



Press Release

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Expansion at Heathrow would be much easier to finance than expansion at Gatwick, says Ian Hannam

Ian Hannam, a leading financier and one of the backers of Heathrow Hub, the independent proposal to expand Heathrow Airport by extending the existing northern runway, has said that Gatwick would find it much more difficult to fund expansion than either of the proposals for expansion at Heathrow.

Mr Hannam's comments come after the EasyJet CEO Carolyn McCall indicated that a potential 150% increase in passenger charges at Gatwick in order to fund expansion could wipe out low-cost airlines' profits margins and undermine Gatwick's low-cost business model.

Mr Hannam said: "Carolyn McCall's intervention in this debate is a very powerful one. The business case for expansion at Gatwick is clearly weaker. Unlike the other proposals, Heathrow Hub has already had to raise money to back its concept. It would be the easiest to finance from private sector resources, without making any call on the taxpayer. This is on top of Heathrow Hub's other advantages, such as enabling arrivals to land on the Western extension during the critical early morning period."

He added: "Expansion at Heathrow is obviously much lower risk because the airport has pent up demand from a huge number of airlines, a much bigger asset base and bigger revenues. Furthermore, Gatwick is a significantly smaller airport and relatively speaking would have to issue much more debt and equity. The proposed expansion at Gatwick would mean that it could no longer function effectively as a low cost airport."

The Airport Commission's consultation documents show that financing Gatwick's proposal could take its air passenger charge from £9 to a peak of £23, an increase of £14 or 150%. Heathrow Hub's proposal would increase the air passenger charge at Heathrow from £20 to £30, an increase of £10 or 50%. Heathrow Airport Ltd's proposal would take the air passenger charge from £20 to £32, an increase of 60%.

Mr Hannam said: "The Airports Commission is also right to draw attention in its consultation documents to the risk to Gatwick's demand forecasts that such a large increase in passenger charges would bring. As the Commission makes clear, this in turn increases investment risk and therefore cost of capital. Whichever way you look at it, I believe the best option for UK plc is expansion at Heathrow by extending the existing runway as Heathrow Hub proposes."



Financing UK Airport Expansion

Passenger fees

	Current passenger charges		Potential passenger charges	% increase
Heathrow Hub	20.00	*	30.00	50%
Heathrow Airport Ltd	20.00		32.00	60%
Gatwick	9.00		23.00	156%

Equity (£ billion)

	Current equity		Potential new equity	% increase
Heathrow Hub	2.70	*	5.10	89%
Heathrow Airport Ltd	2.70		8.40	211%
Gatwick	0.34		3.70	988%

Debt (£ billion)

	Current debt		Potential new debt	% increase
Heathrow Hub	11.70	*	24.90	113%
Heathrow Airport Ltd	11.70		29.90	156%
Gatwick	1.50		14.30	853%

RAB £ billion

	Current RAB		Potential new RAB	% increase
Heathrow Hub	14.60	*	24.80	70%
Heathrow Airport Ltd	14.60		28.60	96%
Gatwick	2.50		8.10	224%

Data source: UK Airports Commission

* Heathrow current number

Notes to editors

Carolyn McCall is quoted in "EasyJet questions case for second runway at Gatwick" in the *Financial Times*. She said she is "quite concerned" at the prospect of landing charges increasing at Gatwick to fund expansion. "We make £8 profit per seat and our average price is just £60," she said. If Gatwick's charges rose dramatically, "that is quite worrying in terms of our economic case." According to Gatwick Airport, EasyJet is its biggest airline, flying 37% of its total passengers.



Ian Hannam is senior partner of Hannam & Partners, a London-based merchant bank, and was previously global chairman of capital markets at JP Morgan, during which time he helped raise substantial amounts of equity for clients. He has invested in Heathrow Hub in a private capacity alongside its founders.

Heathrow Hub is the brainchild of Jock Lowe, the longest serving Concorde pilot, and it has been shortlisted by the Airports Commission. More details can be found at www.heathrowhub.com

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