

Report from the Chief Executive 14th October 2010

This report covers performance, people and external activity for the July - September 2010 period.

Overview

- Funding agreed for Airport Rail Station development
- Permission granted for commercial A380 operations
- Strong security performance
- Passenger service innovations
- 10.3m passengers over period
- Award for Outstanding Customer Service Training

At the last meeting I mentioned we were preparing for the challenge of our first summer. We have been busy this last quarter and our performance in recent months has seen us deliver the best possible service to all our customers – passengers and airlines alike – reinforcing our aim to become London's airport of choice.

Indicators of the better - and improving - experience for our airport users can be found in the recent airport service quality results that put Gatwick in the top three of all EU airports. It is demonstrated by the fact that, for the first time, Gatwick is receiving bonuses from our airlines (rather than paying penalties) for greatly enhanced customer service. Most tellingly, it can be found in the news that passenger complaints related to security queuing and processing have fallen by an amazing seventy per cent, while overall, compliments have increased by 100%. These indicators represent real progress and underpin our assertion that our focus is firmly fixed on enhancing the overall passenger experience. There is still work to do and we continue to meet with our airport partners to explore how we can introduce new ways of working together to improve efficiency in our airport, but the past quarter has seen significant momentum.

The roll-out of our extensive capital programme continues with pace. At the beginning of the period in July we re-opened the newly refurbished inter-terminal shuttle and new Interchange at North Terminal two months ahead of schedule. North Terminal is also witnessing progress with the Multi Storey Car Park taking shape and the first parts of the structure for the terminal extension already visible. In South Terminal we closed the retail village to begin construction of a new dedicated 19-lane security search area. Work also began on the refurbishment of the immigration hall to provide a better welcome for passengers.

GATCOM is aware that Gatwick has the infrastructure to handle A380s on diversion from Heathrow. In August we submitted a planning application to allow scheduled and charter A380 aircraft flights to and from Gatwick and just this week Crawley Borough Council granted permission for the application. This will help to position Gatwick as we compete globally for new long-haul routes and business passengers. Turning to traffic over the last quarter; 5.17m passengers departed while 5.15m passengers arrived at our airport (a 2.3% drop overall compared to same period last year). While this may reflect the current trend across the global airports sector, it should be noted that Gatwick secured an average load factor of 85% over the summer period. Within that, the month of August achieved a record 87% average load factor

We are committed to taking control of the overall passenger journey through our airport, this will involve us talking to airport partners about new approaches, standards and requirements. We have already illustrated our intent with our dedicated focus on the PRM service – and the results are evident; across the last quarter 99.7% of PRM flights were serviced successfully. On one single day in September 1,600 PRM requests were processed. There remains an issue with large numbers of passengers not giving pre-notification, however we are talking to our airlines about how to improve information processes on the overall PRM process. Our new service will be launched at Gatwick on 1st November to meet the expectations and needs of our passengers.

YOUR LONDON AIRPORT

Gatwick

It is noticeable that the most significant area of complaint this quarter continued to be baggage delivery delays. One innovation we have introduced is on arrivals baggage reclaim. During the last period we began placing posters in the baggage halls to enable passengers to compare how airlines are performing against each other on delivery times. We have received positive and encouraging feedback from passengers.

We welcomed new services to previously unserved destinations with EasyJet and Flybe commencing services to Nantes and Tunisair beginning flights to Enfidha. EasyJet also added Gothenburg, Sweden, to their route network. We had great news from BA in September when it announced it would grow its route network at Gatwick by starting a new service to Cancun in November and increase the frequency of flights to Tampa, Barbados, Antigua, St Lucia and Cancun. BA now has an extensive programme of domestic, European and long-haul destinations from Gatwick and my team enjoy a strong working relationship with the airline. BA has also been one of the first airlines to use new paperless boarding passes via mobile phones. This technology, that Gatwick launched in September, allows passengers to have a barcode scanned at check-in to speed up the boarding process. Alongside BA, Qatar, Emirates and Norwegian airlines have all moved to adopt this latest airport technology. The DfT has expressed interest in this development.

As we improve customer service, continue capital works and build our route network we are aware of the need to balance development with sustainability considerations. In July we achieved the Carbon Trust Standard for our approach to carbon emission reduction. This made Gatwick the largest UK airport to achieve both the Carbon Trust Standard and ISO14001 certification. In August we launched our new environment strategy and sustainability policy; *"Decade of Change"* has stretch targets through to 2020 and will include the appointment of Airport Environment Partners across the Gatwick workforce who will be responsible for embedding these targets within their departments. In September we resubmitted our draft Noise Action Plan (NAP) to the DfT and DEFRA after making amendments agreed at a meeting with senior officials earlier in the summer. We understand the NAP will be adopted by the Secretary of State at end 2010

We continue to build our voice with external policymakers and decision-takers. The Minister for Tourism visited Gatwick in July as part of the development of a new tourism strategy while in August the Minister for Aviation undertook a tour of both terminals to see the changes underway across the airport – the Minister was particularly impressed with our new 'assistance lanes' for travellers who require a slower pace through security such as families with small children. The new South East Airports Taskforce chaired by the Aviation Minister has met twice in the past quarter in July and September and has seen Gatwick sitting alongside Heathrow and Stansted as well as major airlines and other partners to discuss ideas on how the overall passenger journey to, through and from the nation's major airports can be improved. Gatwick has highlighted several matters including the importance of the Gatwick Express and improved east/west rail links.

We also tabled the Rail Station refurbishment as a matter for focus and discussion, and just as this report was being prepared we announced that the improvements to station will now be funded jointly by Network Rail and ourselves. This scheme, to which Gatwick has contributed £7.9m, will see an upgraded rail station to serve the new, modern airport. It will support our efforts to encourage more passengers to travel to and from Gatwick by rail as we view it as the most environmentally sustainable form of surface access transport. I am delighted that we have secured this funding agreement and look forward to the station's improvement.

Gatwick had a presence, in its own right as an independent airport, at the three main political party conferences this year. I attended the Conservative Conference in Birmingham where I had meetings with Ministers and MPs. We also hosted a small private conference dinner with local MPs Henry Smith, Sam Gyimah and Crispin Blunt as well as several other figures from the transport sector.

Of course as we strive to compete and develop an exciting new offering for our airlines and passengers, it is our people that are making Gatwick a better airport. I am proud that our staff rose to the challenge of our first summer in new ownership and delivered a sound performance. We previously committed to developing a trained, capable staff focused on delivering a quality service at all times and I am delighted to report that last week Gatwick was presented with the award for 'Outstanding Customer Service Training' during National

YOUR LONDON AIRPORT

Gatwick

Customer Service Week by the Institute of Customer Service. This relates to the training programme we are undertaking with Tourism South East on the 'Welcome Host' City & Guilds qualification that will involve all our front line staff and deliver a better service for all passengers.

Traffic Performance

The months July to September marked Gatwick's peak summer period. Traffic over these months accounted for over 33% of total traffic at year end September 2010. Across these months 10.3 million passengers passed through Gatwick's doors. This was a reduction of 2.3% on the same period last year as the economy continues to impact leisure travel demand.

Demand and hence capacity experienced a dip in some of the major markets served from Gatwick this quarter, although growth was evident in smaller markets. The largest EU destination country, Spain, saw a decline in passenger numbers of 9.5% year on year as capacity was reduced at a similar level. Italian and Turkish markets exhibited declines that remain attributable to an adverse economic climate affecting travel to these largely leisure markets. Traffic to the UK and Channel Islands fell 2.6%. However it is pleasing to note that traffic to our largest African market, Morocco, rose over 29% as demand presented itself.

Average load factors this quarter reached 85%, a rise of 1.1 percentage points on the same period last year resulting from capacity consolidations. Equally, the average number of passengers per movement rose from 144.5 to 148.

This quarter we welcomed new services to Gatwick. EasyJet and Flybe commenced services to Nantes and Tunisair began flights to Enfidha, Tunisia. Both previously un-served destinations from Gatwick. EasyJet also added Gothenburg, Sweden, to its route network.

Cargo tonnage showed growth of 37.9% at year end September 2010. Positive growth is a continuing trend both on a monthly and 12 month basis - often an early indicator of improving economic conditions.

Details of Gatwick's traffic performance for the quarter (July – September 2010):

	July - September 2010	% Change
Total passengers	10,330,957	-2.3%
Air Transport Movements	69,853	-4.5%
Cargo (tonnes)	26,568	55.1%
Mail (tonnes)	1,109	-2.0%

Customer Service

We continue to concentrate our focus on improving service and during the summer we worked closely with airlines, handling agents and other airport partners. We are introducing new processes and initiatives at every step of the passenger journey and one key innovation we have introduced is on arrivals baggage reclaim. During the last period we began placing posters in the baggage halls to enable passengers to compare how airlines are performing against each other on delivery times.

YOUR LONDON AIRPORT

Gatwick

Service Quality Rebate (SQR)

Both terminals achieved all SQR targets¹ this quarter with the exception of North Terminal which failed to achieve and paid a penalty for Inter Terminal Shuttle SQR target in June; this related to a number of snagging faults in the system in the first month of running. Gatwick received a bonus for arrivals reclaim and PSE general where both terminal exceeded SQR targets.

Quality of Service Monitor (QSM)

This quarter both terminals passed all four QSM SQR measures² with the exception of South Terminal way finding (failed to achieve target all three months this quarter). Gatwick received a bonus where both terminals exceeded QSM SQR targets for flight information and departure lounge seat availability and paid a rebate for the failure of South Terminal way-finding SQR target.

Non-achievement of South Terminal way-finding QSM SQR YTD target is mainly due to poor passenger perception of arrivals ease of way-finding and departures ease of way-finding both measures contribute to 88% of the overall QSM SQR score. Way-finding improvement projects are currently underway and have resulted in some improvements in score month-on-month.

QSM (passenger perception)

Of the 43 departures and 25 arrivals measures in the QSM survey, terminal transit waiting time and trolley availability scored the highest respectively. Loudspeaker announcements and method of disembarkation via coach / bus scored the lowest respectively. Way-finding between terminals (departures) showed the biggest improvement this quarter compared to the same quarter last year. Terminal transit waiting time (arrivals) showed the biggest improvement this quarter compared to the same quarter last year.

Departures		Arrivals	
5 Best scores this quarter		5 Best scores this quarter	
Terminal transit waiting time	4.36	Trolley availability	4.28
Understanding flight information	4.34	Method of disembarkation via Jetty / Pier	4.18
Security feeling of being safe and secure	4.30	Terminal transit waiting time	4.10
Trolley availability	4.28	Method of disembarkation via all methods	4.04
Ease of finding flight information	4.27	Finding way to border control	4.04
5 Worst Scores this quarter		5 Worst Scores this quarter	
Loudspeaker announcements	3.40	Method of disembarkation via coach / bus	3.03
Departure lounge crowding	3.52	Method of disembarkation via steps/tarmac	3.38
Departure lounge comfort of seat / seating area	3.57	Disembarkation experience bus journey to terminal	3.45
Gate area overall style / look	3.58	Ease of obtaining help on arrival at gate	3.51
Gate area facilities provided	3.65	Baggage reclaim crowding	3.58

¹ SQR measures: Stands, Jetties, Pier Service, FEGP, Passenger Sensitive Equipment (PSE) Priority, Passenger Sensitive Equipment (PSE) General, Inter Terminal Shuttle, Security Queuing < 5 minutes, Security Queuing < 15 minutes, Arrivals Reclaim, Congestion term, Transfer search < 10 minutes, Staff search < 5 minutes, Staff search Jubilee house < 10 minutes, Staff search Concorde house < 10 minutes and Control posts search < 15 minutes.

² QSM SQR measures: Departure lounge seat availability, Cleanliness, Wayfinding, Flight Information.

YOUR LONDON AIRPORT

Gatwick

On time departures

5,158,819 passengers departed on board 34,881 flights this quarter. Across the quarter, 61.5% of flights departed on time from Gatwick with a 24.8 minutes average delay across all flights. There was 11.7% drop on performance this quarter compared to the same quarter in 2009.

On time arrivals

5,172,138 passengers arrived at Gatwick on board 34,942 flights this quarter. Across the quarter, 72.9% of flights arrived on time at Gatwick with an average delay across all flights of 24.2 minutes. There was 10.2% drop on performance this quarter compared to the same quarter in 2009.

We continue to work with our airport partners to explore how, together, we introduce new ways of working to improve the efficiency of flights to and from our airport.

Passengers with Reduced Mobility (PRM)

This quarter 94,800 passengers were provided with PRM services. That was 13.7% more than forecasted for the quarter and 12% more than in the same period last year. 99.7% of the 38.9k PRM flights were serviced successfully, with 122 accepted delays. Across the quarter, PRM operations were hampered by resource constraints, late passengers and volume of non-pre-notified / no-show PRM passengers (particularly those arriving) and G4S operating outside of SLA.

Arrivals Baggage

This quarter, 96.1% of all arriving flights last bags were delivered to the reclaim belts within 55 minutes of CHOX on, 1.2% below same quarter last year. 1,366 flights exceeded 55 minutes, the majority due to handling agent staffing issues. On average this quarter first bags were delivered to reclaim belts within 18 minutes of CHOX on and last bags within 30 minutes.

Passenger Feedback

The third quarter of 2010 saw a reduction in passenger complaints from 1,270 to 995 - down 22% in comparison with the same period in 2009. Complimentary feedback increased by 94% from 62 to 120.

The complaint/compliment ratio this quarter is 8:1 which compares favourably with the same period in 2009, which was 20:1.

Top five areas of complaint from July to September 2010:

- Baggage delivery waiting time (72)
- Airline service issues (71)
- Short stay car parking tariff (34)
- Special assistance service (31)
- North Terminal forecourt congestion (29)

Top five areas of compliment from July to September '10:

- Airport staff helpfulness (36)
- Security staff (27)
- Special assistance service/staff (14)
- Security special assistance/Fast track lanes (12)
- Airline/handling agent staff (8)

The most significant area of complaint this quarter continues to be baggage delivery delays which are up by 31% from 55 to 72. The majority of complaints occur when easyJet flights arrive off-schedule during the late evening/night time period when baggage handling resource is more limited.

The increase in short-stay car parking charges on 17th July has resulted in a rise in complaints (increase from 4 to 34 this quarter). In addition the significant building work on the NT forecourt has attracted negative feedback relating to the congestion in this area.

YOUR LONDON AIRPORT

Gatwick

There are two areas which continue to show positive improvement, particularly pleasing as both attracted the highest number of complaints in 2009:

Complaints relating to security staff attitude are down by 70% from 95 to 29 in comparison with the same quarter last year.

Complaints relating to the special assistance service provided by G4S have reduced by 86% from 222 to 31.

Development

Delivery of our capital investment programme continues at pace with passengers already enjoying the benefits of the new inter terminal Shuttle and the North Terminal Interchange. In South Terminal the last gaterooms on Pier 2 are almost complete, giving passengers lighter, brighter surroundings and plenty of seats while they wait to board their aircraft. The A23 link road is now also complete, relieving the pressure on the A23 and supporting local bus services to the airport.

Progress is being made in North Terminal with Multi Storey Car Park 6 now rapidly taking shape. Our first ever car park to be manufactured off site, this new approach is reaping rewards in efficient construction. Nearby, the first parts of the structure for the North Terminal Extension are already visible. The extension will give our passengers the space and additional facilities needed in both departures and arrivals, to keep them moving on their journey through Gatwick.

On the airfield, the North West Zone project, which has already delivered six large aircraft stands and the large landscaping bund for summer operations, is now on track to complete the balancing ponds and aircraft washing facilities as planned at the end of November. Work is also starting on resurfacing Taxiway Lima, our most photographed taxiway passing under the Pier 6 Bridge.

In South Terminal there is a huge amount of energy being focused around the large number of projects planned to transform the experience for passengers over the next few years. The coming months will be challenging as construction activity in a busy terminal will cause disruption, and a great deal of work is being done to carefully plan and manage these impacts. The Southern Entrance Bridge has now been closed until March 2011 to enable the construction of the new entrance. In March the southern bridge will reopen and the northern bridge will be closed for a similar period of time. Inside the Terminal, the majority of the Village retail and catering area has closed, to make way for the construction of the large new security search area, which will provide 19 lanes in a single location next year. Construction of two of the three new escalators which will take passengers from check-in to security is already underway. Now that the busy summer period is over, work has begun on improvements to the layout of the Immigration Hall with refurbishing of the walls and floors being undertaken to create a brighter welcome to Gatwick and the UK.

Our plans for a new baggage system and pier service in South Terminal have now evolved. A single facility which delivers a new baggage system next to the Terminal is now being developed, including the demolition of Pier 1 and new pier served stands integrated within the overall design. This approach means that we can deliver more benefits for less.

We have been busy putting in place the right organisation, and processes that will enable us to deliver the capital investment programme efficiently and effectively. Safety is of course fundamental to this and we have recently appointed a CIP Safety Programme Manager to ensure that safety is more than just a priority, it is how we do business.

People

In September Tina Oakley joined our Executive as HR Director. Tina who joins Gatwick from P&O Ferries and previously was HR Director at British Airways for 18 years, brings strong experience of organisational transformation. She will lead the transformation of Gatwick as a stand alone business.

YOUR LONDON AIRPORT

Gatwick

In August Sarah Baranowski joined as Head of Media Relations. Sarah was previously with Tubelines when it operated underground trains on part of the London tube network. She has proven experience and a good grasp of issues in the broad transport sector.

Mike Luddy, Chief Commercial Officer decided to leave the business to pursue new career opportunities external to the airport, a decision made in mutual agreement with the company. I would like to thank Mike for his considerable contribution in the past two and a half years in leading our commercial activities.

Robin Longden joined Gatwick to lead our commercial activities on an interim basis, until a permanent appointment is confirmed. Robin has extensive commercial experience in a wide variety of industry sectors, in the UK and internationally. He has held senior management positions with blue chip companies including Cadbury Schweppes, Hewlett Packard and Premier Foods.

External Affairs

We continue to build our voice with external policymakers, decision-takers and key influencers. The Minister for Tourism visited Gatwick in July as part of the development of a new tourism strategy while in August the Minister for Aviation undertook a tour of both terminals to see the changes underway across the airport – the Minister was particularly impressed with our new ‘assistance lane’ for travellers that require a slower pace through security such as families with small children.

The new South East Airports Taskforce, chaired by the Aviation Minister has met twice in the past quarter in July and September and has seen Gatwick sitting alongside Heathrow and Stansted as well as major airlines and other partners to discuss thoughts and ideas how the overall passenger journey to, through and from the nation’s major airports can be improved. Gatwick has used the opportunity to flag matters of concern like the delayed Rail Station development, importance of the Gatwick Express and east/west rail links. We will be active within subgroups on more detailed work streams such as on resilience and passenger views.

Gatwick Airport had a presence, in its own right as an independent airport, at the three main political party conferences this year. I attended the Conservative Conference in Birmingham where I had meetings with Ministers and MPs. Gatwick also hosted a small private conference dinner with local MPs Henry Smith, Sam Gyimah and Crispin Blunt as well as several other figures from the transport sector.

We have submitted responses to the following Government consultations;

- Parliamentary Transport Select Committee consultation on ‘Transport & Economy’
- Parliamentary Business Select Committee inquiry on ‘The New Local Enterprise Partnerships’
- Government departmental (DCLG) consultation on ‘Cutting Red Tape’

We will be responding to future Government consultations on Reforming Rail Franchising and on proposed changes to the Environmental Impact Assessment regulations on local planning.

We have been involved in discussions about the formation of Local Enterprise Partnerships (LEPs) and await with interest, further details from government on their structure, role and responsibilities.

A number of profile pieces and interviews on the airport and myself have been undertaken in the national press and a number of business publications.

Sustainability

Our programme of S106 meetings continues with our local authorities. Our 2009 performance against the obligations and commitments contained within the S106 Legal Agreement has now been verified by SKM Enviro. The final report has been published on the Gatwick website under the title ‘Sustainability Performance Review 2009’.

YOUR LONDON AIRPORT

Gatwick

Locally we continue to work with the Gatwick Diamond, West Sussex Sustainable Business Partnership, Crawley Local Economy Action Group. We support CBC's approach to developing a short/medium term local economic strategy and we were a key sponsor of the Gatwick Diamond Meet the Buyers event held in July.

Initial estimates suggest this event will result in airport and local authority buyers placing around £2.5m worth of trade with local suppliers over the next 12 months.

In July we achieved the Carbon Trust Standard for our approach to carbon emission reduction and management. In the last quarter, this made Gatwick the largest UK airport to achieve both the Carbon Trust Standard and ISO14001 certification.

Our new environment strategy and sustainability policy was launched in August under the banner of a 'Decade of Change'. The strategy includes stretch targets through to 2020 and the roll out will include the appointment of 'Airport Environment Partners' across Gatwick's workforce who will be responsible for delivering and embedding these plans within their department. We have received a high level of interest from across the business and externally we continue to engage with key airport business partners to facilitate their support for this programme.

Under the European Noise Directive (END) we are required to develop and publish a noise action plan. We have met with senior officials at DfT and DEFRA who have confirmed that our submitted action plan is consistent with the guidance published. The latest feedback we have is that the noise action plan will be adopted by the Secretary of State by the end of 2010.

We have maintained an ongoing engagement programme on air quality management with Reigate & Banstead Borough Council (RBBC). Part of this work includes a feasibility study looking at providing pre-conditioned air to aircraft on stand and air quality modelling (in line with the S106 Legal Agreement). We have shared our S106 air quality modelling work (undertaken by AEA technology) with RBBC - the model results show a favourable position for Gatwick in 2015.

We continue to participate in the Government's Airport Working Group looking at UK airspace capacity issues where there is an increasing focus on environmental impact.

We continue to work closely with the Environment Agency (EA) and CBC to develop an agreed approach for a more strategic joint working programme on strategic flood risk management. We recently had a site visit to see the Upper Mole Flood Alleviation project at Tillgate Lake.

Surface Access

The Gatwick Area Transport Forum steering group met on the 24th June and was attended by key local authorities, GoSE, Transport For London, Gatwick Diamond and the Highways Agency. The Transport Forum also held a Bus and Coach working group on the 29th July to explore options for improved connectivity to the airport locally and regionally. We will be hosting the 2010 Gatwick Area Transport Forum on Thursday 9th December in the Sofitel. The programme will be confirmed shortly but I am delighted to report that DfT Minister Norman Baker MP has agreed to be a key speaker.

We will be a headline sponsor of the Green Award for Sustainable Travel and Logistics for the forthcoming Gatwick Diamond Business Awards. This award supports the promotion of innovative travel options for businesses within the Gatwick Diamond area.

We continue to meet with Kent County Council and Southern Railway to explore options for the re-introduction of rail services between the county and the airport. Each party has agreed to work towards a shared goal of delivering direct rail services with the aim of achieving this by the time the next rail franchise.

The A23 perimeter road link opened on 30th September. This new valuable piece of highway infrastructure will significantly improve access to and from the airport road system with reduced journey distances and improved local bus accessibility.

YOUR LONDON AIRPORT

Gatwick

Planning

A planning application was submitted in August to allow scheduled A380 aircraft operations at Gatwick. The application was supported by an assessment of the impacts that the forecast number of A380 operations would have on noise, transport and local air quality. Information was also provide on the changes that could be required to the airport's infrastructure. Crawley Council approved the application on 11th October.

In this period GDO consultations have been approved by Crawley for replacement de-icer storage tanks and enhanced trade effluent facilities. Further GDO consultations have been submitted for replacement cooling towers at North Terminal and new accommodation for the South Terminal Ground Movement Team.

So, a busy yet exciting summer for Gatwick and we look forward to the next quarter period when we can progress our plans further and build on our ambitions for future success.

Stewart Wingate
14th October 2010