in both these directions, rendering the model unsuitable as the basis for a decision on the location of future growth as between Heathrow and Gatwick.

TABLE 1.1: DFT WHITE PAPER FORECASTS (NO NEW RUNWAYS), PUBLISHED DECEMBER 2003

	2002 Actual	2015 Forecast	Forecast Growth	2014 Outturn	Actual Growth	2015 Forecast versus 2014 Outturn	
						Difference	% Difference
Gatwick	29.5m	33.5m	4.0m	38.1m	8.6m	(4.6m)	(12%)
Heathrow	63.0m	79.9m	16.9m	73.4m	10.3m	6.5m	9%
Stansted	16.0m	32.8m	16.8m	19.9m	3.9m	12.9m	65%
Luton	6.5m	25.5m	19.0m	10.5m	4.0m	15.0m	143%
London City	1.6m	2.9m	1.3m	3.6m	2.0m	(0.7m)	(21%)
	116.7m	174.6m	57.9m	145.5m	28.9m	29.1m	20%

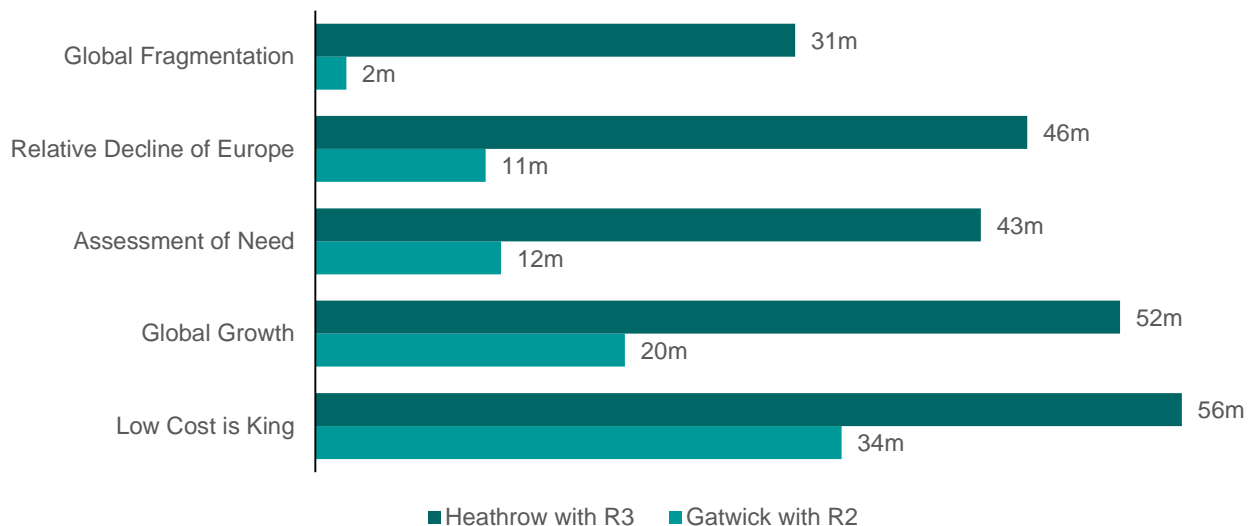
TABLE 1.2: DFT UK AIR PASSENGER DEMAND AND CO2 FORECASTS, (STANSTED NEW RUNWAY) PUBLISHED JANUARY 2009

	2008 Actual	2015 Forecast	Forecast Growth	2014 Outturn	Actual Growth	2015 Forecast versus 2014 Outturn	
						Difference	% Difference
Gatwick	34.2m	35.0m	0.8m	38.1m	3.9m	(3.1m)	(8%)
Heathrow	66.9m	80.0m	13.1m	73.4m	6.5m	6.6m	9%
Stansted	22.3m	35.0m	12.7m	19.9m	(2.4m)	15.1m	76%
Luton	10.2m	15.0m	4.8m	10.5m	0.3m	4.5m	43%
London City	3.3m	4.0m	0.7m	3.6m	0.4m	0.4m	10%
	136.8m	169.0m	32.2m	145.5m	8.7m	23.5m	16%

- h) The forecasts presented in the Commission's consultation document appear to suffer the same inherent bias against Gatwick.
- i) Figure 1.1 clearly shows, under most scenarios, unreasonably low growth at Gatwick - even with a second runway. Conversely, the forecasts for Heathrow with a third runway are unrealistically high, both in absolute terms and in the rate of growth.

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FIGURE 1.1: THE SAME INHERENT BIAS AGAINST GATWICK, AND IN FAVOUR OF HEATHROW, IS EVIDENT IN THE COMMISSION'S FORECASTS BASED ON THE DFT MODEL



Commentary on modelling approaches

- j) In order for the modelling work to be made sufficiently robust to serve as a basis for the Commission's final recommendation, the following important issues need to be addressed:
- k) In relation to traffic modelling:
- correcting the under-allocation of demand to Gatwick in DfT's allocation model;
 - correcting the overly pessimistic rate of traffic growth at Gatwick, especially in early years;
 - correcting over optimistic assumptions for Heathrow on LCC entry which suggest that Heathrow will outperform Gatwick, despite it never having served independent LCCs and being unlikely ever to be suitable for traditional LCC operations on a significant scale; and Gatwick's status as Europe's leading LCC airport.
- l) And, in relation to capacity assessment:
- correcting implausible assumptions on Heathrow issues such as ATM capacity, passengers per ATM, technical and operational limitations, and the assumed absence of planning and environmental constraints at that airport.
 - correcting claims by Heathrow that it could deliver 740,000 movements per year and 132-149 million passengers per year. Work undertaken by independent experts suggests that the incremental capacity generated by a third runway at Heathrow is likely to be some 60% of that generated by a second runway at Gatwick – and of the capacity claimed by Heathrow. The complex dependencies of integrating a three runway Heathrow into the London airspace system mean that a more realistic estimate would be only 645,000 movements and 118 million passengers.

Next steps on traffic modelling

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- m) We have independent advice to support these points and, in our detailed response, provide some recommendations that can readily be introduced by the Commission to help address these shortcomings.
- n) This is a matter of such fundamental importance to the decision on where to site a new runway that we believe it will have to be further reviewed by the Government when it comes to take a decision on the Commission's recommendations.

7. Competition benefits should be taken fully into account

- a) The Commission has acknowledged the importance of competition in increasing connectivity and passenger choice, but has yet to quantify fully the significance of generating more competition in the market.
- b) The Commission's analysis to date suffers from being based on air traffic forecasts that have the shortcomings identified above, as well as excluding the effects of competition.
- c) And it does not yet fully recognise the consumer benefits that competition can deliver through the introduction of a greater choice of routes in the market, lower fares, improved customer service and other innovations.
- d) The work done by the International Transport forum (ITF) and SEO Economic Research (SEO) for the Commission rightly assesses that expansion at Gatwick "is likely to have the strongest positive impacts on competition", but is wrong to conclude that competition between hubs is likely to be the most beneficial form of competition.
- e) Our view, supported by independent evidence provided in Appendix 2, is that:
 - LCCs bring a significant impact to the markets in which they operate;
 - competing airlines, especially LCCs, operating at different airports generate more benefits than when airlines operate and compete with each other at the same airport;
 - all this can add up to fares that are 60% lower than they otherwise would be;
 - in contrast, network carriers competing at the same airport generate only limited competition benefits. This is a particular issue on the important US routes which are dominated by the three anti-trust immunised airline groups principally operating at Heathrow and accounting for 97% of that market in 2014.
- f) Addressing these points will enable proper quantification of the benefits that would flow to the UK through the further enhancement of competition across the aviation sector at London airports.

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8. Economic assessments should use sound methodologies

- a) The work undertaken by the Commission staff in their Transport Economic Efficiency (TEE) analysis shows the Heathrow schemes as providing greater welfare benefits than Gatwick expansion in all but one of the Commission's scenarios. Correcting the traffic forecasts would reverse this conclusion.
- b) We consider that the Commission should follow the DfT's WebTAG guidelines and present costs (including all surface access costs), as well as economic benefits, in the assessment. When this is done, it is clear that Gatwick expansion delivers much better net benefits and better value for money than Heathrow in each of the Commission's scenarios, even using the Commission's traffic forecast.
- c) The economic analysis should be updated to reflect our earlier comments on traffic forecasts and on the benefits of competition. Once this is done, the advantages to the UK of pursuing a policy of competition across the whole aviation sector through choosing the Gatwick scheme, would become clearer still. Independent advice suggests that the quantified direct benefits of competition are around £10-14 billion; and that indirect benefits could be just as large.
- d) Subject to these points, and to addressing the Traffic and Competition issues mentioned above, the Commission's economic analysis is sound.
- e) In contrast, the PwC analysis of wider impacts, which is separate from the TEE analysis, uses experimental methodologies. The Commission has pointed out that this analysis should be interpreted with caution. We have sense-checked the PwC analysis against previous transport assessments, which show wider economic benefits averaging around 25% of user benefits, while PwC's modelling shows proportions up to 961%. Conclusions based on work that produces anomalies of this kind, and has a number of identifiable modelling flaws, would not be robust. In consequence we believe that the PwC work is so fundamentally flawed that it cannot be relied upon by the Commission.

9. Costs and Commercial Viability favour Gatwick

Cost, risk and delivery

- a) Gatwick is rightly recognised by the Commission as the lowest cost and lowest risk project.
- b) According to the Commission's analysis Gatwick can deliver the required capacity at half the cost of the Heathrow North West Runway scheme. We remain confident that the Gatwick scheme can be delivered for around £8 billion.
- c) In part, this is driven by a mature risk management framework that has been tested by highly experienced expert consultants, as we have assembled our proposals.
- d) However, this also reflects the fact that the Gatwick scheme is inherently a much lower risk project that can be built on non-operational land, with much simpler political, planning and construction challenges.

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- e) In addition, we have developed a revised phasing approach – in full consultation with our airline customers, including extensive engagement with easyJet - which offers a better blend of cost efficiency and operational performance for the project.
- f) The first phase, which will deliver upgraded surface access, a fully operational new runway, and a state of the art new terminal, people-mover and associated facilities would cost only £3 billion, a fraction of the cost up to opening of Heathrow's new runway. All of this would be financed by Gatwick privately with no recourse to taxpayer funding.
- g) Finally, we would note that the Heathrow North West Runway proposals omit – either by accident or design – some very substantial costs (necessary expansion of Terminal 2, further works on the Eastern Campus, and a southern road tunnel). These would add a further £6 billion to the cost of the Heathrow scheme. In addition, the Commission has itself identified a further £5.7 billion of surface access costs at Heathrow.

Airport charges

- h) For all these reasons, we remain confident that the Gatwick Second Runway scheme can be delivered and financed at a charge range of £12-15; and we are prepared to commit to a firm price limit of £15 per passenger at today's prices. This is in stark contrast to charges which we estimate will be around £40 per passenger at Heathrow.

Funding and financing

- i) The combination of lower costs and risks – and our phased approach to the development – ensures that the Gatwick scheme can be fully privately financed, without reliance on public sector funding, which may give rise to challenges of unlawful State Aid.
- j) Gatwick's financing requirement to deliver the first phase is substantially lower than that required for the schemes at Heathrow – debt raising of less than c. £2 billion for Gatwick as compared to more than c £20 billion for Heathrow. There will be ample liquidity in the financing market to cover Gatwick's needs, whereas the scale of Heathrow's funding requirement is unprecedented and involves much greater market capacity risk.

Gatwick Second Runway Contracts and Commitments

- k) Gatwick is prepared to assume risks of delivery of the project through appropriate arrangements with Government and the CAA, which would ensure both provision of the capacity and long term price certainty for users.
- l) In this way, Gatwick will be assuming the majority of the risk associated with the new runway – consistent with the CAA's principles on how a new runway might be financed.
- m) Such an approach would deliver benefits to the Government, airlines and users – in relation to the certainty of delivery of the project; and to our shareholders – in relation to a proper understanding of the risk/reward commitments they would be taking on.
- n) This proposal gives certainty for airlines, passengers, regulators and the Government early in the process – in contrast to a traditional Regulated Asset Base (RAB) based approach which would leave open the risk of cost overruns or traffic shortfalls leading to substantial price increases for users, or possibly even putting the whole project at risk.

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- o) We are making an initial proposal along these lines to the Government, and we have set out our high level ideas on our Commitments in our response to Module 13 within Questions 4 & 5. We believe that the Commission should take this into account in its analysis and we invite the Commission to clarify any issues arising with us.
- p) Given the importance of these issues, we believe that the Commission should fully assess the costs and delivery risks of all the schemes submitted so as to be able to make a meaningful direct comparison between them. This should include all scheme costs; risks and the appropriateness of optimism bias for each scheme; scheme phasing; and a full funding and financing analysis, with an emphasis on the financing “readiness” and feasibility of each scheme.

10. Heathrow’s environmental impacts are orders of magnitude greater than Gatwick’s

- a) Concerns relating to a wide range of environmental issues have rightly become increasingly important elements in evaluating major infrastructure developments.
- b) This is a particularly relevant concern in the case of aviation which generates a number of environmental concerns, not least in relation to noise, air quality and carbon emissions.
- c) The current environmental performance of Heathrow and Gatwick is a clear indicator of the relative challenge in adding a runway’s worth of capacity at either site. Today, some 3,200 people are significantly affected by aircraft noise around Gatwick; the comparable figure for Heathrow is 240,000, 75 times the Gatwick figure. Similarly, Gatwick does not breach legal air quality limits, while in the Heathrow area such breaches are daily occurrences – indeed, from some reports, air quality around Heathrow appears to be deteriorating currently – and traffic congestion increasing. A step-change in traffic will have major air quality consequences on the ground as a result of more air traffic and more airport related surface traffic in addition to background surface traffic growth.

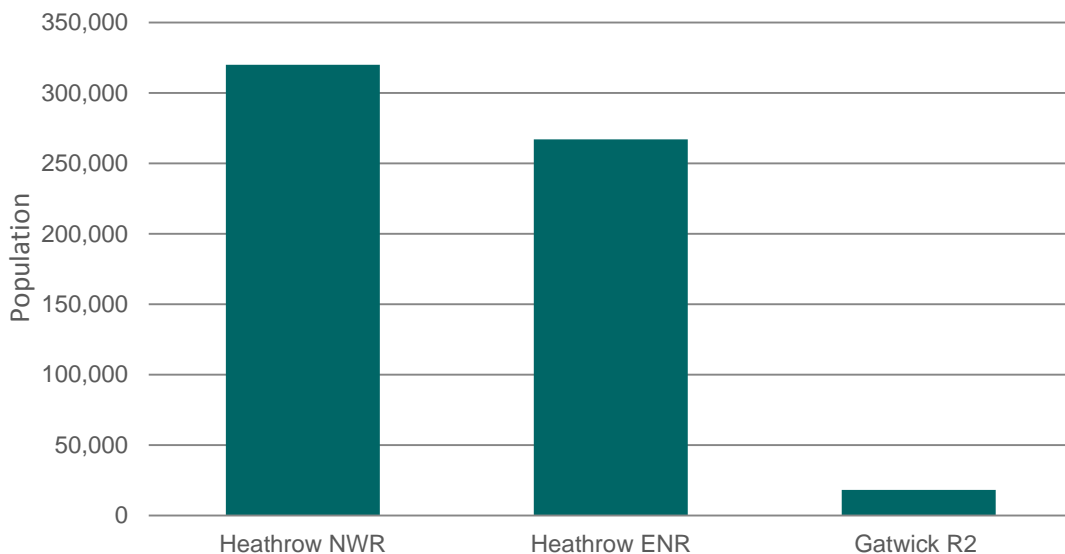
Noise

- d) Noise has long been the prime concern of local residents in relation to aviation operations and growth and it remains today a very difficult issue to manage.
- e) Recent experience of trials of new airspace routes and procedures at both Gatwick and Heathrow has demonstrated very clearly that local residents remain understandably very sensitive to changes in the spread of aircraft noise and that, in particular, people newly exposed to significant levels of noise are the most sensitive of all. The affected population encompasses large swathes of London, as well as the local area around the airport.
- f) For that reason, the Commission must ensure that the analysis of noise impacts is conducted in a transparent and even handed way for all three schemes.
- g) Full weight should be given to the very significant difference in the numbers of people exposed to significant noise by the different schemes. The fact that the Commission’s assessment demonstrates that around 300,000 people would be exposed to significant noise for the first time by either Heathrow scheme, with a comparable number for Gatwick

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of 18,000 people, should be given full weight in the Commission's final recommendation. Figure 1.1 below clearly illustrates this point.

FIGURE 1.2: GRAPH COMPARING NUMBER OF PEOPLE 'NEWLY AFFECTED' BY THE HEATHROW¹ AND GATWICK SCHEMES WITHIN THE LDEN55DB CONTOURS (BASED ON THE COMMISSION'S CARBON CAPPED FORECASTS FOR 2050)



- h) Moreover, the Commission's current analysis of noise at Heathrow ascribes many of the likely benefits that will arise in any event from operational and technical improvements to the provision of new runway capacity. In practice, these should be attributed to the two runway 'baseline' case, reflecting best practice planning. The Commission must show the impact of a new runway compared with a base case of no expansion at all.
- i) The consequence of this and other features in the Commission's current approach is to understate significantly the increase in local and national noise impacts of the Heathrow expansion schemes and, correspondingly, to exaggerate significantly the national noise impacts of the Gatwick scheme. A consistent approach is required which examines the impact on a non-expanded 'baseline' case of expansion at each airport, so that the impact of that expansion can be understood clearly.
- j) The weaknesses that we have identified must be remedied if the Commission's noise assessment is to be fair, balanced and robust.
- k) In assessing the deliverability of the schemes, the Commission will also need to take into account the difficulty in obtaining development consent faced by a scheme with noise impacts on the scale that would result from either of the Heathrow schemes. Even assuming that such consent could be granted, the Commission must take account of the onerous and restrictive conditions that are likely to be required, including a movements cap,

¹ Heathrow NWR Option T

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particularly in view of the very substantial numbers of people who would be “newly affected” by significant levels of noise.

Air Quality

- l) The air quality implications of the Heathrow schemes are even more challenging than those presented by the consideration of noise impacts:
- Air quality is subject to legal limits that are derived from the impact on human health and mortality caused by air pollutants. The Commission is rightly now undertaking detailed modelling of these impacts. The only basis upon which a scheme can be allowed to come forward is if it is demonstrated that, with the forecast level of operations, air quality limits would be met and that compliance with them would not be delayed.
 - Given that air quality limits are not being complied with today at and around Heathrow, it seems highly unlikely that the addition of more aviation activity and associated additional surface traffic will result in air quality limits being met, or in any event that this would not delay the attainment of these limits in the Heathrow area. The prospect of adding yet more aviation activity at Heathrow – and the inevitable consequential attraction of more surface traffic to an already congested and polluted area – renders compliance with air quality limits by either Heathrow scheme highly uncertain at best. Further, and in any event, it seems highly likely that, even if compliance could eventually be secured in the Heathrow area, either Heathrow scheme would delay this compared to the position if a Heathrow scheme did not come forward at all.
 - In addition, the compliance problem for Heathrow would be compounded by the emissions associated with the construction of the runway, terminal and associated infrastructure over a period which is likely to exceed 10 years.
- m) The Heathrow claim that it would be possible to meet air quality limits there is founded upon a large number of assumptions. All are questionable and none is supported by compelling evidence that demonstrates that those assumptions are valid. Negative factors such as the impact of inevitably more congested roads resulting from a busier Heathrow, and growth in background traffic on the busiest part of the UK’s road system, are not considered in Heathrow’s proposals. Nor is the prospect of tightened air quality limits as legislators adapt to lower emission road vehicles and other developments.
- n) The Commission’s detailed air quality modelling that is now underway must cover the initial main construction phase, as well as the early and mature operational phases of Heathrow schemes, to establish whether – even with mitigation – these are likely to breach or delay compliance with legal air quality limits.
- o) The only scheme before the Commission that can demonstrate that its proposals would meet legal air quality limits, and would not delay attainment of those limits, is that put forward by Gatwick. This clearly provides a compelling reason for preferring development at Gatwick.

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11. Gatwick is deliverable, Heathrow faces significant risks

- a) Any recommendation from the Commission, no matter how robust the analysis or how compelling the argument, would be worthless if it cannot be delivered.
- b) Governments have made a number of efforts over the past 30 years to identify a site for further runway development in South East England. None has been successful, which demonstrates the inherent political and planning difficulties of taking forward such proposals. Expansion at Gatwick has not been properly tested in this period as it has been the subject of a legal prohibition for the last 36 years.
- c) The much less challenging nature of the Gatwick scheme should be a key factor in the Commission's assessment. The fact that a Gatwick second runway and associated works can be built on a largely greenfield, safeguarded, site means that it is the only scheme that can be delivered by 2025, a point recognised in the Commission's assessment. Recent growth patterns suggest that the earlier opening of a new runway would bring forward significant economic and consumer benefits.
- d) In contrast, both Heathrow schemes face major challenges at the planning, site preparation and construction stages. These three stages of the Heathrow project have to occur sequentially; and all are subject to significant risk with consequential knock-on effects on subsequent work. The cumulative effect of these challenges is such that we do not believe there is any credible prospect of an additional runway being open at Heathrow until at least 2029/30 – some 4/5 years later than the date when a Gatwick second runway could be operational. There is clearly also a risk that a third runway at Heathrow might never be delivered.

Planning

- e) In relation to the planning process, it is clear that the complexity and local sensitivity of the Heathrow schemes are of a different order of magnitude to those of the Gatwick scheme. Any Development Consent Order application or Hybrid Bill will have to resolve a range of environmental issues such as noise, air quality, green belt, disruption to strategic and local roads, landfill, the relocation of a major Waste to Energy plant, and how to introduce a local congestion charge. This means that the planning process for Heathrow is likely to take significantly longer and carry a much higher risk of failure than for Gatwick.
- f) Even if ultimately successful, the Heathrow planning process is likely to impose severe constraints on the operation of the new capacity, in a similar way to the constraints placed on the current two runway operation.

Construction

- g) Similarly, while the construction of a second runway at Gatwick would constitute a major civil engineering project, Heathrow must manage a much higher degree of construction risk related to the need for:
 - enabling works, such as the diversion and tunnelling of the M25, the re-provision of the Waste to Energy plant;
 - wholesale redesign of airspace;

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- significant culverting of rivers; and
 - remediation of an estimated 9 million cubic metres of landfill of which, landfill records suggest, up to 1 million cubic metres is hazardous and would likely need to be removed and disposed of offsite;
 - not to mention the interface with a busy operational airport and the busiest part of Europe's road network.
- h) Added to these risks, the expenditure profiles at Heathrow (annual maxima of £2.3-£2.4 billion for each scheme) reach levels that have never been achieved at a single UK site before, and have only been achieved during the Olympics on multiple sites without the constraints that would be imposed by the need to build around an operational airport and on a single site, located within the busiest part of the UK's road network. These are promoter scheme estimates – if the Commission's analysis of Heathrow is taken, and all ongoing capital expenditure is included, then the peak annual expenditure is over £6 billion.
- i) This compares with realistic and manageable annual expenditure profiles at Gatwick, spread over a 24 year period and peaking at £0.5 billion, leading to construction and financing challenges that are on a much smaller scale for Gatwick than for Heathrow.
- j) We note that these issues have not been fully scrutinised in the work of the Commission to date.

Overall viability of the schemes

- k) These Planning and Construction risks are of such dimensions that they lead to the conclusion that neither Heathrow scheme is likely to deliver a new runway before 2029 at the earliest.
- l) More broadly, the risks of Cost over-runs and the Financing risks of the Heathrow schemes, added to the Planning and Construction risks, indicate that the Heathrow schemes are very high risk indeed. Yet, in contrast to Gatwick's proposal to bear most of its business risks, the risks of the Heathrow schemes would rest with users – the airlines and passengers, and in the case of surface access costs, with Government.
- m) In addition, we note that the comparative safety of the schemes has so far received little attention. We believe that a full risk analysis of the safety and security risks inherent in putting a significant volume of additional traffic over the large populations of central London as compared with over less populous areas should be undertaken as an integral part of the Commission's recommendations. While aviation's good safety record shows that safety risks are low, they are not zero and this is a factor which the Commission should not ignore.
- n) While the Commission's consultation documents provide several brief analyses of risk, these risk analyses do not yet have much depth and they are spread around different parts of the documentation. In many cases, they do not flow through to the core quantitative analysis. We therefore consider that a detailed and comprehensive assessment and comparison of risks must be undertaken by the Commission if it is to have a robust basis for its eventual recommendations.

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- o) A detailed Quantitative Risk Assessment produced for Gatwick shows that all of the risk considerations militate strongly in favour of the Gatwick scheme. In each and every element, Gatwick is the lower risk scheme.
- p) On this basis the Commission faces a choice between a Heathrow runway that is likely to be delayed - and might never be built - and a Gatwick runway that can be delivered, and in a timely manner.

12. Gatwick is ready to develop its proposals further

- a) In our detailed responses to the questions set by the Commission in its Consultation document, we have demonstrated where the Commission's analysis supports our view that developing a second runway at Gatwick provides the best overall solution for the UK. Indeed, the Commission's analysis in the Consultation documents shows that on all key criteria – strategic fit, economy, environment, cost, deliverability – Gatwick is the best scheme. The sole exception is the economic analysis undertaken by PwC, which the Commission has said should be interpreted with caution, and on which we submit no material reliance can be placed.
- b) We stand ready to engage with the Commission as it reviews the responses it receives to its Consultation document and prepares its final recommendations to Government. In particular, we have included in our consultation response a number of technical source documents which support and supplement our case, and on which we would welcome discussion.
- c) We are taking the opportunity to present our revised phasing plan which delivers similar benefits to the Commission's adjustments to our original May 2014 proposal. Our revised proposal is in close alignment with the Commission's assumptions, and has been thoroughly costed.
- d) Gatwick will be further developing its proposals for a contract with the Government and for Contracts and Commitments-based airport charges. We consider that the Commission should take this important aspect into account in developing its recommendations.

13. Conclusion

- a) The work done to date by the Commission needs to be supplemented by the actions we propose in relation to the following key areas if it is to achieve a thorough, balanced, fair, evidentially sound and therefore robust assessment of the schemes in its final report:
- **Traffic forecasts**, where Gatwick traffic has been understated, and capacity and traffic at Heathrow overstated;
 - **Competition**, which has not been taken into account;
 - **Economic assessments**, which inherit errors in traffic modelling, capacity assessment and the impact of competition and which use a flawed methodology for an assessment of wider benefits which should not be relied upon;
 - **Cost and Financing**, where a more in-depth assessment of the comparative costs, financing proposals and risks needs to be undertaken. This should reflect the comparative risks and benefits of Gatwick's Commitments approach with proposals from other promoters;
 - **Air Quality and Noise**, where the challenges facing Heathrow have been understated, and where greater transparency is necessary to enable people affected to understand the impacts more clearly;
 - **Delivery**, where Gatwick's materially lower risk compared to Heathrow's has been understated, and a detailed comparative assessment of risk is needed - including Safety and Security, which have not yet been taken into account sufficiently.
- b) Once this work has been done, and after taking account of the improvements we have made to our proposals, including our low proposed passenger charges, we believe that the Commission will find that Gatwick is clearly the best choice for a new runway in the South East.

