



By e-mail:

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Dear Stephen

The aviation sector plays a valuable role supporting the London economy enabling trade investment and tourism. There are sound arguments for providing new aviation capacity; but this must be done on a basis that is environmentally sustainable - and we have deep reservations about whether that is achievable at Heathrow - and it must also be financially sustainable.

The principles of the latter is the subject of the first consultation by the CAA on the economic regulation and it is important that the interests of Londoners are represented, both as customers and taxpayers.

Firstly, any new regulatory regime should follow through on the Secretary of State's commitment that there will be no taxpayer support for the project. This includes hidden subsidies such as risk guarantees. Taxpayers ought not to be called on to support a project which, Heathrow Airport Limited has made clear to date, does not require public funding.

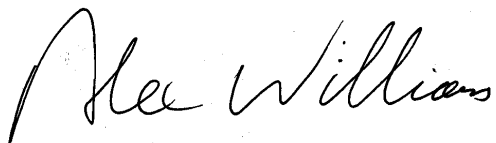
The Secretary of State has also said that any increase in landing charges should be limited. This view is echoed by the airlines, as set out in the consultation material - and we should be mindful that any excessive increase would likely end up being passed onto users. This is important, if the economic benefits to London are not to be undermined by unduly high rates for passengers and freight.

It is surely fair that the international investors in Heathrow who have most to gain financially from expansion should bear a commensurate amount of the financial burden and risk and we would look to the CAA to ensure appropriate safeguards are in place. Similarly, we would caution against any extension of the five-year regulatory period which might reduce the oversight of the airport's operations and charges.

A particular issue that needs to be addressed is the role of the airport in funding surface access. Access to any airport is fundamental to the airport's competitive proposition. But the need for new surface access infrastructure takes on particular importance for Heathrow expansion, given the real risk that it would exceed legal limits for air quality and the associated aspiration for no increase in passenger and staff highway trips. To date, the CAA's interpretation of the current regulatory regime has been very limited in determining the airport's contribution towards surface access infrastructure, as evidenced by its decision to reduce the airport's contribution for Crossrail. The CAA must ensure that any new regime ensures the airport contributes its fair share to any new infrastructure projects to be taken forward serving the airport - reflecting i) the airport demand, ii) the additional infrastructure cost to plug the airport into the existing network without detriment to non-airport services and iii) the extent to which such schemes are required to deliver the mode share aspirations and air quality objectives. If Heathrow's mode share aspirations were to be achieved, the number of passengers and staff using public transport would more than triple - and there would be concerns if the CAA sought to lay the burden on Londoners of the new surface access links this requires.

The Mayor remains deeply concerned about the noise, air quality and surface access impacts of a third runway at Heathrow, and he would not wish to see the public, as customers and taxpayers, also required largely to pay for it, including the new surface access infrastructure needed for expansion. We trust the CAA will discharge its duties carefully - and ensure it maintains a level playing field for all the London airports - as it considers a new regulatory regime.

Yours sincerely,

A handwritten signature in black ink that reads "Alex Williams". The signature is written in a cursive, flowing style.

Alex Williams

Acting Managing Director of Planning, TfL Planning