

YOUR LONDON AIRPORT

Gatwick

13 JULY 2016

The Rt Hon Mrs Theresa May MP
Prime Minister
No 10 Downing Street
London
SW1A 2AA

REF: AC-LGW-307

Dear Prime Minister

Congratulations on your appointment as Prime Minister. I join the rest of the country in wishing you every success as you take office at this most important moment in our country's history.

Last month, I wrote to your predecessor on behalf of our Board and shareholders to set out eight pledges Gatwick is prepared to make in the event of a Government decision for a second runway this summer. We submitted a considerable amount of new and updated material to the Department for Transport and set out in more detail how Gatwick would create a second world class airport to meet the future aviation needs of the country. These new pledges are in large part based upon this further work and I am writing to you today to emphasise, for the avoidance of doubt, that we continue to stand behind them.

Airport expansion in the South East has defeated successive Governments for decades. The reason is very simple. The environmental challenges of expanding Heathrow and flying 350,000 more planes directly over the world's foremost capital city have proved insurmountable. The legal test and public concern around air quality mean these hurdles are higher than ever today. At last, there is a credible alternative. The expiry of a 40-year moratorium on a new runway at Gatwick means Britain can finally solve this policy problem and secure the economic growth it needs at a fraction of the environmental cost of the alternatives. Our plans encourage competition and boost the UK's competitiveness, balance growth across our country, and honour our environmental obligations to our citizens and our international neighbours. They show that we can act quickly, decisively and with clarity and certainty of outcome. These pledges offer the route map to making that happen.

1. A Deliverable New Runway for Britain

Subject to a Government decision by this October and the normal planning timetable, Gatwick gives an undertaking that its second runway will be operational by 2025 with planning consent granted within this Parliament. This means ground could be broken at Gatwick before the next election and the runway officially opened before the election after that. Our confidence in an accelerated timetable is based on further analysis of our programme, validated by independent planning and construction experts. Our scheme is comparatively simple in terms of planning and construction risks. There are no legal issues with air quality that would run the risk of being challenged in the courts. As the Airports Commission stated 'The Gatwick Second Runway is not

YOUR LONDON AIRPORT

Gatwick

forecast to cause any exceedances of legal limits by 2030'. A decision for Gatwick means Britain can finally get the guarantee of the new runway it needs, providing London with two world class airports. Given the history of this debate, the importance of a runway scheme that is deliverable cannot be overstated.

2. Guaranteed Economic Growth across the UK

A deliverable runway means Gatwick can pledge that Britain gets the economic boost it needs as early as possible. Given that growth in aviation is outstripping forecasts, this is vital. As we now know from the work of the Airports Commission itself, once corrected in accordance with the standard Treasury Assessment, the economic benefits of Heathrow and Gatwick expansion are broadly the same - as they both deliver the same amount of traffic and connections to meet the aviation needs of the UK. The Airports Commission evidence also shows that Gatwick expansion will provide the biggest boost to regional connectivity including direct services from regional airports. Norwegian Airlines announced in March that it will base 100 new short haul and 50 new long haul aircraft at Gatwick if it has a second runway and we can be confident that other airlines will move quickly to secure a share of the additional capacity.

3. A Cap on Passenger Fares with More Competition

Expanding Gatwick would write the next chapter of aviation competition - one of the great success stories of recent years, as the recent Competition and Markets Authority Report highlighted. Competition keeps choice high and prices low. The consumer benefits of the BAA break up have been considerable. We want to build on this so Gatwick has put forward detailed commercial proposals that guarantee passenger charges would be subject to an inflation linked £15 firm price limit from the opening of the new runway in 2025 through to 2050. We would expect charges to be well below this cap. We can give this guarantee as both our current charges - and the cost of our second runway scheme - are comparatively low in the context of other major European airports.

4. No Taxpayer Subsidy

Gatwick commits to funding the scheme privately and in full, with no need for billions of pounds of public subsidy. Our estimates for the Gatwick scheme include the full cost of all incremental surface access requirements. We are strongly of the view that runway expansion should be privately funded - indeed we consider that state aid within the competitive airports market would be illegal. As part of its detailed commercial proposals, Gatwick would now also be prepared to bear substantially all of the long term risks related to traffic levels, market pricing, construction and operating costs for the overall project.

5. Legal Air Quality

Gatwick pledges that, with a second runway, the airport will not breach the air quality limits the Government has set out. Given that this is a test of legality, there is perhaps no more important issue in this debate. In light of the vehicle emissions scandal - which arose after the Airports Commission Report was published - the UN recently called the problem of air quality 'a global and increasing pandemic'. Gatwick has never breached air quality limit values and, working in cooperation with our neighbouring local authorities, we can be confident of delivering on this pledge with a second runway. We would not want to put Government in a position where it embarks on a new runway expansion proposal with no way of knowing whether it can be operated legally until after the runway has actually been built. This is what the relevant conditions stated by the Airports Commission mean in terms of Heathrow expansion.

YOUR LONDON AIRPORT

Gatwick

6. A Cap on the Number of People Most Affected by Noise

Expansion will inevitably mean more people significantly affected by aircraft noise. The total numbers currently affected at Gatwick, whilst a fraction of Heathrow, are still considerable (3,300 at Gatwick against 270,000 at Heathrow at 57 decibels LEQ). We are acutely aware that noise is a major environmental concern around airports. Should Gatwick get a second runway, we would therefore pledge to introduce a noise contour cap of 70kmsq covering 15,000 people experiencing 57decibels LEQ noise and a wider contour cap of 175kmsq covering 40,000 people experiencing 55 decibels LDN. These limits would materially affect how a two runway Gatwick would operate in the future and would be an important consideration in the annual planning cycle around flight paths and aircraft flight frequency. We would obviously want to work out the details of how this would best be managed in consultation with local people and within the formal planning process.

7. An Industry Leading Compensation Scheme

We recognise, however, that noise contours are not enough and that we need to go further. Uniquely, alongside a wider programme of compensation, Gatwick is pledging to pay £1000 per annum towards the Council Tax of those most affected by noise (57 decibels LEQ) from 2025. This will apply to tenants as well as homeowners. We believe this is the most progressive approach to compensation proposed by any major infrastructure project in the UK.

8. Shareholder Commitment to the Second Runway Project


Gatwick's shareholders, all of whom are leading global investors in long-term infrastructure and active in the UK, have been closely involved in the development of the Gatwick second runway proposal and have expressed their ongoing commitment to support the timely delivery and financing of this critical infrastructure project.

You and your Cabinet obviously face many challenging issues, particularly following the Referendum. Airport capacity has historically been one of those difficult issues but it is now an opportunity to signal to the UK and the world that Britain remains open for business. Choosing Gatwick shows that we prioritise growth and competitiveness. It also demonstrates that, in a 21st century society, the right balance between economic benefits and the environmental impacts on communities can be struck.

The pledges we have made represent a fair deal for the country - for passengers, the taxpayer and local communities. Critically they guarantee that the UK's next runway can actually be built and operated legally so that Britain can grow, and they offer delivery in the next Parliament. This is something everyone can unite around.

In light of the widespread interest in the debate I made public my previous letter on this matter. So as to avoid any confusion as to the state of our commitments I will do the same in this instance.

Yours Sincerely,



Sir Roy McNulty
Chairman