

Nick Dunn
Chief Financial Officer
Gatwick Airport Limited
Destinations Place
South Terminal Gatwick Airport
West Sussex
RH6 0NP

Jamie Hobbs
Chair
Airport Consultative Committee
3rd Floor South Terminal Gatwick Airport
West Sussex
RH6 0DW

8 October 2018

Dear Nick and Jamie

Thank you for the joint response from Gatwick Airport Limited (GAL) and the Gatwick Airport Consultative Committee (ACC) to our recent consultation (CAP 1684) on the future economic regulation of GAL. I am very pleased that you have reached agreement on a collaborative approach to negotiating a new set of regulatory arrangements. The CAA supports this approach and stands ready to offer any assistance or guidance that could be helpful over the coming months.

I am keen to allow the maximum opportunity for airlines and GAL to shape the new arrangements, and therefore do not expect to prescribe in advance a set of detailed requirements in relation to consumers' interests. Nonetheless, it is also important that you rise to the challenge and deliver on the expectations that we set out in CAP 1684, including the issues summarised below.

1. As noted in CAP 1684, the CAA's 2016 review of the commitments framework identified several concerns, including differing views about the need for and nature of airfield investment to deliver services in consumers' interests. I hope the process described in your response will provide a full opportunity for stakeholders to consider possible ways in which the current commitments framework could be refined or improved.
2. I am encouraged to see that you intend to commission independent research on passengers' expectations of the airport over the next decade. I hope that this research, and GAL's consultations with airlines and the Gatwick Passenger Advisory Group on the 2019 Capital Investment Programme, can provide a strong foundation for an open and constructive dialogue about the airport outputs and outcomes that will best serve consumers' interests over the period of the new arrangements and how best these can be embedded in the new regulatory arrangements.
3. The CAA will look to GAL to provide compelling evidence that any proposal represents a good deal for consumers, and that this will continue to be the case under range of plausible scenarios. This is particularly important given that the aviation industry is facing a period of significant uncertainty, reflecting the possible impacts of Brexit, Heathrow expansion and GAL's updated Master Plan, and as well

as macroeconomic and aviation industry developments. A proposal that ensures that consumers will continue to receive value for money under a range of different circumstances will help to maintain the legitimacy of our current approach to regulating GAL.

Thank you again for your encouraging response. Please do not hesitate to get in touch if you have any questions or there are any issues that it would be helpful to discuss. I think it will be useful for us to stay in touch over the coming months so I can understand progress on these important discussions, in addition to normal working level meetings.

I will arrange for this letter, together with all the responses to CAP 1684, to be placed on the CAA's website. This will allow stakeholders to see your proposed approach and the CAA's endorsement of it as an appropriate way forward.

Yours sincerely

A handwritten signature in black ink that reads "Paul Smith". The letters are cursive and slightly slanted to the right.

Paul Smith
Director, Consumers and Markets Group