



Mr Stephen Gifford
Head of Economic Regulation
Civil Aviation Authority

Via Email Only

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Transport for London
City Planning

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Dear Stephen

I am writing in response to the fifth consultation by the CAA on the economic regulation of Heathrow airport in the context of expansion. The latest consultation document responds positively to many of the issues raised by TfL in the previous consultations with regard to the funding of surface access, notably that non-airport users should not be cross-subsiding the provision of infrastructure the airport requires. I also welcome the dialogue that the CAA has since initiated with TfL on these matters.

Notwithstanding the judicial review challenge of Heathrow expansion currently under way – being brought by the Mayor of London and others, primarily on environmental grounds – it remains our view that if it were to proceed in some form, it must be both environmentally and financially sustainable and not place intolerable burdens on Londoners.

I recognise the emphasis that the CAA places on the “user pays” principle. But narrowly interpreted, there are examples in the UK and around the world where this principle has resulted in rail passengers to airports bearing a significant burden for the costs of rail infrastructure to the airports in the form of a substantial fare premium. In the context of securing mode shift to sustainable modes, this has the perverse result of reducing the potential of the rail infrastructure to attract airport users from their cars.

I would therefore urge the CAA to take a more holistic view of the “user pays” principle, namely that those who use the surface access as a whole to and from the airport should bear the burden of the costs of improving the overall surface access offer. How those costs are then exactly divided between different surface access users can then reflect sustainable policy objectives, with road user charges and parking charges going to fund rail and other sustainable transport investments. Such an approach ensures the “user pays” principle works with, not against, a sustainable mode share strategy, helping ease the worsening air pollution and pressure on scarce highway capacity that expansion threatens to bring about.

I welcome the recognition by the CAA that the surface access costs to be associated with expansion are not narrowly limited to the infrastructure required to plug the airport into the wider network but must also, for example, take account of the capacity that those airport services and users occupy, including the re-provision of capacity for non-airport users if required. There also needs to be an understanding that crowding on

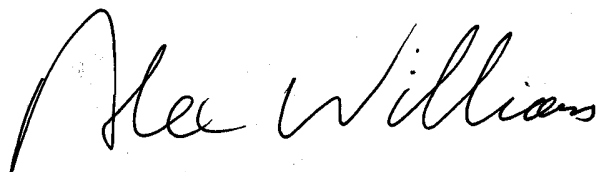
public transport services because of constrained capacity, even if only partially attributable to airport users, risks having a disproportionate impact on the ability of the airport to secure sustainable mode shift. If severe crowding results in a markedly less comfortable experience, not to mention a less reliable service, that will reduce the ability of the airport to shift its users out of their cars.

I would also advise extreme caution with regard to the proposed refinement of the CAA's approach to the surface access cost baseline, which now seeks to exclude "surface access investments which would be supplied by Government assuming that the surface access demand arising from the airport is at a level which arises from its current capability." It is not at all clear why incremental, non-expansion, airport growth should be the responsibility of the taxpayer rather than airport users (nor is it clear that such an approach is compatible with state aid law). In a national political climate where funds for public transport investment are limited – even for schemes with a good business case – the prioritisation of a particular scheme that would support the airport, alongside other benefits, cannot be taken for granted, especially if it remains uncommitted and unfunded.

I cannot stress enough the importance of securing sustainable mode shift as part of any airport expansion scheme. Heathrow Airport Limited itself recognises this in its pledge for no increase in highway traffic. If this is not secured, it risks significant worsening of air pollution and highway congestion, with dire impacts for public health and quality of life. Moreover, without a comprehensive surface access package, the airport's own competitive proposition will be seriously harmed as the surface access networks serving the airport become increasingly congested and unreliable. It is imperative that sustainable mode shift is at the core of the CAA's regulatory policy on surface access and that the approach to funding surface access reflects the criticality to airport expansion of achieving that mode shift.

I look forward to working with the CAA as it refines its policy and seeks to apply it to the challenges ahead.

Yours sincerely

A handwritten signature in black ink that reads "Alex Williams". The signature is fluid and cursive, with the first letter 'A' being particularly large and stylized.

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Copy to: Abigail Grenfell - CAA