

YOUR LONDON AIRPORT

Gatwick

5 MARCH 2013

Iain Osborne
Group Director, Regulatory Policy
Regulatory Policy Group
Civil Aviation Authority
CAA House, 45-59 Kingsway
London, WC2B 6TE

Reference: Q5-050-LGW52

Dear Iain,

RE: Price Monitoring as an Alternative to RAB-based Price Cap Regulation

This letter sets out Gatwick's response to the report "Price Monitoring as an alternative to RAB-based Price Cap Regulation", prepared by First Economics for the CAA.

Gatwick considers that the report prepared by First Economics presents a succinct and credible demonstration of how a potential monitoring regime could be structured, including how metrics such as price comparators can support such a regime.

Gatwick shares the concerns raised by First Economics regarding the ability of airport benchmarks to support the type of weight 'Option A' would assign to this type of measure. In addition, as we have pointed out in a separate response, we have serious concerns over the benchmarking report prepared by LeighFisher. Nevertheless, we consider that a substantially improved and transparently developed metric could, so long as the inherent data limitations and uncertainties were recognised, support a regime akin to those described by First Economics as Options B and C.

As you are aware, we do not believe that Gatwick needs to be regulated and as such does not need to be issued with a licence beyond the end of Q5. We are however willing to engage further with the CAA in order to assist with the development of Options B and C.

Yours Sincerely



Mattias Bjornfors
Economic Regulation Manager