

# YOUR LONDON AIRPORT

## *Gatwick*

Tim Griffiths  
CAA  
45-59 Kingsway  
London  
WC2B 6TE

12 August 2013

Dear Tim,

### **Pier 6 Southern Extension**

Further to our meeting on the 23rd July and following up on the feedback from the CAA board meeting on 17th July, we agreed that we would provide more evidence to support the construction of Pier 6 Southern Extension. At that meeting I accepted that this has been a difficult subject during Constructive Engagement, and in the subsequent airline consultation, as the ACC has been concerned about the cost of adding infrastructure to the middle of the airfield despite the importance of ensuring that passengers can continue to enjoy sufficient levels of pier service.

This document explains why this project is in passengers' interests, why it is important for our ability to compete with Heathrow and, that it needs to be supported now to ensure that it can be built at the right time, and that it represents good value for money compared with any alternative.

The CAA has a duty to promote competition in passengers' interests. It is clear that our competitive position relative to Heathrow will be compromised without this project. Gatwick faces the risk of falling drastically behind Heathrow in terms of providing facilities demanded by passengers. Terminal 2: "The Queen's Terminal" is due to open in June 2014 at a cost of £2.4Bn, promising passengers and airlines alike significantly enhanced facilities that Gatwick must be able to compete with. Gatwick's ability to compete will be significantly compromised if our pier service levels fall below what passengers, and the CAA, have hitherto expected.

During the consultation process the ACC has raised a series of issues and we have responded fully to each one. The appendices attached summarise the detailed analyses that support this project. The headlines are:-

1. **Passengers place a high value on pier service.** Our research with YouGov clearly shows that passengers much prefer to be pier served rather than journey on a coach to board their aircraft. This is supported by the "willingness to pay" research by Accent which indicated that each passenger values availability of pier service at £3.79 – the most valued individual component of the passenger journey, which compares very favourably to the cost to passengers in Q6 of £0.19 for the Pier 6 southern extension.
2. **This project will benefit many passengers, not just a few.** Without the Pier 6 southern extension, 1.4 million passengers per annum will require coaching to their aircraft by 2018. This rises to 2 million passengers by 2024. When complete, circa 8 million passengers per annum will use the new pier 6. The

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great majority of passengers who use this facility will be on short haul journeys to Europe, although it will also benefit those on existing and future long haul journeys.

3. **This project will directly benefit Passengers with Reduced Mobility (PRMs).** With a predicted 40 - 50% growth in PRMs by 2018, increasing off-pier activity would result in a substantial increase in passengers requiring specialist Ambulift enabled journeys. These often separate PRMs from the rest of their party and offer the poorest level of service. The cost of serving PRMs will increase disproportionately if off-pier activity increases, which is likely to adversely impact on-time performance.
4. **The pier service calculations are accurate.** The pier service calculations used in the business case and throughout this document are consistent with the MAT calculation for SQR. We have NOT selected a busy day and represented pier service on that day as our justification for this project. However, we note that on an average busy day without the pier extension, nearly 50% of passengers departing from North Terminal in the first wave peak would require coaching to off-pier stands.
5. **This project cannot be delayed as, without it, pier service levels will fall below the service standards by 2018.** This is the most complex project in our proposed capital plan. It requires very careful sequencing to undertake this major project in the middle of the airfield, whilst ensuring that we are able to operate the world's busiest single runway without significant disruption. With a decision from the CAA in 2013 to support this project, the facility can be fully open by 2018. As passenger numbers grow, the window of opportunity to construct pier 6 southern extension closes, because it would be increasingly difficult to sequence the work on an ever more congested airfield. Failing to support this project now will result in deterioration in passenger service in the longer term and runs the risk that Pier 6 Southern Extension could be ruled out completely as the congested airfield could not cope with the level of disruption resulting from the build, and we would have to return to looking at the much more expensive pier 7 as the solution to pier service.
6. **This is the best option to improve pier service.** We have reviewed every "what if" proposal from the ACC. We have accepted a new method of calculating pier service proposed by the ACC. Previously we used departing passenger pier service as a proxy for calculating total pier service, and we have seen a slight improvement in the level of pier service forecast by incorporating arriving passengers into the calculation. We have arranged independent analysis of the ACC proposal to add pier served stands through "MARSing" current stands. This analysis shows that the "MARSing" concept is just not technically feasible without significant cost, and delivers little long term benefit. We have increased the number of tows in our modelling to the NATS maximum recommended levels, but we still fail to deliver the pier service levels our passengers need. Furthermore, current performance by handling agents clearly demonstrates that we are not in control of the towing of aircraft as, for many reasons, significant numbers of requested tows are refused by handling agents in the daily operation.
7. **This project is well specified.** All the specifications for this project have been agreed with the airlines. Pier 6 southern extension has passed through tollgate 3 and has been accepted as the right solution and in the right place. The ACC has supported this project to go to tollgate 4 in full knowledge of the cost. The only difference of opinion GAL has with the ACC is **WHEN** this project needs to be built. In our view that time is now.

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8. **Stopping or delaying this project will incur more cost in the long term.** There is already a sunk cost of the development of this project, signed off and supported by the ACC. Failure to progress this project, to the required timeline or by making a 'do nothing now' decision, will result in the need to increase the asset stewardship funds in Q6 to cover circa £30 million of stand rehabilitation on the existing pier 6 site and a further circa £14 million in Q7. These additional costs will be in addition to the increased cost of building the Pier 6 southern extension at a later date.
9. **Pier 6 is the most cost efficient way to maintain pier service levels.** Compared with every other option to maintain pier service levels, including the alternative £400m Pier 7, the Pier 6 southern extension stands out as the most cost effective proposal.
10. **Traffic forecasts have increased since the pier service modelling exercise concluded.** The modelled schedule was based on the high case forecast in our Revised Business Plan, which is now below the base case of the ACC forecast.

### **Airline Positions**

At our meeting, you shared with me the opposition to the Pier 6 Southern Extension from the airlines, referred to at the CAA Board on 17<sup>th</sup> July. While the need for this project is predominantly driven by short haul traffic growth from our existing carrier traffic base (and the coaching required if it does not proceed will fall predominantly on them), it is important to the airport's competitive position on long haul. As mentioned previously, we already have two letters of support for this project, from Emirates and Vietnam Airlines, and it should be recognised that some long haul carriers, especially those not based in the UK, are not readily able to engage in the CAA process direct. We are also in dialogue with a number of long haul carriers about future A380 services which the Pier 6 Southern Extension would support. The development of further A380 facilities is important for the long term ability of Gatwick to compete. We note that in the last year, both Emirates and British Airways have visited Gatwick with one of their A380 fleet utilising, incidentally, the new A380 stand – another project that the ACC felt it could not support.

In our view the evidence to support this project is very strong. We believe it to be very much in the interests of passengers and while the cost is significant it compares well with the value that passengers accord pier service and represents value compared with the alternatives that may become the only options available should this project be delayed.

The detailed analysis follows in the appendices and we remain ready to answer any further questions you may have.

Yours sincerely,

William McGillivray  
Product Development Director  
Gatwick Airport Limited

## Appendices – supporting material

### 1 Passengers place a high value on pier service

An integral part of the development of the Gatwick business plan was to better understand the expectations of passengers for airport services now and in the future. As part of that research we commissioned Accent to carry out a “willingness to pay” study. Here passengers were asked to rank the most important aspects of their journey through the airport, and to place a value on how much they were willing to pay for the service or facility. Accent has previously carried out similar research for the CAA.

The chart below sets out the priorities for passengers and the value they place on the availability of that service or facility.

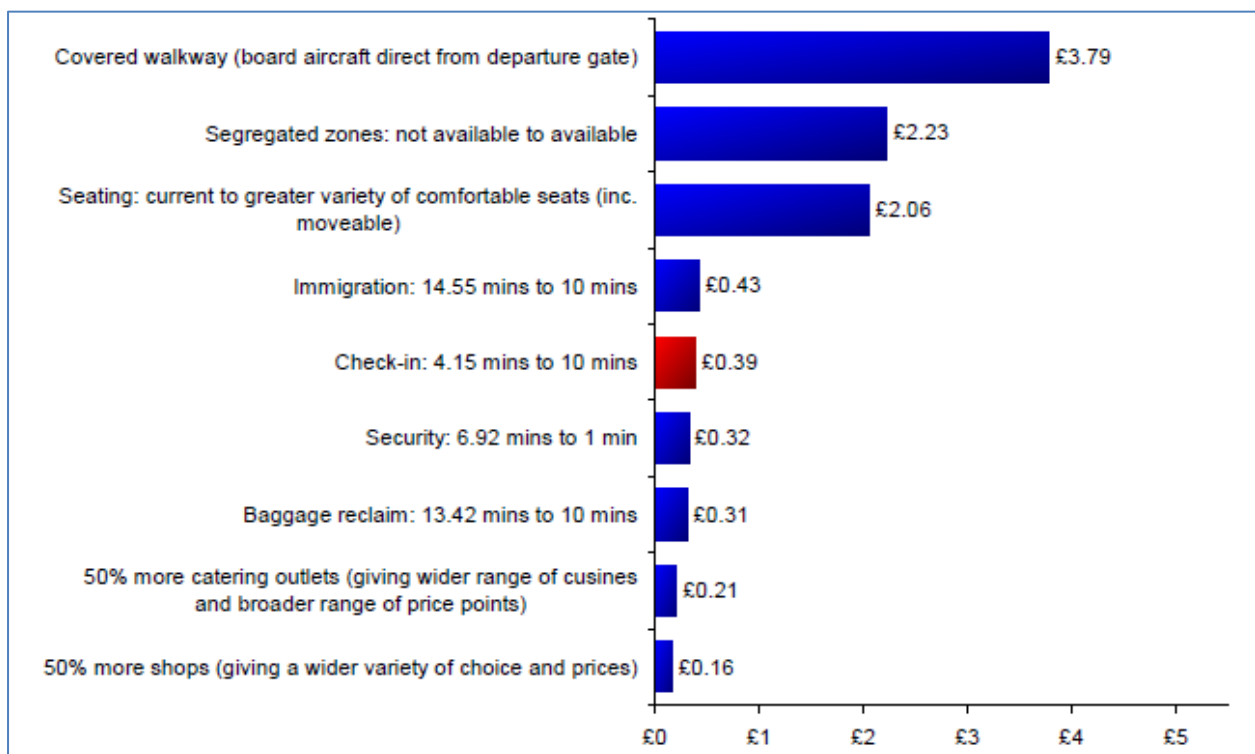


Figure 1 - Extract from Willingness to Pay research completed by Accent in 2012/13.

This element of the study was based on face to face interviews with passengers. The provision of a loading bridge direct from the boarding gate was the most valued passenger experience component identified in the research.

## 2 This project will benefit many passengers, not just a few

As can be seen from figure 2 below, if the Pier 6 Southern Extension is not built, there will be in excess of 1.7 mppa being coached by 2020, including in the morning peak 0400-0800. The majority of these passengers would be from our existing carrier traffic base, not from as yet unidentified long haul carriers. Existing narrow body carriers will be impacted every year from now until 2026.

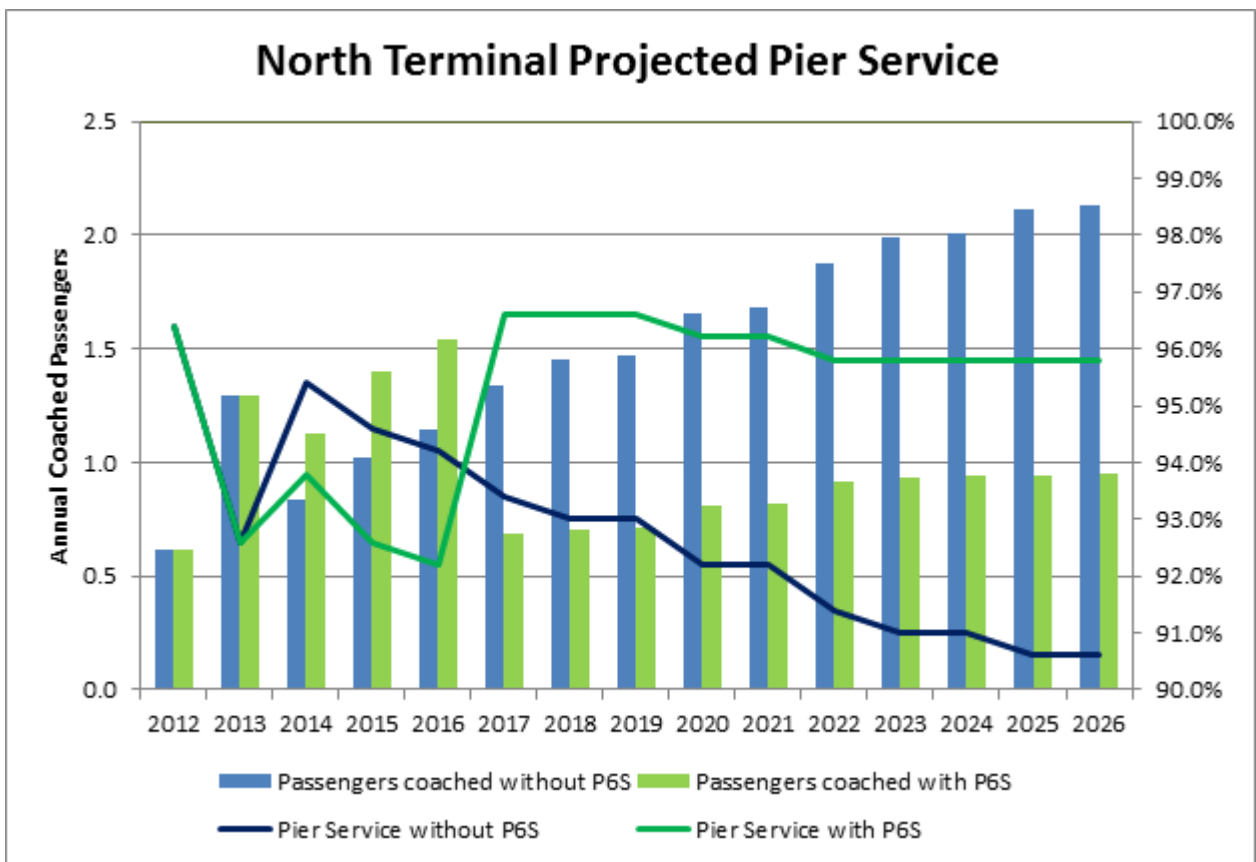


Figure 2 – Projected levels of pier service and volumes of coached passengers to off-pier stands.

It should be noted that the gap between with and without the Pier 6 Southern Extension will only increase the longer the project is deferred.

We have also broken down the 2018 annual coached passengers by airline, based on the schedule, as shown in figure 3 below. Existing based carriers will be impacted by the fall in pier service. By delivering the Pier 6 Southern Extension, circa 1.2M passengers per annum from opening will enjoy full pier service and will no longer need to be coached.

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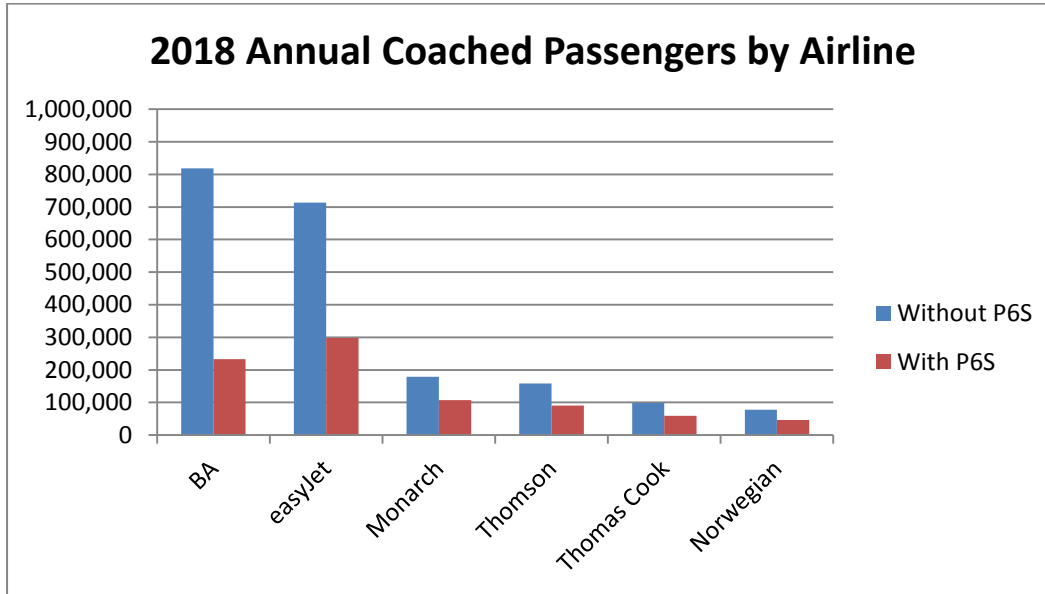


Figure 3 – Coached passengers by airline in 2018.

## 3 This project will directly benefit PRMs

All passenger groups would be impacted by the increase in remote operations which would result from the failure to proceed with the Pier 6 Southern extension. However, PRMs would be particularly affected. Only two thirds of Gatwick’s PRM passengers are able to manage steps and, for the remaining third the Ambulift access to aircraft that would be required would clearly worsen their experience. Beyond that, increased coaching activity will negatively affect all PRMs. The increase in remote operations would affect flights across the day, so for some this will mean being coached either very early morning or late at night.

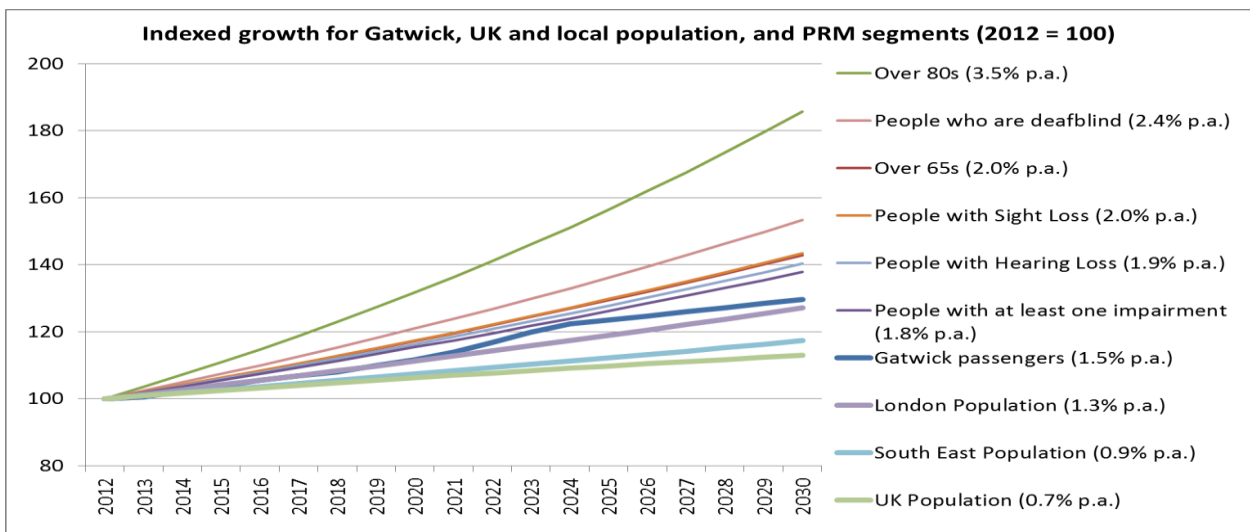


Figure 4 – Indexed predicted growth [Sources: Age UK, RNID, RNIB, GAL, Action on Hearing Loss & Parliament UK]

The projected PRM segment growth is much greater than for the Gatwick, UK and local area population growth, reflecting demographic trends.

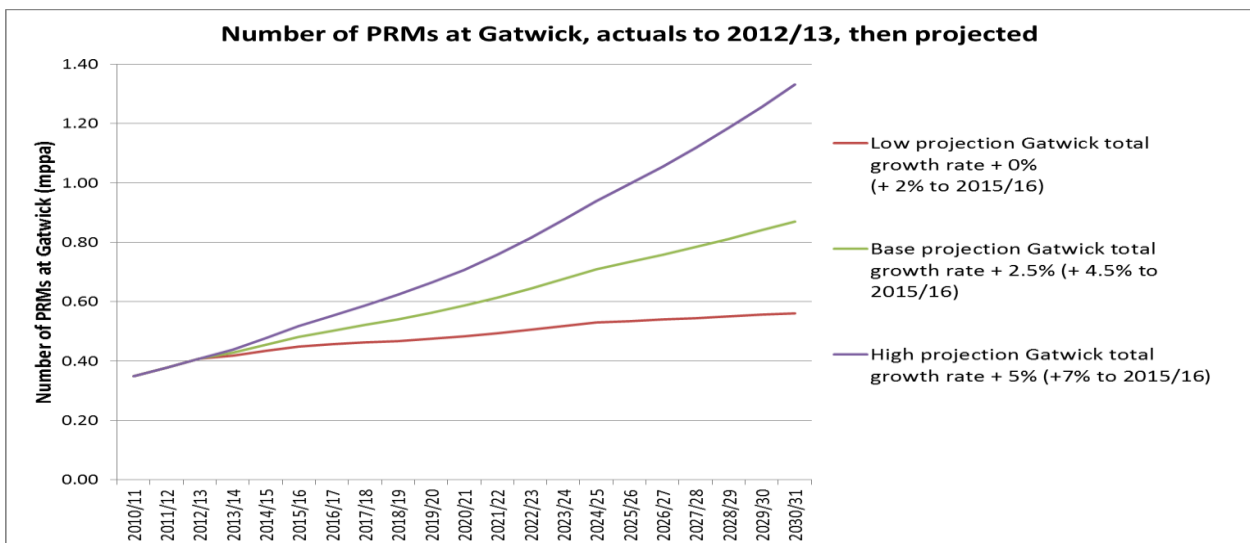


Figure 5 – Projected growth in PRMs

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By extrapolating the growth in PRMs with the increase in off-pier activity on pier 6 operations we can estimate a significant increase in passengers requiring an Ambulift .

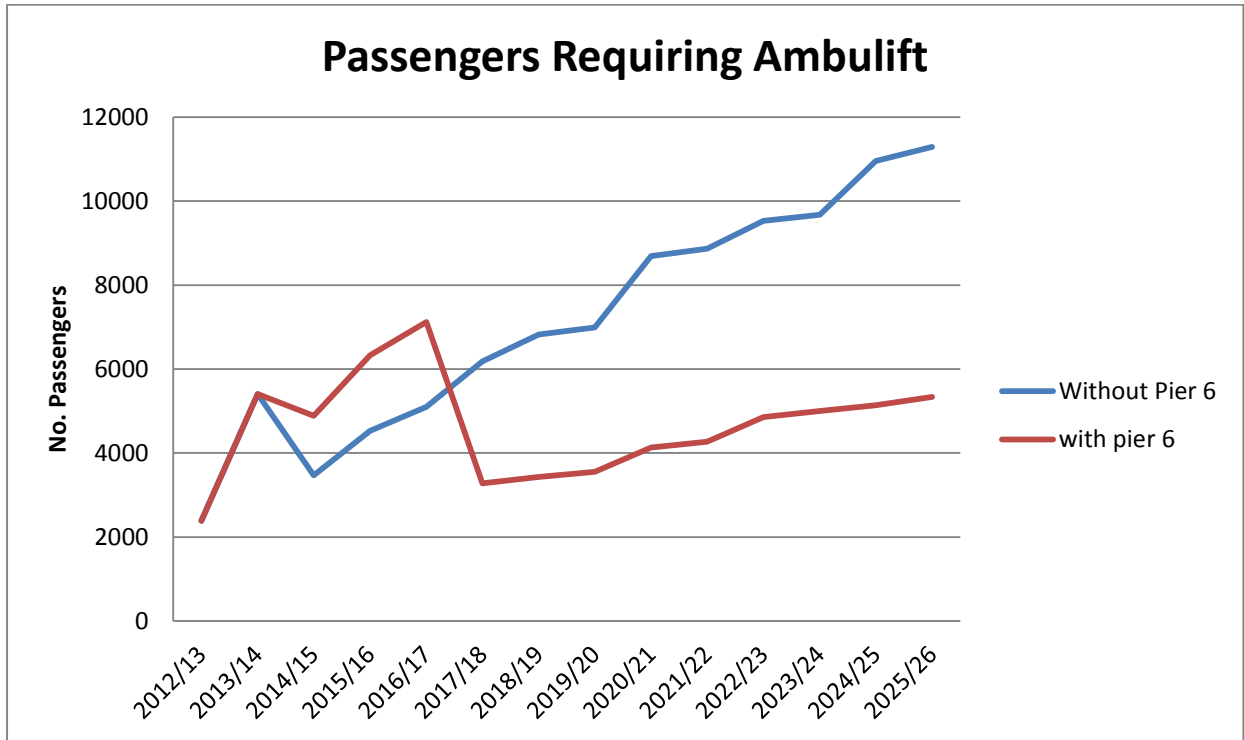


Figure 6 – Internal projection growth in PRMs requiring Ambulift



## 4 The pier service calculations are accurate

Discussions with members of the ACC following the submissions to the CAA in June 2013 showed that there had been a misunderstanding on their part. The ACC had assumed that our forecasts for pier service levels had been made on the basis of what pier service level could be achieved on the busiest day of 2018 using the high case traffic forecast. This would clearly be an incorrect approach and would result in a falsely low level of pier service. However, that is not what we have done – we have in fact applied the same calculation to arrive at a forecast moving annual total (MAT) as per the current SQR.

On that basis as can be seen in figure 7, nearly 50% of departing passengers in the first wave will need to be coached to off-pier stands if the Pier 6 southern extension is not built by 2018. More generally, as the remainder of this annex shows, we have made every attempt to respond to questions from our airlines through the extensive consultation period. Where our approach or analysis has been challenged, we have sought to examine the issues raised and have provided significant volumes of statistical data, which is calibrated on today’s operational performance.

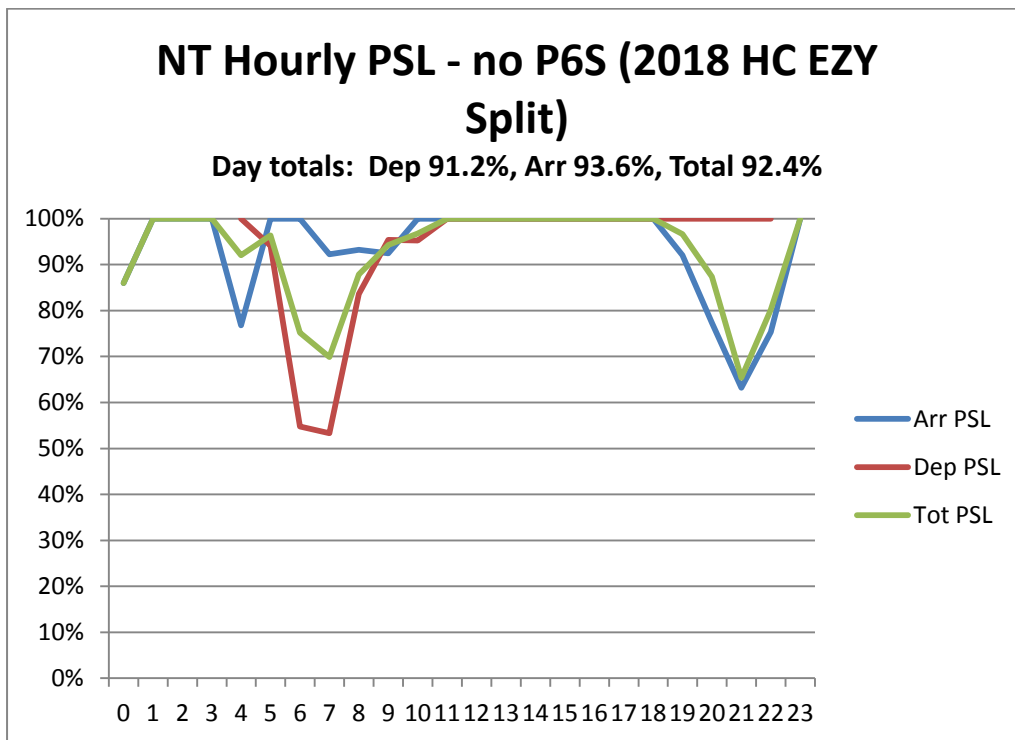


Figure 7 – Hourly Pier Service Levels

## 5 This project cannot be delayed as, without it, pier service levels will fall below the service standard by 2018

Failing to build the Pier 6 Southern Extension means that pier service levels will fall from 95.4% in 2014 to 90.6% in 2026 as shown in figure 8.

The modelling behind this data is based on:

- Maximum 9 tows per hour as agreed with NATS – greater levels will impact resilience of the airfield
- Benefit of GAL taking ownership of the passenger call to gate operational process – completed in 2012
- Use of GAL High Case forecast, not ACC forecast which is higher

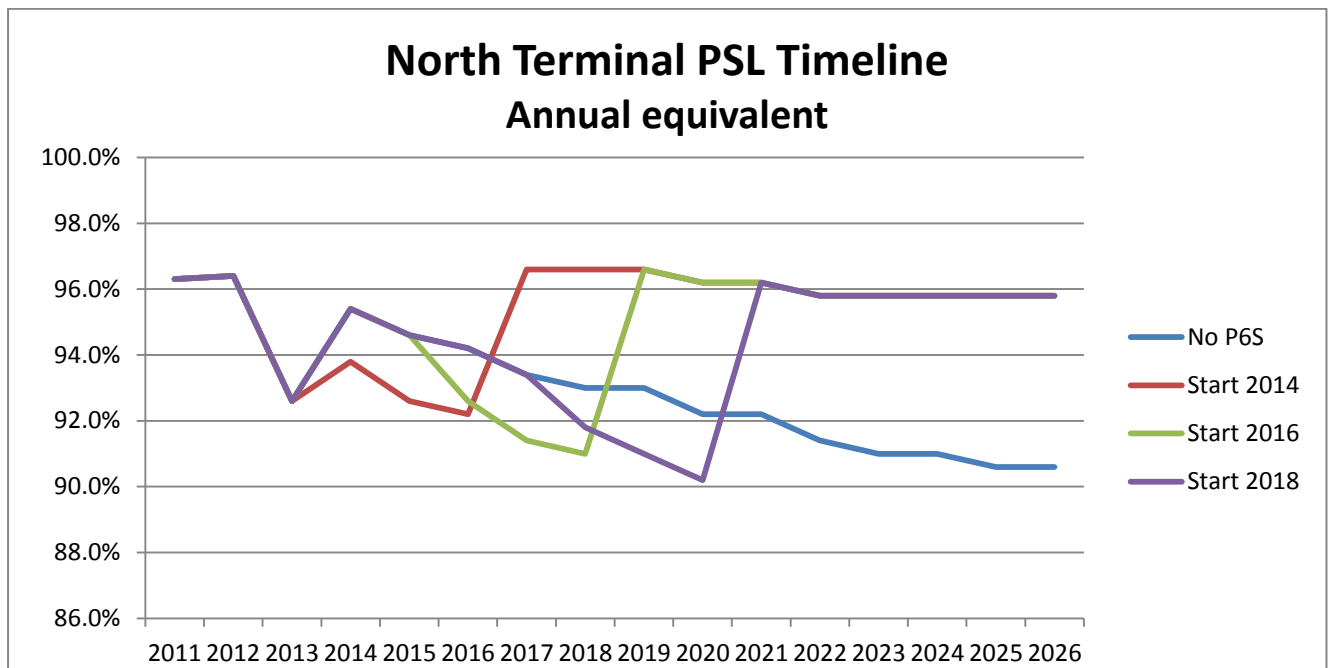


Figure 8 – Delay effect on pier service level

If we delay the start of the Pier 6 Southern Extension build, then pier service levels fall further and for longer and never achieve the same level as if the build had commenced in 2014. Throughout Constructive Engagement we have urged the ACC to recognise that there will be a negative impact on pier service levels until the facility is open. Delay in commencing the construction will also lead to even lower levels of pier service during construction as a result of future higher traffic numbers.

What is clear is that not building the Pier 6 Southern Extension will lead to year on year reductions in pier service levels, and year on year increases in the volume of passengers needing to be coached. We do not believe that this is acceptable when passengers are clearly stating a demand for pier service and are clearly not in favour of being coached.

## 6 This is the best option to improve pier service

This project stems from the need for additional pier served stands in North Terminal to ensure we meet the service standard in the future i.e. 95% of passengers enjoying direct access from the gateroom. Following extensive consultation with the airlines, provision of significant amounts of analysis and demonstration of the pier service gap, the only dispute that remains between GAL and the ACC is **WHEN** the pier extension should be built. The Pier 6 southern extension has passed through tollgate 3 and has been accepted by the airlines as the right solution and in the right place. The ACC has supported this project to go to tollgate 4 in full knowledge of the cost.

Seemingly attempting to delay the need for building Pier 6 southern extension, the airlines have suggested a number of opportunities to reduce the demand for pier served stands, or to increase the stands available, and have sought to cast doubt over assumption and analytical methodology. We have explored all of these points and provided robust assessment to the airlines at the Pier Service Working Group (PSWG). These are:

**Increase aircraft towing** - The airlines have stated repeatedly that they are prepared to maximise tows in order to reach pier service levels. Whilst this may contribute a small increase in the very short term, it is not sustainable or appropriate for an airport with a complex airfield layout such as ours, especially in view of the importance of resilience and on time performance.

Through assessment of the facts, technical advice from NATS and our Airfield Performance Team and in discussion with individual airlines, a maximum figure of nine tows per hour was agreed, so that modelling could be completed. We confirmed to the airlines at the PSWG that increasing tows does increase pier service, especially for end of the day arrivals. However, that increase is marginal and can be only a very short term measure. As growth continues, the benefit of towing reduces if the infrastructure remains constant.

Moreover, it is not clear that delivery of nine tows is feasible. The number of tows performed daily is subject to commercial arrangements between airlines and their handling agents. The current towing performance demonstrates why these arrangements are unlikely to be sufficiently robust to ensure pier service levels. During July 2013, 21% of the tows requested by the Gatwick Airfield Operations Team were refused and led to remote operations. Permanently increasing the tow level to the agreed maximum, to achieve the required pier service benefit, is therefore at significant risk and not strictly within the control of the airport.

**Increase MARSing of wide body pier served stands** – The airlines have suggested we could MARS more wide body stands, to increase pier service for Code C aircraft, as we have already completed on a number of piers. The use of Multiple Aircraft Ramp System (MARS) does indeed provide this opportunity to improve stand utilisation, **if** there is sufficient space to meet the safety and operational standards and airline operational needs (such as walk in walk out arrangements – WiWo).

An airfield spatial study, completed by Atkins and supported by the airlines, demonstrated there are very few opportunities where stands can be altered for MARS. This is for two key reasons:

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- The requirements specified by the ACC to allow operation of a full code C aircraft (including the A320 Neo with Sharklets) and WiWo capability leads to a stand which is larger than the ICAO minimum standard.
- Where opportunity exists to create the requisite stand space, this is then compromised by the lack of gateroom facilities to service separate centrelines thus failing to maintain the required segregation of passengers.

Once the opportunities had been assessed, they were subject to stand plan modelling using the rules agreed with the ACC. It was found that there was no improvement in pier service levels through this approach.

**Reduce the stand planning buffers** – The ACC suggested we could reduce the buffers between departing and arriving aircraft, when dynamically allocating stands. This suggestion would lead to a permanent change to the stand planning rules. Buffers are currently set at 30 minutes between flights with the ACC proposing 10 minutes as a viable alternative.

In order to project accurately for 2018 the potential arrival and departure times of each flight, data was taken from a two month period during summer 2012 and analysed by flight number, to understand the range of performance of flights. This was then analysed using a T distribution statistic to understand where the average flight arrival and departure times might be for 2018 based on 95% confidence intervals.

This data was then compared with the stand planning buffer and towing analysis to highlight the feasibility of operating at reduced buffers and understand the impact on pier service. Through this robust statistical analysis and regression of actual airfield performance in summer 2012, the suggested improvement was rejected as the results showed that 32 minutes was the actual result based on 95% confidence levels.

**Build Pier 7** – The Pier 6 southern extension costing £182M was selected from multiple options and supported by the airlines as the best solution. It is the most capital efficient option to ensure that North Terminal maintains 95 % pier service in the future, predominantly for our current carriers. The only viable alternative is to build Pier 7 – a scheme that requires another wide span airfield bridge and demolition of the current cargo area – all at a cost exceeding £400m, plus the cost of cargo re-provision in an alternate location. As mentioned previously, if the Pier 6 southern extension is delayed from starting, as a consequence of airline growth it will soon become impracticable to build in the central airfield, leaving only Pier 7 as a viable alternative to build without significant disruption to airfield operation and airfield resilience.

### **Why we believe the Pier 6 Southern Extension is the right solution**

- The Pier 6 Southern Extension will handle 20% of the total airport passenger volumes.
- Once built it will deliver immediate benefits by materially reducing the volume of remote operations by circa 1.2M passengers per annum.
- The airline's suggestion of reducing stand planning buffers to 10 minutes has been analysed statistically and its impracticability has been acknowledged by the ACC.
- We have modelled based on 9 tows per hour in peak (max agreed with NATS) and still need the Pier 6 Southern Extension.
- We have modelled based on GAL's High Case which is actually lower than ACC latest forecast.

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- Heathrow will open the £2.4bn Terminal 2 in June 2014 which will serve only to heighten the competitive pressures on Gatwick.
- The airlines have supported the CCRS for the chosen design and option for the Pier 6 Southern Extension.
- We need to commit to Pier 6 Southern extension now and the situation will only worsen the longer we delay.

This project is about the passenger and the experience they have come to expect at Gatwick. This is also a vital part of the competitive service proposition for Gatwick, in order for us to grow our market share and enhance our reputation as London's airport of choice.

We are convinced that the Pier 6 Southern Extension is the most economical and most efficient solution to deliver pier service levels for North Terminal, as well as being the most attractive option in terms of the passenger and what they will experience at Gatwick. It will allow us to grow and to continue to compete.

And, contrary to what some have suggested, our modelling does not include any allowance for Code F stands beyond the one already identified. This forecast schedule alteration was at the specific request of the airlines to remove any future Code F movements, as they did not believe that any would materialise. Any Code F movements that do materialise (which we believe is likely) would further impact pier service levels beyond what our modelling already shows.

Pier 6 Southern Extension is designed to accommodate the forecast traffic and to provide passengers, airlines and all handling agents, caterers and alike, an appropriate level of space in which to conduct their business safely and efficiently whilst ensuring that the passenger has an experience befitting a major London airport in the 21<sup>st</sup> century.

## 7 This project is well specified

There have been comments from some airlines that the facility has been poorly specified and would be oversized – “the equivalent to a Taj Mahal at the airport”. This is simply not true. In fact the airlines themselves supported the CCRS for the chosen design and build standards. We have also conducted a comprehensive QFD process to identify and establish the optimum solution for the Pier 6 Southern Extension, demonstrating our focus on capital efficiency and desire to deliver the best possible outcome both economically and in terms of the passenger experience.

The site extends from Northern Runway to Lima taxiway and from Papa taxiway to Romeo taxiway. The stand capacity is designed to fit within that site, safeguarding the required clearances for Code F taxi routes, whilst ensuring that stands are sized to the requirements of GAL standards, plus airline driven requirements such as safe walking routes for front and rear steps access and optimum fast turn facilities.

The building within the stands is designed to accommodate passengers at IATA Level of Service C. This is not however an exact science, and extensive modelling has been undertaken to understand the relationship between the IATA standards, aircraft size, passenger numbers, and turn time. The modelling and design work undertaken does not support the airline view that requirements of Code F aircraft are driving the cost of the facility. Save for one stand where full code F capability will be delivered, the current proposal is only to safeguard for Code F facilities, such as a third air bridge,

### Gateroom Summary

- Short Haul fast turns drive the gate size requirements – **not** Code F
- Flexible gaterooms can be split to serve 2 code C or 1 Code E/F
- Gates are designed around optimum airline processes – **not** for delay/contingency. Assumption is on time departure of aircraft.
- Total gateroom space in each gateroom is c. 630 to 650m<sup>2</sup>
- 2 x 282m<sup>2</sup> = 564m<sup>2</sup> (for a 2 x Code C gateroom) provides the necessary flexibility to accommodate our fast turn airlines whilst still meeting the requirements for Code E. This still falls slightly short of the Code F requirement of 710m<sup>2</sup>. Our modelling validates this as an appropriate gate size when considering IATA C, aircraft turn time, and passenger presentation profiles at gate.
- GAL control of the call to gate process has resulted in reduced dwell time at gate and improved passenger presentation profiles. These improvements have all been incorporated in the modelling and the design of the facility.

A summary of the IATA quality standards is detailed below:

IATA Standard	Description
IATA Level of Service A - up to 40% occupancy	An Excellent level of service. Conditions of free flow, no delays and excellent levels of comfort.

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IATA Level of Service B - up to 50% occupancy	High levels of service. Conditions of stable flow, very few delays and high levels of comfort.
IATA Level of Service C - up to 65% occupancy	<b>Good level of service. Conditions of stable flow, acceptable delays and good levels of comfort.</b>
IATA Level of Service D - up to 80% occupancy	Adequate level of service. Conditions of unstable flow, acceptable delays for short periods of time and adequate levels of comfort.
IATA Level of Service E - up to 95% occupancy	Inadequate level of service. Conditions of unstable flow, unacceptable delays and inadequate levels of comfort.

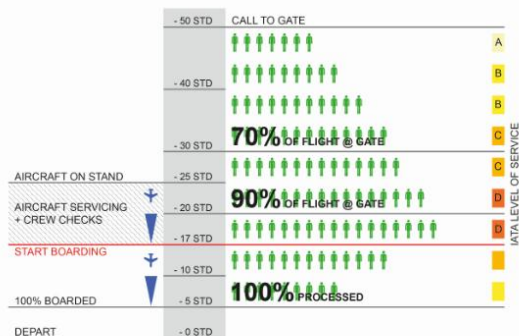
### Code C A320 'on time' boarding process

- IATA Level of Service C gateroom space of 282m2
- IATA Level of Service deteriorates to 'E' during normal 25 minute aircraft turn
- A319 size aircraft still deteriorates to 'D'

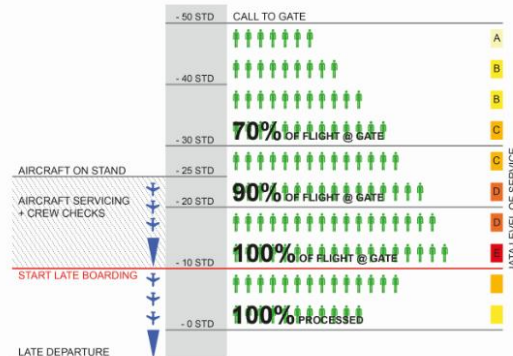
### Code C A320 Delayed boarding process

- Standard drops to IATA Level of Service F
- A321 sized aircraft sees even further deterioration in passenger experience

CODE C AIRCRAFT, A320, 1-CLASS, 25MIN TURN  
AIRCRAFT TURN-AROUND IDEAL BOARDING PROCESS



CODE C AIRCRAFT, A320, 1-CLASS, 25MIN TURN  
DELAYED TURN-AROUND DELAYED BOARDING



### Code E 'on time' boarding process

- IATA Level of Service C gateroom of 532m2
- Ideal process on 90 minute turn maintains IATA Level of Service at C

### Code E 'delayed' boarding process

- IATA Level of Service C gateroom of 532m2
- Deterioration of passenger experience to IATA Level of Service F

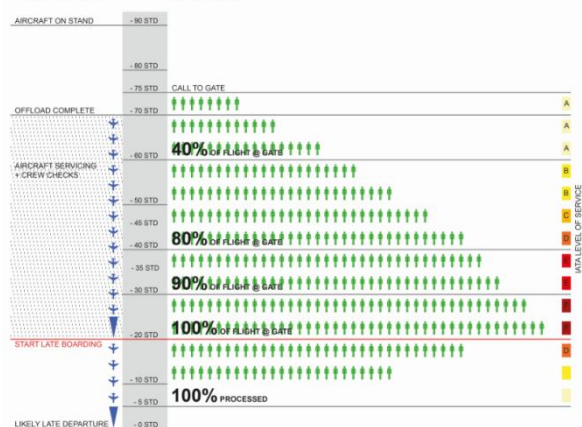
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CODE E AIRCRAFT, BOEING 747-400, 3-CLASS, 90MIN TURN  
AIRCRAFT TURN-AROUND  
IDEAL BOARDING PROCESS



CODE E AIRCRAFT, BOEING 747-400, 3-CLASS, 90MIN TURN  
DELAYED TURN-AROUND  
DELAYED BOARDING



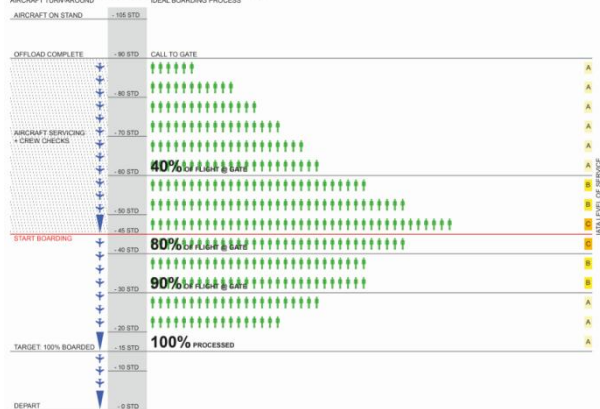
### Code F 'on time' boarding process

- IATA Level of Service C sized gate of 710m<sup>2</sup>
- Passenger service maintained at Level of Service C.

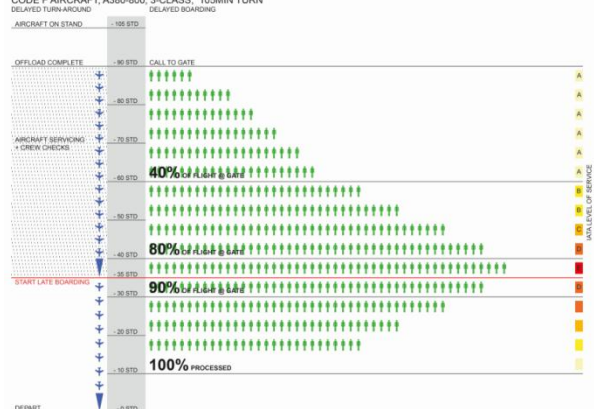
### Code F 'delayed' boarding process

- IATA Level of Service C gateroom of 710m<sup>2</sup>
- Delayed boarding causes deterioration in passenger service down to IATA Level of Service F.

CODE F AIRCRAFT, A380-800, 3-CLASS, 105MIN TURN  
AIRCRAFT TURN-AROUND  
IDEAL BOARDING PROCESS



CODE F AIRCRAFT, A380-800, 3-CLASS, 105MIN TURN  
DELAYED TURN-AROUND  
DELAYED BOARDING



### Central Circulation Area

Passenger modelling, utilising specialist micro simulation techniques, was carried out to understand queuing and orientation space, based on stand plans and future forecast fleet mix to understand passenger volumes and dwell time. The scenarios modelled were:

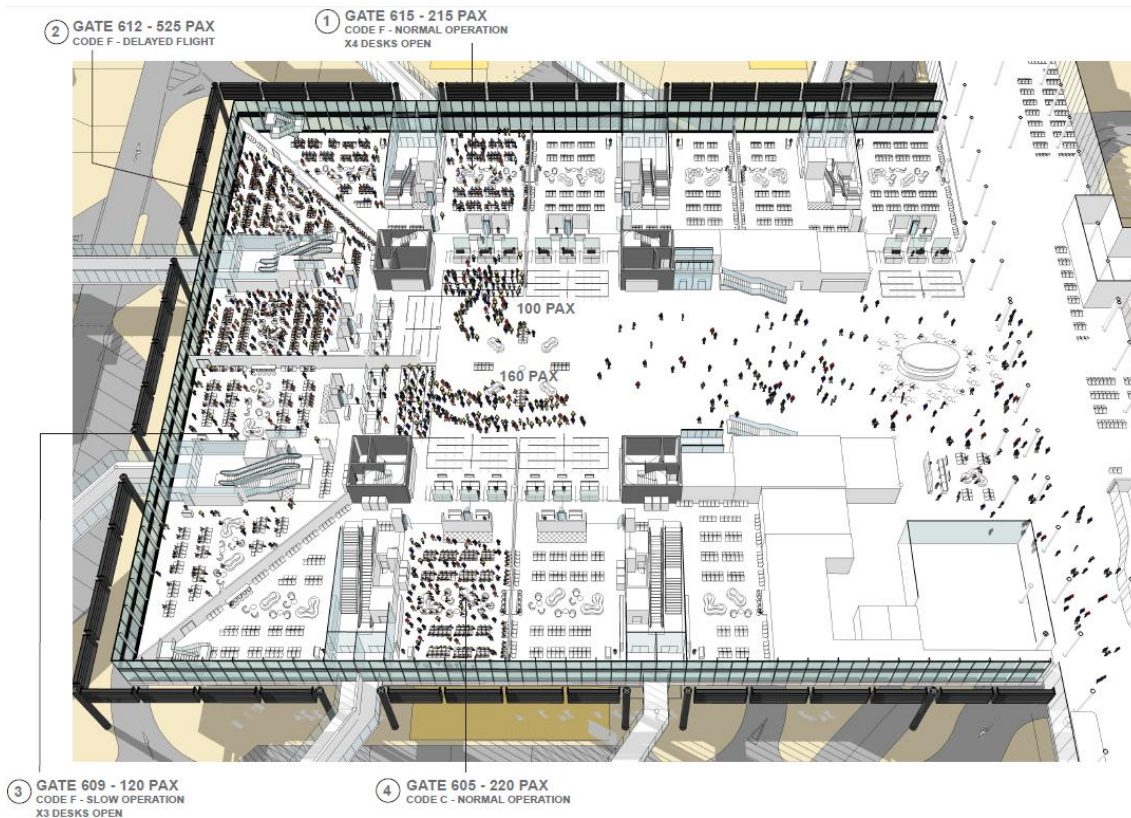
- Code C normal operation
- Code F normal operation
- Code F delayed operation
- Code F slow operation (reduced desks open)

The output of this modelling was that the central area was appropriately sized to accommodate the numbers of passengers expected to be in the facility.



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The project Business Case requirements contained in the Tollgate 3 Business Case as supported by the airlines at Tollgate 3 are below:

- To meet future fleet mix requirements and support different airline operating models (Net increase of 8 short haul, and 7 long haul pier served stands, 4 of which can be configured for Code F)
- Passenger experience that allows Gatwick to compete (Premium, Economy, Passengers with Restricted Mobility)
- CAA compliance (CAP 168)
- Safety Regulation Group (SRG) approved solution
- Solution delivered to Gatwick Airport Limited (GAL) engineering standards
- Delivery to environmental commitments - Section 106 & Decade of Change
- Relocation and re-provision of existing infrastructure within proposed site boundary

### Service Proposition Requirements (Product Matrix)

- To meet 95% pier service levels in line with forecasts
- Closed gate rooms to support airline operations and on time performance
- Vertical segregation of arriving and departing passengers
- Comfortable gate room seating
- Space not less than IATA C
- Sufficient Toilet facilities
- Lift locations to facilitate PRM access
- Retail and vending offers consistent with passenger requirements

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### **Conclusion**

The Pier 6 Southern Extension is the selected preferred option and is currently progressing through Preliminary Design with the support of the airlines at JSG who have signed a CCRS confirming their acceptance of the Preliminary Design option and Q5 spend of £8.3m.

Historically, circa 16 options and related combinations of options have been assessed across the airfield to address the pier service capacity shortfall in consultation with the airlines. A Quality Function Deployment (QFD) approach was used to determine firstly the site, a 'Level 1 QFD' using selection criteria (Voice of the Customer) developed with the airlines. The 'Level 2 QFD' extended these criteria through concept design and handler/operations/NATS engagement to determine the most favourable solution within the site. All of the data and material produced throughout this options development process was shared with the airlines ahead of them supporting Tollgate 3.

Since Tollgate 3, options to reduce the capital spend in the Q6 period by up to £30m have been presented to the airlines. We have already decided to provide only one Code F stand with active safeguarding for remainder (£2m saving on provision of air bridges). This allows us to add Code F additional capacity in line with demand.

The key opportunities include:

- Do not build remotes or relocate Quebec (£20m)
- Reduce flexibility of solution (gates and stands provide fully flexible steps to tarmac, or air bridge service to each centre line; reducing this by providing only one set of stairs in each node saves £3m, but fundamentally changes airline project requirements)
- CIP Lounges – not providing these would save £3m from the project cost, but the payback of this element of the project is less than 5 years (GAL views this as a beneficial addition to the project so has not recommended this to proceed, but was responding to airline criticism that the CIP lounges were driving the cost. In addition, this will allow premium passengers direct boarding from the lounge to the upper deck of the A380, a competitive long haul product essential to attracting new long haul business)

GAL believes the most capially efficient approach is to deliver Pier 6 Southern Extension as one project in Q6.

## **8 Stopping or delaying this project will incur more cost in the long term**

The project is estimated to have a 4 year construction programme. We have worked closely with our contractor and our designers to carry out initial buildability studies but note that, until we have appointed a contractor at TG4 with a confirmed programme, this is an estimate. What we do know is that to build the facility will require the phased closure of 5 pier served stands, and 13 remote stands.

Construction is currently programmed to fall after the completion of Pier 1, meaning that the operation can cope if the project commences in 2014/15.

As mentioned previously, there comes a point in time where, once this threshold of operational feasibility is passed, the only option for additional Pier Service would be Pier 7, where operational disruption would be less, but at a cost of exceeding £400m, plus further on costs, and design costs.

There is a significant amount of asset replacement capital expenditure required for pavement, AGL, and other airfield infrastructure in Pier 6 Southern Extension Site area if the project were not to go ahead. This is mostly due to stand block replacements and the replacement of Kilo taxiway:

- circa. £29.5m between 2014 and 2019
- circa. £14.0m between 2019 and 2024

Over the 40 year asset life there would be further on-going asset pavement replacement costs in excess of this. The project replaces 175,000m<sup>2</sup> of pavement.

## 9 Pier 6 is the most cost efficient way to maintain pier service levels

### Pier 2 (£38m) – completion Nov 2011

- Additional 2 short haul centrelines
- Increase of 0.8% Pier Service
- No independent access to centrelines - decreased utilisation

### Pier 5 (£75m) – completion 2014

- Pier modifications to create independent access to centrelines increases utilisation by +2% Pier Service

### Pier 1 (£180m) – completion Dec 2015

- Net reduction of 3 stands in South Terminal
- Reduction of 1.2% Pier Service

### Pier 6 Southern Extension (£180m) – proposed 2014 to 2018 construction

- Increase in 8 short haul, or 7 long haul, 4 of which A380/Code F stands
- Increase of up to 6% to North Terminal Pier Service
- £180m includes c. £30m of asset replacement and £20m for remote stands

The following table highlights the capital cost of each project in relation to the pier service benefit provided, and shows the relatively high efficiency of the Pier 6 Southern Extension. Pier 7 on Cargo Pier is also included as a comparison:

Pier Project	Capex	PSL Benefit	Capex / % PSL Benefit
Pier 1 <i>(Pier element not incl baggage costs)</i>	£92m	-1.2%	N/A
Pier 2 Reconfiguration	£38m	0.8%	£48m
Pier 5 Reconfiguration	£75m	2%	£38m
Pier 7	£400m	6%	£67m
Pier 6 Southern Extension	£180m	6%	£30m
Pier 6 Southern Extension – Pier Service Element <i>(minus remote stands @ £20m, minus asset replacement scope @ £29.5 min in Beyond Q5)</i>	£130m	6%	£22m

## 10 Traffic forecasts have increased since the pier service modelling exercise concluded

Many factors have changed since the Revised Business Plan forecast was produced in September 2012 and, as part of our annual business planning cycle, we completed a forecast during April 2013 using the existing methodology, with revised variables and data.

As shown in Figure 1 below, traffic forecasts have increased since production of the RBP forecast. The demand for pier served stands increases in line with the increased traffic forecast. Our conclusion is therefore that the Pier 6 southern extension is more urgently required than our analysis has shown to date.

	CAA	Base			High			ACC Jan13	ACC Jun13
		SH&E Jan12	SH&E Sep12	SH&E May13	SH&E Jan12	SH&E Sep12	SH&E May13		
2012/13	34.3	34.6	33.8	34.2	35.2	33.9	34.2	33.8	34.3
2013/14	34.6	35.2	34.0	34.4	36.7	34.7	34.9	34.0	34.8
2014/15	35.0	35.7	34.5	35.0	37.8	35.8	36.4	34.5	36.8
2015/16	35.5	36.0	34.7	35.5	38.8	36.6	37.8	35.2	37.3
2016/17	36.1	36.4	35.0	36.1	39.7	37.4	39.4	36.0	38.1
2017/18	36.8	36.8	35.4	36.6	40.4	38.2	40.6	36.8	38.8
2018/19	37.6	37.2	35.9	37.0	41.1	39.2	41.4	37.6	39.6

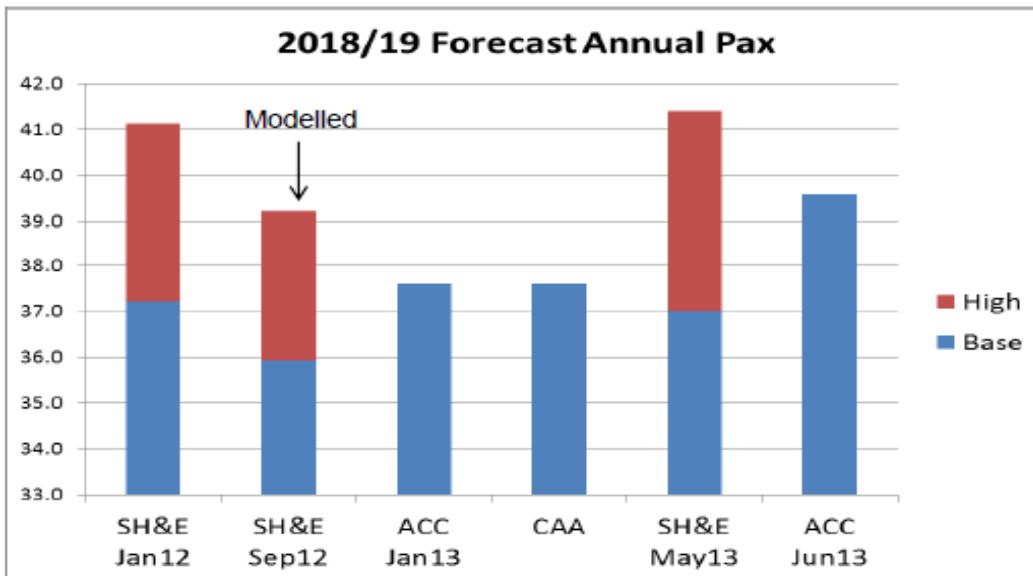


Figure 9 – Annual Passenger Forecasts

The May 2013 forecast reflects the latest market conditions and outlook at the time of its preparation. It should be noted that very recent developments, such as Flybe's slot deal with easyJet, were not known at the time the forecasting was carried out and are thus not reflected in these forecasts. It is not clear how easyJet propose to use these slots.

## Pier Service Levels with and without Pier 6 Southern Extension

This note is to further clarify your query regarding pier service levels with and without the Pier 6 Southern Extension, where the 'without' scenario includes the airline requested additional MARs centrelines on Pier 4 and Pier 6.

You have asked that we provide an analysis using our base case forecast for traffic growth. We have consistently applied our high case forecast throughout all our modelling work with the airlines. This is consistent with the approach we have taken in all capital projects in the business plan; North Terminal Security, North Terminal Departure Lounge, Check-in Reconfiguration etc. Please note that the high case forecast used in our analysis is lower than the ACC base case forecast.

The table below shows the changes in number of stand centrelines created if we were to reconfigure the areas suggested by the airlines. This work was carried out by Atkins to provide independent analysis.

	Existing	Reworked	Delta	Comments
<b>Pier 4</b>	11	14	+3	These additional stands would only be available for use if there was a reduction in Code E aircraft at Gatwick as they are currently occupied by existing traffic. There is no forecast that supports any reduction in Code E. Whilst it is physically possible to repaint the stand centrelines to gain additional Code C space, there is NO available space in the gaterooms to operate these stands independently. Therefore this is merely a theoretical gain in stands.
<b>Stands 551/552/553</b>	4	3	-1	Only 2 stands can be used concurrently in this location due to gateroom constraints. Proposed project would allow all 3 stands to be utilised concurrently.
<b>Pier 6 – Stand 111</b>	1	2	+1	This is a restricted Code C (A319) and would not accommodate the new aircraft such as A320 Neo. Note also that easyJet are also upgrading their A319 fleet to include sharklets, increasing the stand width requirement by 1.2m which would not fit onto this stand either.

In addition, the Atkins work also looked at additional centrelines in the South Terminal, in response to the easyJet consolidation work. Applying the correct stand clearances including walking routes and accommodating A320 Neo (with sharklet wingtips) resulted in a net reduction of stands in the South Terminal. Note also that the provision of extra South Terminal stands has no effect on North Terminal pier service.

As highlighted in point 6 of my letter and the accompanying appendix, the additional MARs centrelines suggested by the airlines **do not** provide any pier service benefit:

- The required buffers for long haul aircraft arrivals would not allow short haul aircraft to use the centrelines at peak times of the day when they would provide potential benefit
- For the above reconfigurations to provide benefit, we would need to assume a reduction in our current Code E demand, which is not reflected in our forecast or current performance

The reconfiguration element that does provide pier service benefit is stands 551/552/553 (as identified by the £9.35m project in the Business Plan). At present the gateroom space does not allow all 4 stands in this area to be served. The capacity of the gateroom allows a maximum of 2 aircraft to be served. In addition, the phase out of the BA 737-400 fleet means that 2 stands become redundant. Reconfiguring this area to accommodate 3 No. full Code C, when combined with a gateroom extension, would allow 3 stands to be used concurrently providing a 0.4% benefit in pier service levels. This improvement has been included in the table below.

<b>High Case</b>	<b>With Pier 6 Southern Extension (start 2014)</b>	<b>Without Pier 6 Southern Extension (including reconfigurations)</b>
<b>Pier Service Levels 2018</b>	96.6%	93.4%
<b>Pier Service Levels 2026</b>	95.8%	91.0%

# Airport Consultative Committee – Gatwick Airport (ACC)

Tim Griffiths  
Policy Regulation Group  
Economic Regulation  
Civil Aviation Authority  
CAA House, 45- 49 Kingsway  
London WC2B 6TE

3 September 2013

Dear Tim

## **GATWICK AIRPORT PIER 6 SOUTHERN EXTENSION**

Further to Gatwick Airport Limited's (GAL) letter dated 12 August 2013 regarding the extension of its Pier 6 and your subsequent request for comment, we write to revisit the Airline Consultative Committee's (ACC) consistent position on the matter notwithstanding GAL's submission of supposedly new and as-yet undisclosed data and evidence to support such an extension.

Not surprisingly, we disagree with many of the statements in the GAL letter highlighting that several of them are factually inaccurate and misleading. We also note that GAL has not discussed these statements with the airlines prior to CAA showing us this letter. Without new evidence we continue to oppose the inclusion of the Pier 6 Southern Extension in the core Q6 capital programme as it is not in the interests of passengers.

Taking eleven GAL points step-by-step, we address the details enunciated by GAL in their August letter highlighting areas where GAL has submitted supposedly new evidence that they have elected not to share with us. This latter issue we see as GAL's arbitrariness to constructively engage on the narrow matter of Pier 6's extension as it suits them. It is absent of any equity that GAL should side-step the consultation provisions of the Airports Act 1986 Annex G at such a late stage in the process and that there is an attempt to blindside parties with data that appears misleading, incomplete, unshared and at best speculative.

### **I. *Passengers place a high value on pier service.***

We note GAL's evidence around the passenger willingness to pay (WTP) for pier service although currently we avoid the debate about the precision of these figures. As you know, we have always recognised that passengers value pier service; however, the question is the value of the cost of incremental pier service *to those passengers who receive that incremental benefit*. We believe that GAL's own evidence supports our contention that the extension is not value for money and that the CAA and independent consultants came to a similar cost-effectiveness position in its initial view in April 2013<sup>1</sup>.

GAL's new pier service data, which we have not seen before and is absent of fair scrutiny so remaining nothing more than speculation, suggests that an additional 800,000 passengers a year would benefit from such pier service in the North Terminal in 2018. GAL's evidence suggests that these passengers are on average willing to

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<sup>1</sup> Economic regulation at Gatwick from April 2014: initial proposals CAP 1029, Section 5.31:

*Given the costs and WTP, this would give a benefit to cost ratio of less than 20%. While the CAA considers that maintaining 95% pier service may be in the passengers' interest, this is not at any cost and the CAA encourages the airport operator and airlines to agree a suitable solution*



pay £3.79 each for pier service. Consequently, any increase in pier service that costs passengers in excess of £3.03m a year is steadfastly not value for money.

GAL's letter simply confuses the incremental benefit with the average level of pier service across all airport passengers and not the minority who would utilise the Pier 6 extension. It is clear that the assessment of the extension's value should be made on the basis of its incremental costs and benefits. However, GAL fail to do this.

2. ***This project will benefit many passengers, not just a few.***

GAL contends that 8 million passengers will use the new facilities and 1.4 million passengers per year will require coaching. These numbers have not been shared with the ACC previously and again we have no method to verify them. Nonetheless, they do appear to be disproportionately high. Table One details GAL's newest data reflecting the size and number of stands available after the construction of the Pier 6 extension.

Table 1 – Stand Distributions 2018 with P6 southern Extension Complete

Stand Code	South Terminal			North Terminal			Total Piers	Total Remote	Grand Total
	Pier 1	Pier 2	Pier 3	Pier 4	Pier 5	Pier 6			
C	5	11			5	1	22	7	29
D		1		2	0	2	5	10	15
E		8	8	7	7	6	36	20	56
F						3	3	2	5
Grand Total	5	20	8	9	12	12	66	39	105
MARS		1	6	5	5	5	22	20	42
SMARS	0	1	6	2	1	7	17	6	23

The table illustrates that an extended Pier 6 would have 6 of the 20 wide body stands (Code Es and above) in the North Terminal<sup>2</sup>. It should also be remembered that many of the wide body stands can also be used by 2 narrow body aircraft. On the basis of narrow body availability, an extended Pier 6 would have 15 of the 35 North Terminal stands that can be used by narrow body aircraft.

It appears unlikely that an extended Pier 6 would handle approximately 40% of all of the North Terminal passengers. This is especially so as North Terminal Piers 4 & 5 are closer to the terminal building and under normal circumstances airlines prefer their use ahead of the outer stands on Pier 6, particularly as the extension would add to the passenger journey time to the terminal; afflicting passengers more. It is more likely that a far lower number would willingly use Pier 6 of which many stands would not be incremental due to the existing facility of 5 southern side pier served stands on Pier 6 today.

For passengers who will require coaching at the airport there is a robust process in place, particularly with the new facilities being built as part of the Pier 5 refurbishment project.

<sup>2</sup> Please note that the Code F stands overlap with the Code E stands

GAL has unilaterally introduced a price-hike of 113%<sup>3</sup> to passenger coaching although this is being challenged by the AOC who are considering adopting this function at a price that more realistically reflects the cost to the operator. The ACC firmly believes that 95% of passengers would continue to remain pier served. However, it is clear using the figures supplied in GAL's letter that the cost of coaching the incremental passengers is inconsequential and eclipsed by the cost of building Pier 6 South at approximately £180m. The overly-inflated coaching provision today totals just over £4m and the airlines are continually reducing both passenger numbers needing to be coached and minimising the expense through efficient competitive tendering.

Finally, we are anxious that GAL's presentation of this unsubstantiated data is partial and incomplete. GAL's own evidence suggests that in 2018 about 800,000 incremental passengers will benefit from pier service and that the newly quoted GAL figure of 1.2 million passengers only arises in 2026; some 12 years post the commencement of Q6 and in the middle of any potential Q8.

### **3. *This project will directly benefit Passengers with Reduced Mobility (PRMs).***

GAL suggests there will be a predicted rise by 40-50% by 2018 of PRMs. This figure has not been discussed previously and the increase in numbers is surprising and unsubstantiated. The statement at best looks speculative and arbitrary. It is unclear why GAL believe there will be a disproportionate increase in the number of PRMs as GAL provide no evidence or reasoning for such a bold estimate. It is only in a small number of the most difficult cases where Ambulift services are required, the majority of passengers seeking assistance are able to walk the short distances and would travel on-board the passenger coaches. There has been no dialogue on the GAL PRM data with either the ACC or AOC; hence, the ACC cannot endorse GAL's data and subsequent egregious reasoning of PRM numbers ratifying such a pier extension.

### **4. *The pier service calculations are accurate.***

The source of the Pier Service Levels (PSL) presented in GAL's letter is unclear. The ACC and GAL have undertaken a long transparent process to understand and reach agreement on PSL modelling. This process led to the ACC endorsing GAL's modelling of PSL as being a reasonable forecast of PSL outcomes on the basis of the assumptions used. However, GAL has now developed new forecasts without any mention or indication to the ACC. GAL has provided no data to support this claim nor have they said what year it applies to. Similarly, GAL has not shared the calculation of the Moving Annual Total figure provided. This is particularly concerning as GAL imply that the methodology and reasoning in their August submission has been shared with the airlines. It has not.

GAL's August letter reports that it has not used a busy-day to represent PSL levels. This contradicts what GAL have steadfastly maintained in the past that the demand and planning for any extension pivots around a busy-day summer 2018 outlook. This is a reversal of GAL's previous position and taken in the context of the obfuscation and changing GAL position on fundamentals invites speculation that GAL are attempting to build a last-minute specious case that remains poorly supported. This is contrary to email correspondence from GAL affirming the use of the busy-day paradigm<sup>4</sup>.

We also note that the table provided by GAL suggests that for 2013 they are predicting 93% Pier Service Level in the North Terminal. However, for the North Terminal in July 2013 we have already witnessed 95% PSL, evidenced by GAL's July 2013 SQR documents. Consequently, owing to the manner and form of GAL's latest

<sup>3</sup> January 2012 pricing of £1.03/passenger inflated to £1.28 and then subsequently to £2.19 in November 2012.

<sup>4</sup> "we have agreed that the two schedules provided (high & base) as a fair representation of the busy day in 2018 .. ". Marcus Stanton, Head of Product Strategy Gatwick Airport Limited dated 14 December 2012

extension submission we believe that GAL's figures lack credibility. This is especially so where GAL has pressed this project for 4 years now and we still see a reiterative evidential approach that is unconvincing and not worthy enough of a £180m cause.

5. ***This project cannot be delayed as, without it, pier service levels will fall below the service standards by 2018***

GAL's letter introduces new PSL data that airlines have not previously seen. We do not understand why GAL is now repudiating its earlier work. At such a late stage to reverse its four year-old methodology and data seems illogical. The ACC and GAL undertook a process over many months of agreeing PSL forecasts under a set of assumptions. *Prima facie*, this work was consistent with the objectives of Constructive Engagement and was based on GAL's own modelling.

Inexplicably, in a letter to the CAA on 7 August 2013 GAL stated that its earlier modelling was incorrect. It has only explained in broad terms why it was incorrect and has certainly not explained why it is now confident the new modelling is correct. This is an unusual step given that GAL clearly has concerns about the methodology that GAL itself used to forecast PSL so leaving all of us now confused what methodology to trust. Further, in the 7 August 2013 letter GAL make two incorrect statements:

- Firstly, GAL report that they informed the ACC that the modelling that was earlier agreed between GAL and the ACC was not yet complete. We reject this interpretation as this is not our understanding of events. GAL did not say that its modelling was incomplete, and nor had it set out any timetable or timeline for completion of this work; something we would have expected if the work was incomplete as GAL report that it was.
- Secondly, GAL says that they explained this issue to the ACC. This is incorrect. The ACC neither had a verbal nor written explanation of this. May we please see correspondence to substantiate GAL's statement?

In the absence of a credible explanation of why GAL's earlier work was incorrect and the irreconcilable differences between its earlier forecasts and its new forecast, you will not be surprised to know that the airlines do not recognise GAL's new modelling as being reasonable nor a true representation of future PSL levels.

GAL has also stated that not building the extension now runs the risk that it might be impossible to build in the future due to airfield congestion. However, no evidence has been provided in support of this. Furthermore, such an argument has been sidestepped where we currently see 12 pier served stands gone with the loss of Pier 1 and the lateness of Pier 5 twinned with the very late build of Atlantic House and the final demolition of Pier 1. As these projects have shunted into one another reducing punctuality at the airport year-on-year by at least 7%, and in some cases more, GAL did not proffer airfield congestion as an issue to be considered in the current wave of late running projects.

We also note that GAL provided the evidence in this section under a heading that suggests it has no concern for the cost effectiveness of delivering the PSL target; instead it seems to treat the 95% level as sacrosanct and independent of cost. This is not an approach that is in the interest of passengers.

## 6. ***This is the best option to improve pier service***

GAL makes several assertions without providing any data or evidence to support these. Airlines have not seen evidence from GAL to support its claim that it is unfeasible to MARS<sup>5</sup> more wide body stands. We are unclear why GAL says that all stands should meet walk-in walk-out (WiWo) arrangements. Airlines have not demanded that all stands are capable of this irrespective of cost efficiency. It would be desirable to have more WiWo stands but GAL has as of today refused to WiWo Pier 6. It is unclear why they have renewed gusto now to WiWo Pier 6 when they have flatly discounted suggestions previously.

GAL refers to towing on the airfield in summer 2013. We recognise that towing performance has been less desirable than it should have been. The ACC airlines and GAL are working collaboratively with the ground handling businesses to improve towing efficiency. This has resulted in an increased level of towing which will continue to improve. . Undoubtedly, short-term service outcomes are not an indicator of long-term viability.

GAL refers to an Atkins' Special Awareness Study reporting that it has been supported by the airlines. It should be noted that the ACC has not witnessed this report and therefore as yet is unable to support it.

GAL also press that the only dispute with the ACC is *when* the extension should be built. This is incorrect.. To begin with the ACC could not reach an agreed view as a single airline held a different one<sup>6</sup>. Further, those airlines that do oppose the extension being included in the Q6 core capital plan have simply said that more pier served stands may be needed in the future but that the extension may eventually prove to be the right way to address this need. They have not said that the extension will *need* to be built. Similarly, airlines were explicit that support to attempt to advance to tollgate 4 (TG4) and not beyond did not mean that the airlines had reached TG4 supporting the final building or cost estimate of the project.

GAL has run an argument, voiced at a Pier 6 Extension update meeting in November 2011, that where an A380 stand is built then the demand from the airlines will follow. This supply-led thinking has been challenged at every step of the way. It makes no sense that passengers of today will pay the cost of enticing an unidentified market of tomorrow should it even prove to exist. Hence, the airlines have been expressly clear that only when demand exists should an extension be considered. With the loss this summer of the last US carrier scheduled service to and from Gatwick for over 26 years together with exit of other long-haul carriers this demand has yet to materialise.

GAL raises the issue of reducing stand planning buffers. We are not sure why. This is something the ACC asked GAL to look at several months ago and when it was clear that it was not viable the ACC agreed with GAL that the buffers should not be reduced. GAL is running a false innuendo that the ACC is being unreasonable in its approach. Unequivocally, it is not and GAL has raised this issue merely to place the ACC in an unhelpful light.

GAL state that the extension will handle 20% of total passenger volumes. Airlines have seen no evidence to support this believing this to be incorrect. The extension creates up to 8 additional stands on Pier 6. It is unclear how 8 stands could account for 20% of the airport's passenger volume. Further, as these stands would be the furthest away from the North Terminal, it is unclear why GAL wishes passengers to use Pier 6 stands where the passenger experience is subordinate to those using Piers 4 and 5 closer stands.

Finally, GAL states that it needs the extension to compete with Heathrow. Clearly, the CAA has said that it is minded to conclude that Gatwick does not compete with Heathrow.

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<sup>5</sup> Configure aircraft parking stands to become Multiple Aircraft Receiving Stands

<sup>6</sup> Emirates have clearly stated their position in emails which the ACC copied to the CAA in July 2013.

7. ***This project is well specified***

As noted above, GAL's claim that the only difference between GAL and the ACC is on *when* the extension should be built is false.

8. ***Stopping or delaying this project will incur more cost in the long term.***

Prior to GAL's 12 August 2013 letter to the CAA the ACC has seen no estimate from GAL of the cost of refurbishing the pavement around Pier 6. GAL did note in several meetings that there was likely to be a need for refurbishment but this had not been quantified.

We note that GAL already has a well-developed approach to maintaining the airfield and any work on Pier 6 needs to fit in with this approach. The ACC also ask that the CAA's consultants work with GAL to verify the authenticity of GAL's claim that this pavement would need replacing within the Q6 period.

Whilst it remains in doubt that a second runway (R2) would be commissioned at Gatwick, there can be no clear view of the number and location of additional piers to support such a potential R2. With GAL's current plans it is highly likely that the Pier 6 southern extension would collide with any subsequent required R2 infrastructure. Hence, until the R2 question has been resolved any decision to build an additional pier and its location is premature.

9. ***Pier 6 is the most cost efficient way to maintain pier service levels***

While we have no dispute with the calculation presented in GAL's table, it is unclear where the figure of a 6% PSL benefit comes from. The chart provided by GAL for Section 5 does not provide a 6% gain even for 2026. It is also unclear whether the benefits from the other projects are calculated for 2026.

10. ***Traffic forecasts have increased since the pier service modelling exercise concluded'***

We agree that traffic forecasts have increased. However, GAL have previously intoned that higher traffic levels actually increase PSL outcomes as the growth tends to come more in off-peak periods and therefore is served at higher PSL levels. The ACC's increased forecast, derived separately, is due to the easyJet takeover of Flybe slots. If anything this is likely to increase PSL outcomes favourably as Flybe flights are consistently pier served but with a smaller numbers of passengers. With greater numbers of passengers utilising the Flybe piers this will lead to a higher PSL outcome at no additional cost whatsoever.

11. ***The A380***

The ACC wishes to dismiss GAL's inference that airlines are flying regular A380 services from Gatwick Airport. Emirates and Lufthansa have operated one service each to the airport in order to support bespoke events. Clearly, a football charter and a ceremonial flight do not represent regular schedule services. British Airways operated a single A380 service to the airport but this was not a passenger service intending only to allow its own staff and suppliers an opportunity to view the aircraft. Patently, it is an easy matter to dispel GAL marketing spin on this as there have been only three A380 movements at the airport to date; a percentage so small that where such scheduled slots existed then under the use-or-lose regulations these slots would have been involuntarily terminated months earlier.

Further, this also runs contrary to the supply-led thinking of GAL, discussed above at Paragraph 6, where once built the demand would follow. This has not happened and thankfully passengers have avoided needlessly inflated charging through such an £180m error.

### **The way forward**

We continue to believe that the Pier 6 extension should not be included in the core capital expenditure plan as high pier service Q6 levels can be maintained without this pricey extension. The expense and needless congestion over the four years of building would have a very high adverse impact on passenger journey times, airfield congestion and of course pricing for a project that after 4 years has not been advocated conclusively.

GAL's August submission adds no extra evidence to make their argument sound. It simply adds confusion with unfinished statements, inaccurate data and narrow contextual analysis all of which has been submitted at a very late stage in the process as a final attempt to win the day.

You will recall that in *R v (EasyJet) V Civil Aviation Authority & Gatwick Airport Limited (CA) (2009)* the airlines and trade bodies complained of the minimal notice from an overly late submission GAL's previous owners filed and the confusion this caused. However, in this instance whilst we have been given sight of GAL's new findings they are not iterative inasmuch they are a late reversal in methodology, new data is reported narrowly suiting GAL's cause and there is discounted previously-agreed data which now is unsuitable to GAL's viewpoint. Such sweeping positional changes make it hard for the airlines, as well as the CAA, to understand why such a shift and that where the data cannot be swiftly verified GAL's submission should be discounted.

Therefore, it appears that after 4 years of lobbying with all the arguments played out there remains a still inconclusive additional demand for large wide body pier served business in the North Terminal.

Consequently, we believe that the way forward is for the extension to be treated as development capital where the ACC and GAL have agreed on many elements of how such an approach would work. While the extension is at an advanced tollgate stage it could be frozen for several years and its need reconsidered once Q6 is underway and we have more clarity on the airport's future development, airline demand and future PSL levels. This is especially so due to the impending decision of the second runway

Yours Sincerely



Jason Holt  
Chairman  
Gatwick Airline Consultative Committee

# YOUR LONDON AIRPORT

## *Gatwick*

9 September 2013

Tim Griffiths  
Regulatory Policy Group  
Civil Aviation Authority  
CAA House, 45-59 Kingsway  
London  
WC2B 6TE

Dear Tim

### **Pier 6 Southern Extension**

This letter is in response to the letter forwarded by you from the ACC regarding Pier 6 Southern Extension.

Whilst I do not believe it to be helpful to engage in a “tit for tat” response at this late stage in the regulatory process, there are a number of errors in the ACC letter that must be addressed. I agree with the ACC that there is little new evidence within my letter to you dated 12<sup>th</sup> August 2013. The purpose of my original letter to the CAA regarding the Pier 6 Southern Extension was to provide a summary of all the evidence that supports the project. This was at the request of the CAA from their Board meeting of 17<sup>th</sup> July and a subsequent meeting with Tim Griffiths. The only additional evidence included in that letter (i.e. evidence which had not already been shared with the ACC), was in regard to PRM passengers, but this was in direct response to a CAA question.

We are therefore very surprised by the tone of the ACC’s response and the many areas it takes issue with in its letter. If the ACC had reminded itself of the information we have provided during the past 14 months, it would find evidence of all the data that we mention and reference in the appendices. This data is uploaded onto our website to which all of the participating ACC members have access. We attach an appendix listing the meetings we have had since December 2012, when by agreement with the ACC we re-established our base data for analysis, and the appendix details who was invited to the meeting, who attended and the information that was then uploaded to the website to allow all those that were unable to attend to review. We also attach a sheet listing the documentation shared and the meeting dates prior to December 2012. We note that the ACC described this series of meetings as ‘*The ACC and GAL have undertaken a long transparent process to understand and reach agreement on PSL modelling*’. Whilst, in some cases, the presentation format for the data is different from that discussed with the ACC, this is simply to aid the understanding of the CAA who were not present during the detailed discussions.

As there are a number incorrect assertions made by the ACC, we feel it is necessary to deal with them one by one, and will therefore follow the points made in their letter.

# YOUR LONDON AIRPORT

## *Gatwick*

### **1. Passengers place a high value on pier service**

We note the suggestion that only passengers who use a facility should pay for that facility. This is not the way that the charging for capital development has evolved at Gatwick and, for large scale schemes at Gatwick or anywhere else, would be inappropriate. It should be recognised that the benefits will, as with most major airport facilities, spill over to airlines and passengers outside of the facility. The more congested the airports facility, the more likely this is. For instance had this philosophy been in place during the current quinquennium it would have meant:

- the main beneficiaries from the North Terminal Check-in Extension – BA and Emirates, would have taken the bulk of the cost of that project, yet all airlines have benefited from the reduced congestion on the remaining check-in concourses and;
- only the ST airlines would have been charged for the new ST Security area;

These are just a few examples. As mentioned previously all of the pier service data referenced in our letter to the CAA has been shared with the ACC; please see attached appendices.

### **2. This project will benefit many passengers, not just a few**

There are some errors in this section of the ACC's letter. Pier 6 would have 9 (not 6) of the 20 wide body stands in the North Terminal and would have 19 (not 15) of the 35 narrow body stands. The footnote that Code F stands 'overlap' the Code E stands is incorrect, they are additional to the Code E stands.

The ACC also notes a belief that Pier 4 and 5 stands would be used in preference to Pier 6 as they are closer. In fact, as data shared with the ACC as part of the original viability study showed, stands 48, 47 and 46 on Pier 4 are actually a longer walk from the NT departure lounge for passengers. In addition, we have had feedback from airlines that they prefer not to use these stands due to the limited gate capacity and longer walking distances. Carriers who value a quick turnaround have indicated to us a preference for the stands that Pier 6 would deliver over, say, Pier 5 as they are much closer to the runway and involve less taxi time.

The requirement for the coaching operation determined for the period 1<sup>st</sup> April 2013 to 31<sup>st</sup> October 2013 was built on a series of assumptions and forecasts, all of which were put together in collaboration with the AOC working group. This was the basis of Airlinks' forecast for coaches. The contract between Airlinks and GAL is on an open book basis, so at the end of the contract GAL will carry out an audit of the costs vs. revenues to consider whether any adjustments to the charge should be made. Coaching costs are paid by the airlines directly to Airlinks. Gatwick has no commercial interest in the coaching operation and the price increase referred to in the ACC letter has no income benefit to us.

In looking at a straight comparison of capital cost versus operational cost, the ACC has missed the point that operational costs will rise as towing of aircraft, coaching of passengers and ground delays increase as the airport becomes busier. The ACC's own forecasts predict that the airport will become significantly busier over the next 5 years. Without Pier 6 Southern Extension, not only will operational costs rise, but passenger experience will worsen.



**3. This project will directly benefit Passengers with Reduced Mobility (PRMs)**

This information had not been previously presented to the ACC; it was a direct response to a question from the CAA. We have used ONS demographic data and current growth trends as the basis for our calculation. The latter includes analysis that we have developed through collaborative meetings with organisations such as Age UK. It would be interesting to see what data the ACC has used to dispute our analysis.

**4. The pier service calculations are accurate**

New traffic forecasts were developed as per GAL's normal process in spring this year. The methodology for producing these forecasts is unchanged from that explained during constructive engagement last year – the new forecasts are merely an update to the situation as at spring 2013. We spent some time at the end of last year sharing with the ACC and then agreeing an amendment to the calculation of the moving annual total figure – please refer to our appendices for meeting records.

Unfortunately the ACC have misunderstood our comment regarding not having selected the busy day; our statement is true. As stated in the extract taken from Marcus Stanton's email, '*...a fair representation of the busy day in 2018.*' – we use an **average** busy day. Our methodology remains unchanged and is consistent with the explanations we have given in various pier service working groups, which was understood clearly at the time by the ACC members present.

The table for 2013 referring to a predicted 93% pier service level does not take account of the extra towing which GAL are paying the Handling Agents to undertake. This additional towing helped to keep pier service levels above 95% in North Terminal during July 2013. However, this is a short term measure and cannot be relied upon for forward forecasting. We pick this point up in more detail in the next section.

**5. This project cannot be delayed as, without it, pier service levels will fall below the service standards by 2018**

GAL's methodology has not been repudiated and remains the same as that ratified with the ACC working group earlier this year. Please refer to the appendices with the list of meetings, contents and attendees.

The ACC refer to a letter to the CAA on 7<sup>th</sup> August 2013 where GAL stated that its earlier modelling was incorrect. Assuming from the latter points picked up by the ACC that the letter it referred to is the joint letter from the ACC and GAL of that date; we can find no mention in it of us stating our modelling was incorrect. Furthermore, the statement attributed to GAL (that the modelling was not complete) was in fact a joint statement from this letter acknowledging that at the time of the PSL table (used by the ACC in its response to the CAA's initial proposals) being produced (2<sup>nd</sup> May 2013), the Atkins study into the feasibility of providing more code C stands had not yet been completed. The completed output of the Atkins work was shared with the ACC at the pier service working group dated 3<sup>rd</sup> July 2013.

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## *Gatwick*

We note that the ACC recognises that current towing performance has been less satisfactory than it should have been. Moreover, we do not have such an optimistic view of future performance as does the ACC; historic and current behaviours have proved that unless the Handling Agents are paid over and above their current contract rates with their respective airline customers (and therefore resource accordingly), they are cannot be relied to perform further tows. Even current performance is as the result of a short term measure, whilst stands on Pier 1 and Pier 5 are out of service, as in order to maintain passenger experience GAL is funding extra tows via a separate agreement that we have negotiated with the Handling Agents in agreement with the AOC/ACC.

If the decision to commence the build of the Pier 6 southern extension is delayed, this is in fact a decision not to build in that location. Uniquely of all recent developments, this project is situated in the heart of our airfield and will require a large airside construction site. This development is not comparable with the Pier 1 site which could be converted to a landside site; it is surprising that the ACC does not recognise the difference in scale and location complexity, and therefore the corresponding impact on the airfield operation. As the airfield becomes busier and we schedule more movements per hour to respond to demand, it will become impossible to commit to a development of this size in this location.

### **6. This is the best option to improve pier service**

The relevant data has been shared and discussed at the ACC Pier service working group on 3<sup>rd</sup> July 2013. The airline community has been clear in its desire for the full flexibility of boarding and disembarking a flight offered by the ability to also walk in, walk out (WiWo). Where it is possible to retrofit and cost effective to do so, GAL has complied with this request. GAL has also ensured that all future pier developments, such as Pier 6 southern extension incorporate this requirement. The retention of this requirement was specifically discussed as part of the Tollgate 3 debate with ACC members, and the ACC endorsed that the option remained in scope. The ACC jointly signed a change request record sheet with GAL for the sum of £8.269m supporting all previous expenditure on 95% North Terminal pier service options and for GAL to continue design to reach Tollgate 4. GAL recognises, and has never intimated otherwise, that the ACC have reserved the right to remove their support for this project at Tollgate 4.

We recognise that the majority of current Gatwick airlines do not support the building of the A380 stand at Gatwick. However, it is indisputable that, without the capability of pier serving an A380, Gatwick would not receive a scheduled service. That capability was completed in spring this year, just after the summer season started. We remain in discussions with several airlines interested in bringing an A380 scheduled service to Gatwick.

GAL considered all of the opportunities that the ACC requested to mitigate the need for building more pier served stands in North Terminal, including reducing the planned stand buffers. We covered all of the issues, not just the reduction of buffers. We are pleased to read the ACC confirmation that it agrees with GAL on this point.

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## *Gatwick*

To suggest that there is no competition between Gatwick and Heathrow is absurd, as on a seasonal basis we see carriers moving to Heathrow from Gatwick and see Gatwick winning routes that Heathrow have been courting. The ACC refer to only one such example i.e. where the last remaining US carrier moved to Heathrow earlier this year.

### **7. This project is well specified**

All of the data shown in this section has been shared and discussed with ACC members. The ACC members have engaged in workshops to validate this information, albeit they have always made clear that in so doing they are not necessarily supporting the construction of Pier 6 Southern Extension.

We have held numerous workshops and received no negative feedback on the design from the ACC members. The ACC supports the project design at Tollgate 3; therefore, it is only to be expected that GAL believes the ACC are content with the design and that the only outstanding matter is the timing of the build. At Tollgate 3 we offered options to reduce scope and cost, the ACC did not endorse either, but did endorse GAL continuing to develop the existing scheme to Tollgate 4.

### **8. Stopping or delaying this project will incur more cost in the long term**

The pavement condition index (which has been shared with the ACC) shows which areas of pavement are likely to require replacing in different timescales. GAL's working assumption is that the Pier 6 Southern Extension will be built. However, if it is not, we have been equally clear that the pavement in that area will need replacement within a 5 year period.

Regardless of the output of the Airports Commission and subsequent Government decisions, all commentators agree that the earliest a 2<sup>nd</sup> runway could be built is 2025. It is worth noting that the Pier 6 Southern Extension features on the front cover of the Gatwick submission to the Airports Commission and that the extension is consistent with any potential new runway.

GAL's forecasts show that by 2025 North Terminal pier service will have fallen to c91% without the Pier 6 Southern Extension. As pier service is measured over the 24 hour period, the reality of the situation will be that, during the peak morning period, as many as 50% of passengers travelling through North Terminal will be coached in 2018. This significant intra-day variation in pier served performance is shown in figure 7 within section 4 of the appendices in my 12<sup>th</sup> August letter. Not building additional pier served stands for North Terminal will mean the situation worsens, with more passengers requiring coaching to and from their aircraft. Our passenger survey data shared in section 1, of the aforementioned appendices, highlights the high value that all passengers put on pier served stands. Therefore, not providing the level of service expected by passengers will impede Gatwick's competitive position, weaken our ability to attract new routes and / or airlines from competitors and restrict future growth in our business.

### **9. Pier 6 is the most cost efficient way to maintain pier service levels**

The figure of 6% is our judgement of incremental pier service based on the number of stands provided. The forecast and indeed actual increment will change dependent upon the

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## *Gatwick*

assumptions of the forecast (i.e. airline mix, schedules, aircraft size etc.) and of course what occurs in practice. The purpose of that table was to standardise the PSL benefit between all schemes, enabling an accurate comparison to be made in terms of PSL benefit versus capital cost.

### **10. Traffic forecasts have increased since the pier service modelling exercise concluded**

We stand by our original point. As passenger volumes increase, pier service levels will fall. Both the the CAA and ACC are expecting much faster volume growth than forecast by GAL.

### **11. The A380**

GAL has not inferred that regular A380 services are flying from Gatwick Airport; in fact we stated clearly that one aircraft from each carrier had visited. As we have already mentioned, it is true that we are in dialogue with several carriers about future A380 scheduled services to Gatwick.

### **The way forward**

The ACC's view is that the way forward is for the Pier 6 Southern Extension project to be treated as development capital. Notwithstanding the fact that GAL disagrees with the ACC's position; this proposal is in direct contradiction to the ACC stance on development capital which the ACC put forward to GAL and the CAA. That ACC stance is that all projects which have passed TG3 are treated as core; this project went through TG3 earlier this year.

GAL's view is that a decision to build Pier 6 Southern Extension must be made now. As I have already stated, the decision to proceed with this service project has already been unnecessarily delayed – further delay would mean that the construction activity becomes increasingly challenging and potentially unfeasible to carry out in the central airfield location, as the airport becomes more congested and our remaining airport capacity is filled. Providing the Pier 6 Southern Extension is a key part of the passenger's experience, a service they have placed a high value on. Enabling GAL to fund this development now, in a timely manner, is critical to allow Gatwick to continue to compete with the other South East Airports and to make the most of our remaining capacity, before the decision of where in the South East an additional runway will be built.

We await the CAA's judgement in this important matter next month – important not only for Gatwick but also of great importance for passengers.

Yours Sincerely



**William McGillivray**  
**Product Development Director**

**Pier Service Working Group - Meeting Dates: Invitees: Attendees since December 2012**

Meeting Dates	Invitees	Attended
<b>05-Dec-12</b>	Simon Elliott - ACC Allan Young - Virgin Michael Barker - easyJet Jamie Hobbs - BA Jennifer Newman - GAL Marcus Stanton - GAL	Simon Elliott - ACC Allan Young - Virgin Michael Barker - easyJet Jamie Hobbs - BA Jennifer Newman - GAL Marcus Stanton - GAL
<b>04-Jan-13</b>	Simon Elliott - ACC Allan Young - Virgin Michael Barker - easyJet Jamie Hobbs - BA Jennifer Newman - GAL Marcus Stanton - GAL Jason Holt - easyJet Chris Gadsden - easyJet Paul Cooper - Thomson Charles Stafford - Flybe Bjorn-Erik - Norwegian Andy Cooper - Thomas Cook Amelia Pearman - Virgin Martin Spiers - Thomas Cook Aoivean Brennan - Aer Lingus Malcolm Couper - Aurigny Charlene Kane - Monarch Rick Wagstaffe - Emirates Lorraine Axten - Emirates Michael Barker - easyJet Tim Griffiths - CAA	Jamie Hobbs - BA Alison Swain - BA Marcus Stanton - GAL Willie McGillivray - GAL Joe Headey - GAL Robert Drew - GAL Jennifer Newman - GAL

<p><b>21-Feb-13</b></p>	<p>Simon Elliott - ACC  Allan Young - Virgin  Michael Barker - easyJet  Jamie Hobbs - BA  Jennifer Newman - GAL  Marcus Stanton - GAL  Jason Holt - easyJet  Chris Gadsden - easyJet  Paul Cooper - Thomson  Charles Stafford - Flybe  Bjorn-Erik - Norwegian  Andy Cooper - Thomas Cook  Amelia Pearman - Virgin  Martin Spiers - Thomas Cook  Aoivean Brennan - Aer Lingus  Malcolm Couper - Aurigny  Charlene Kane - Monarch  Rick Wagstaffe - Emirates  Lorraine Axten - Emirates  Michael Barker - easyJet  Tim Griffiths - CAA  Joe Headey - GAL  Robert Drew - GAL  Ben McMinn - easyJet</p>	<p>Simon Elliott - ACC  Alison Swain - BA  Jason Holt - easyJet  Ben McMinn - easyJet  Jamie Hobbs - BA  Jennifer Newman - GAL  Marcus Stanton - GAL  Robert Drew - GAL  Joe Headey - GAL</p>
<p><b>20-Mar-13</b></p>	<p>Simon Elliott - ACC  Alison Swain - BA  Chris Gadsden - easyJet  Allan Young - Virgin  Jamie Hobbs - BA  Jennifer Newman - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Jason Holt - easyJet  Joe Headey - GAL  Ben McMinn - easyJet  James Date - GAL  Angus McIntyre - GAL</p>	<p>Simon Elliott - ACC  Alison Swain - BA  Ben McMinn - easyJet  Michael Barker - easyJet  Jamie Hobbs - BA  Allan Young - Virgin  Jennifer Newman - GAL  Marcus Stanton - GAL  Willie McGillivray - GAL  Joe Headey - GAL</p>
<p><b>19-Apr-13</b></p>	<p>Willie McGillivray - GAL  Marcus Stanton - GAL  Ben McMinn - easyJet  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  Michael Barker - easyJet</p>	<p>Marcus Stanton - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet (by phone)  Jennifer Newman - GAL  Michael Barker - easyJet</p>

<p><b>24-Apr-13</b></p>	<p>Alison Swain - BA  Jason Holt - easyJet  Joe Headey - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Jamie Hobbs - BA  Ben McMinn - easyJet  Allan Young - Virgin  Robert Drew - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  Michael Barker - easyJet</p>	<p>Angus McIntyre - GAL  Marcus Stanton - GAL  David Valentine - GAL  Sarah Haze - GAL  Chris Gadsden - easyJet  Michael Barker - easyJet  Jennifer Newman - GAL  Ben McMinn- easyJet  Jamie Hobbs - BA  Simon Elliott - Thomson</p>
<p><b>02-May-13</b></p>	<p>Alison Swain - BA  Jason Holt - easyJet  Joe Headey - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Jamie Hobbs - BA  Ben McMinn - easyJet  Allan Young - Virgin  Robert Drew - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  David Valentine - GAL  Angus McIntyre - GAL</p>	<p>Angus McIntyre - GAL  Marcus Stanton - GAL  David Valentine - GAL  Sarah Haze - GAL  Willie McGillivray - GAL  Amelia Pearman - Virgin  Jennifer Newman - GAL  Michael Barker - easyJet  Jamie Hobbs - BA  Simon Elliott - Thomson</p>
<p><b>16-May-13</b></p>	<p>Alison Swain - BA  Jason Holt - easyJet  Joe Headey - GAL  Sarah Haze - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Amelia Pearman - Virgin  Jamie Hobbs - BA  Ben McMinn - easyJet  Allan Young - Virgin  Robert Drew - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  David Valentine - GAL  Angus McIntyre - GAL</p>	<p>Jason Holt - easyJet  Marcus Stanton - GAL  David Valentine - GAL  Sarah Haze - GAL  Michael Barker - easyJet  Jamie Hobbs - BA  Jennifer Newman - GAL  Simon Elliott - Thomson</p>

<p><b>29-May-13</b></p>	<p>Alison Swain - BA  Jason Holt - easyJet  Joe Headey - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Amelia Pearman - Virgin  Jamie Hobbs - BA  Ben McMinn - easyJet  Allan Young - Virgin  Robert Drew - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  Angus McIntyre - GAL</p>	<p>Angus McIntyre - GAL  Marcus Stanton - GAL  Amelia Pearman - Virgin  Jennifer Newman - GAL  Jamie Hobbs - BA  Chris Gadsden - easyJet  Robert Drew - GAL</p>
<p><b>11-Jun-13</b></p>	<p>Alison Swain - BA  Jason Holt - easyJet  Joe Headey - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Amelia Pearman - Virgin  Jamie Hobbs - BA  Ben McMinn - easyJet  Allan Young - Virgin  Robert Drew - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  Angus McIntyre - GAL</p>	<p>Angus McIntyre - GAL  Marcus Stanton - GAL  Ben McMinn - easyJet  Jennifer Newman - GAL  Jamie Hobbs - BA  Michael Barker - easyJet  Robert Drew - GAL</p>
<p><b>03-Jul-13</b></p>	<p>Vivek Argawal - EC Harris  Alison Swain - BA  Jason Holt - easyJet  Joe Headey - GAL  Willie McGillivray - GAL  Marcus Stanton - GAL  Amelia Pearman - Virgin  Jamie Hobbs - BA  Ben McMinn - easyJet  Allan Young - Virgin  Robert Drew - GAL  Simon Elliott - Thomson  Chris Gadsden - easyJet  Jennifer Newman - GAL  Angus McIntyre - GAL</p>	<p>Vivek Argawal - EC Harris  Angus McIntyre - GAL  Marcus Stanton - GAL  Robert Drew - GAL  Jennifer Newman - GAL  Jamie Hobbs - BA  Michael Barker - easyJet  Willie McGillivray - GAL  Ben McMinn - easyJet</p>



**04-Sep-13**

Vivek Argawal - EC Harris  
Alison Swain - BA  
Jason Holt - easyJet  
Marcus Stanton - GAL  
Amelia Pearman - Virgin  
Jamie Hobbs - BA  
Ben McMinn - easyJet  
Allan Young - Virgin  
Simon Elliott - Thomson  
Chris Gadsden - easyJet  
Jennifer Newman - GAL  
Angus McIntyre - GAL  
Jo Rettie - ACC Representative

Vivek Argawal - EC Harris  
Marcus Stanton - GAL  
Jo Rettie - ACC Representative  
Ben McMinn - easyJet  
Jennifer Newman - GAL  
(Jamie Hobbs to be briefed  
separately, unable to attend)

**Further GAL response to CAA query on the definition of average busy hour – 10 September 2013**

I think there has been a misunderstanding on the methodology and terminology. I think whoever wrote the original ACC response thought that we were using the busiest day to base our calculations, not the average busy day. As shown below, for modelling capacity we use the forecast busy Friday which is representative of what is typically scheduled for the July/August summer period. This is used for planning both Terminal and Piers infrastructure, as we need to be able to accommodate the demand during this busy period of the year within the agreed service standards. It also accords with the industry standard for planning to the “Busy Hour” or standard busy day.

The Pier Service standard is measured as a moving 12 month average, as per Annex H. The Pier Service which is modelled for the busy day therefore needs to be translated (accurately estimated using experience and judgement) into an expected level of pier service for the year. In order to do this, historic seasonal variation in pier service is used to determine a difference between peak summer and annual average pier service. An adjustment is then made to the forecast busy day PSL to translate it into an annual figure, as shown below.

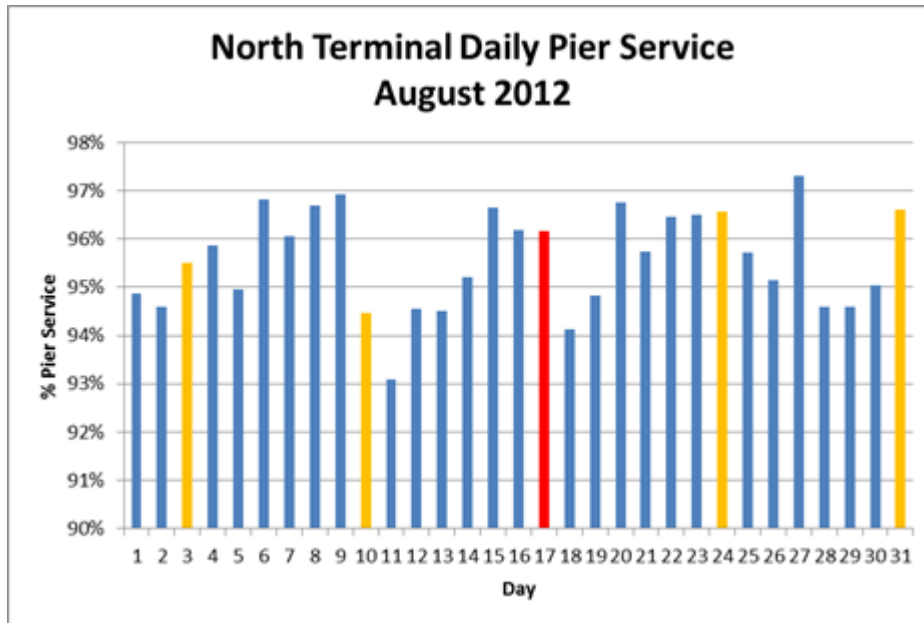
The table below shows the comparison between August PSL and annual PSL for the years 2006 to 2012. The average difference between peak month and annual average is 0.7% in NT. The modelled busy day NT Pier Service has been reduced by 0.7% in accordance with this to determine an estimated annual equivalent.

	North		South		Total		Total Difference	NT Difference
	Annual	August	Annual	August	Annual	August		
2006	93.3%	91.8%	91.5%	90.3%	92.3%	90.9%	1.4%	1.5%
2007	93.6%	93.0%	94.6%	95.1%	94.2%	94.3%	-0.1%	0.6%
2008	92.0%	91.2%	97.5%	97.3%	95.0%	94.5%	0.5%	0.7%
2009	93.1%	93.1%	97.2%	96.7%	95.4%	95.1%	0.3%	-0.1%
2010	93.7%	92.5%	96.5%	96.2%	95.3%	94.6%	0.7%	1.3%
2011	96.0%	95.6%	98.5%	98.4%	97.3%	97.1%	0.2%	0.3%
2012	96.4%	95.6%	99.5%	99.7%	97.9%	97.6%	0.4%	0.8%
<b>Average</b>							<b>0.5%</b>	<b>0.7%</b>

However, it is worth noting that future peak spreading could mean that the difference between peak and off-peak pier service reduces over time. Also, the nature of traffic is such that Long Haul (LH) and Short Haul (SH) stand demand peaks coincide in the winter months whereas in the summer the SH peak occurs before the LH. Future growth in LH may therefore reduce winter PSL more than summer.

The choice of the Friday (mid-August) used for modelling is based on experience and judgement over many years interpreting analysis and estimating future trends. The graph below shows the daily variation in NT PSL for August 2012. I have highlighted the Fridays in orange and the busy day, which forms the basis of the forecast schedule, in red.

There is a significant amount of day to day variation in PSL due to operational reasons, the exact timing of flight arrivals and departures and the quality of the stand plan. In this month the average August PSL was 95.6% whereas the Friday busy day was 96.2%. However, the average August Friday is 95.9%, very close to the August total. Due to the small sample size the median was chosen to be the best proxy for representing the moving 12 month average.



All of the above methodology was shared with the attendees of the Pier Service Working Group in the latter half of 2012. It is worth noting for the record that British Airways were represented at these meetings by their stand planning specialist, who contributed to the discussion, calculated an estimated forecast pier service using an alternative methodology and concurred with the results of the above proxy.

There are no redactions required. All of the data, interpretative analysis and material provided has already been shared with the ACC over the last 14 months.

# Airport Consultative Committee – Gatwick Airport (ACC)

Tim Griffiths  
Policy Regulation Group  
Economic Regulation  
Civil Aviation Authority  
CAA House, 45- 49 Kingsway  
London WC2B 6TE

13 September 2013

Dear Tim

## GATWICK AIRPORT PIER 6 SOUTHERN EXTENSION

Thank-you for letting the Airline Consultative Committee (ACC) have sight of Gatwick Airport Limited's (GAL) Pier 6 extension letter dated 9 September 2013 allowing us an opportunity to respond where necessary. Naturally, our views in previous letters still stand so we only comment briefly on those areas where there remains disagreement. This letter just makes comment on some of the key new areas in GAL's response.

Our main concern with GAL's last letter is the figures regarding pier service levels (PSLs) and the timings that GAL contends. The data that GAL now discloses regarding PSLs is not the data we believe we have seen. The numbers that GAL has recently issued are new to us. Therefore, not surprisingly, absent of any visibility of this new data our understanding is not consistent with what GAL are telling you.

In their letter GAL suggest that PSLs in the North Terminal will be approximately 93%. This includes the benefit of additional towing on the airfield. We cannot reconcile this with the data we agreed with GAL in May 2013. The table below sets out the forecast agreed with GAL, and shows that even if stand reconfiguration is not possible (as GAL has suggested based on work by Atkins) PSLs would only be reduced by 0.6 percentage points. This leaves an unexplained two percentage point difference between GAL's new forecast and the original one.

EZY Split scenario	Base line	incl stand reconfig	incl increased towing
<b>Original GAL Data (Shared with ACC, May 2013)</b>	92.4%	93.0%	95.9%
<b>Post Atkins report **</b>	92.4%	-	95.3%

\*\* This data was not provided by GAL but is based on our understanding of the PSL forecast without stand reconfiguration in place.

We are unable to find any evidence that GAL have presented a new PSL forecast to the ACC and nor does such a forecast appear on the GAL Constructive Engagement website.

We should also comment on GAL's presentation of the ACC supporting the Pier 6 South progressing through Tollgate 3. This agreement was based on certain conditions, and we note that GAL was not asking for support to build the project, simply to continue with its development work. An excerpt from the March 2013 JSG's minutes show just how specific we were in giving our conditional consent to progress through TG3. While we did not want

to halt GAL's progress to develop options for the next TG, we did not agree to move this project forward without more data and consultation.<sup>1</sup> It was not until the middle of May 2013 that we received the pier service level detail.

In sum, it will be a capital inefficient move to build this extension until it is clear that the demand is evident. Similarly, it would be folly to build such an extension only then to have it demolished should the planning of a second runway demand a third terminal at Gatwick in lieu perhaps of a pier extension. Without these questions being answered satisfactorily it would be premature to sanction such an extension at this stage.

Lastly, we are clear that GAL may have misrepresented matters by reporting that we have received all the data needed for us to make a decision on this project. The new GAL figures that you have in detail we have not seen before. Whilst we acknowledge the data that GAL presented to us during earlier consultation this is not the same detail GAL disclosed to us both in their August correspondence.

Yours sincerely



Jason Holt  
Chairman  
Gatwick Airline Consultative Committee

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<sup>1</sup> "Delivery of 95% Pier Service (NT) – Tollgate 3 JN introduced this item by stating that GAL were not looking at this time for the ACC to support the Pier 6 Southern Extension construction but to support the amount of work done up to this stage on feasibility studies and option development. JN explained that the project can then pause at the end of the preliminary design stage this would add cost, but not so much as if it stopped now. CG stated that the ACC had no concern with the project going to Tollgate 3 if all other solutions to provide 95% Pier Service in the NT can also be progressed at the same speed. He clarified that the solutions referred to were the ST Pier 2 and Pier 3 reconfiguration, the blast wall alterations and the MARSing of Pier 4 and Pier 6 stands in the NT."

The ACC and GAL have reviewed the information discussed in the letters that have been exchanged between ourselves and the CAA and have reached agreement on the elements which have been shared and those that have not. In short, with the exception of the clarifications below, we agree that all of the information in the letter from GAL to the CAA dated the 12<sup>th</sup> August 2013 has been shared with the ACC.

1. As stated in GAL's initial response of 9<sup>th</sup> September, the PRM data in section 3 of GAL's letter of 12<sup>th</sup> August had not been previously shared with the ACC.
2. Having checked the information shared, we can confirm that the conclusions regarding the coaching passengers in section 2 of the letter; in particular the reference to 1.4m passengers per annum will require coaching by 2018; and the fact that when complete circa 8m passengers per annum will use the new Pier 6 had not been previously shared with the ACC. However, the data that this was drawn from - the schedule – was the schedule that we had all agreed to use for the Pier service modelling work. GAL note that during our working group this is not a topic that came up or was discussed and that GAL were specifically responding to the point in the CAA's initial proposals where it was stated that the extended pier would serve only 9% of passengers. The ACC does not endorse the coached and total Pier 6 passenger numbers as being accurate, as stated in their previous correspondence.
3. In section 5, GAL has referred to the assumption of a maximum of 9 tows per hour. GAL understands that this can be interpreted that the graph below the text infers 9 tows per hour in its assumptions. GAL have confirmed that this is not the case and that the tow assumptions behind this graph reflect the overall volume of towing that is currently observed and apologise for the confusion the wording caused. To ensure clarity, GAL's assumptions behind this graph have been updated below:
  - a. Maximum of 9 tows per hour as agreed with NATS – in this graph the maximum possible towing has not been assumed (maximum possible is as per the table that leads to 95.3% in easyJet split scenario quoted in the ACC's letter of 13<sup>th</sup> September 2013). The ACC believes that this could be increased to 96% with the inclusion of additional stand reconfigurations. The assumed towing for this graph reflects the overall volume of towing that has been normally observed, minus the additional towing being carried out this summer (and last) by the Handling Agents, paid for by GAL. This is seen by GAL as a short term measure owing to the loss of stands due to work on Piers 1 and 5. The exact towing data modelled is attached below and is compared to that used in the maximum scenario (maximum based on limits and forecast requirement).
  - b. Benefit of GAL taking ownership of the passenger call to gate operational process
  - c. Use of GAL high case forecast
  - d. Uplift of 0.7% is added to the average busy day PSL to reach an annual equivalent. GAL previously relied on the average busy day in August as a good proxy for the annual equivalent. Following the subsequent refinement to included arriving and departing passengers the ACC supported this methodology. Further analysis of data by GAL has shown that on average there is a 0.7% difference between the average busy day and the moving annual total. Therefore this refinement has been made –  $92.4\% + 0.7\% = 93.1\%$ , rounded to 93%. The full explanation was provided earlier this month in an email to the CAA which was then subsequently shared with the ACC.

We hope that this provides the clarity the CAA require and confirm that the ACC and GAL are now aligned on what information has and has not been shared prior to GAL's letter to the CAA.

