

YOUR LONDON AIRPORT

Gatwick

10 MARCH 2014

Iain Osborne
Group Director, Regulatory Policy
Civil Aviation Authority
CAA House,
45-49 Kingsway
London
WC2B 6TE

REF: LGW-BQ5-313

Dear Iain,

Market Power Determination in respect of Gatwick

I am writing to inform you that the GAL Board has decided that it will not appeal the CAA's Market Power Determination.

The GAL board was most grateful to you and Mr Webster for taking time to attend their meeting on 29 January 2014. The discussion was helpful and informed the Board's final decision not to appeal. We note that the CAA has today published an agreed note of that meeting.

As you know, GAL believes firmly that it operates in a competitive market with other airports in London and the South East and beyond and that none of Tests A, B and C is satisfied. There are therefore important aspects of the Determination with which GAL disagrees and which its legal team considered could be challenged on an appeal to the Competition Appeal Tribunal.

Nevertheless, the GAL Board welcomed the CAA's recognition in the final Determination of the Commitments and expects our customers and users to benefit significantly as a result.

The Board has therefore decided to give priority to managing its business under the new regime, without being distracted by litigation. This means that, rather than arguing in the Tribunal about what is likely to happen in the market, GAL will focus on continuing to actually deliver changes which we believe will benefit airlines, passengers and other users.

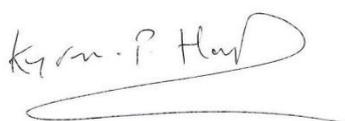
If, as the GAL Board believes is likely, circumstances change in future, it will at that time consider requesting the CAA to reconsider the Market Power Determination because of a material change of circumstances. We appreciate that any such application will need to be considered on its facts when it is made. However, we have firmly in mind that in the BAA inquiry, the Competition Commission envisaged that there would not be a need for regulation of Gatwick in perpetuity, albeit that it "may" extend beyond Q5.

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We look forward to demonstrating to you and your colleagues the ongoing benefits to passengers and users of Gatwick's Commitments and bilaterals regime. We are content for you to publish this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Kyran Hanks", with a long horizontal flourish underneath.

Kyran Hanks
Strategy and Regulation Director