



Flying solo

Following a buyout by private equity company Global Investment Partners, London's Gatwick Airport is standing on its own two feet, but it faces major competition from BAA's remaining London airports, Heathrow and Stansted. **Nick Dunn**, Gatwick's recently appointed chief financial officer, tells Ian Duncan what the presence of an independent airport will mean for South East England.

Nick Dunn

Nick Dunn was appointed chief financial officer of Gatwick Airport in April 2010. Prior to this, he was general manager of corporate finance for Anglo American. He has also advised governments and private investors on the financing of airports and air traffic control.



In June, Gatwick Airport unveiled a new branding strategy, signalling its intention to build on its recently-gained independent status and push ahead with a major capital investment programme. It marks the capping of a transition that began in December 2009, when the business was snapped up by private equity fund Global Investment Partners (GIP).

In August 2008, the UK Competition Commission ordered BAA, Gatwick's

then owner, to sell one of its assets – the others being Heathrow and Stansted. Gatwick was promptly put on the auction block, and a £1.51 billion deal was concluded last winter. The world's busiest single-runway airport now faces the challenges of carving out a unique identity for itself and luring airlines and passengers away from its competitors.

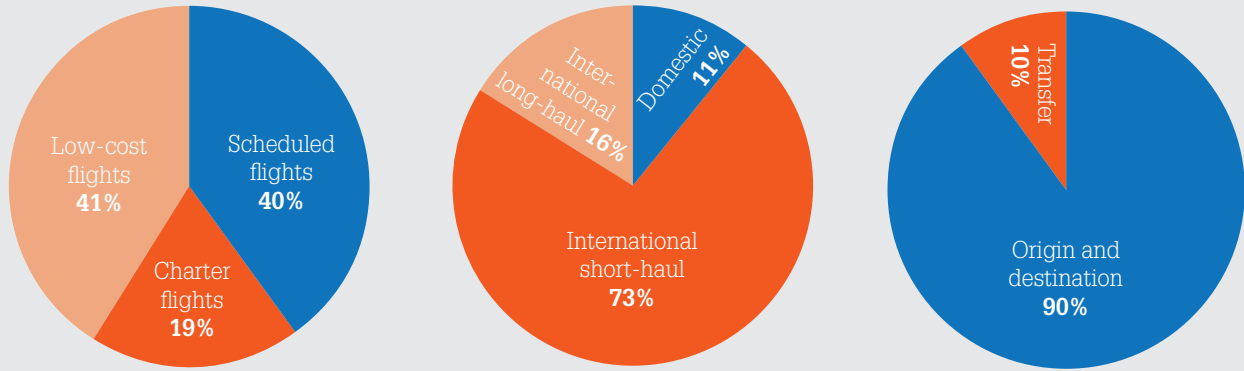
GIP has been quick to assemble a new management team to lead the process, making ten appointments to

senior positions in the past six months. The latest, made in April, saw Nick Dunn installed as chief financial officer. He arrived when ash from the eruption at Eyjafjallajökull in Iceland was grounding planes across the UK; passenger numbers at Gatwick for the month were down 20% on the previous year.

With passengers unable to fly, airlines losing business and airports without planes on their runways for up to a week, the industry was suffering. Dunn describes his first month as "a baptism of brimstone and fire", but is keen to look forward.

"The interesting question for the industry is how that will persist during the season," he says. "Will customer

Striking the balance: Gatwick's flight breakdown



behaviour change at all given the possibility that a flight could be cancelled at short notice? I think every day that goes by feels a bit better, as the eruption gets further behind us.”

Demonstration time

Having navigated this first storm, Dunn and the rest of the team are looking at ways to cement the airport’s position. They have the chance to look at every operational and commercial aspect of the business, but there are pitfalls to be avoided.

“We’ve got to be careful not to define our new independence by looking over our shoulders and asking what everyone else is doing,” he says. “It’s about properly serving the catchment area that we have and demonstrating to airlines that we can compete on cost and service.

“It’s natural that people will always make comparisons with last year, but we’re trying to set out a view about what we can do as a standalone business. That’s far more positive.”

“ We’ve got to be careful not to define our new independence by looking over our shoulders and asking what everyone else is doing. ”

The airport now needs to show its partners and customers how it intends to do business differently. The most significant relationships that need to be managed are with the airlines themselves. Gatwick predominantly

operates short-haul leisure flights, but has a unique balance between scheduled, charter and budget operators. Aiming to springboard off that experience, it will be actively competing for new routes and deployments, and looking to strike deals with operators on an aggressive commercial basis.

“As the economy picks up there will be opportunities to offer services to people who are looking to travel into and out of London and the region,” he says. “Airlines have choices about where they put their next route and, along with other airports in South East England, we need to be setting out our stalls opposite our continental European counterparts.

“We’re thinking about how to be cost effective, offering the services airlines need and building new facilities that are fit-for-purpose – nothing more, but certainly nothing less.”

This will be tied to a need to reassess the way check-in and security services are provided to persuade passengers to choose Gatwick over its competitors.

There is also room to reconsider the retail offerings at the airport to match the needs and expectations of its passengers. Currently it is unclear what changes will be made, but as contracts expire, the team will begin

to have more flexibility than when BAA was Gatwick’s owner.

“I really get a feeling that in many instances choices were made with a focus on the major asset in the portfolio [Heathrow], and the choices that made sense there were then retrofitted to the other airports,” Dunn explains. “I don’t think that was the wrong thing for BAA as a group, but it doesn’t feel right for us to maintain some of those choices as we go forward.”

Capital ideas

To support these changes, the team aims to invest £1 billion in overhauling terminal infrastructure by 2013. Dunn, with a background in investment banking and capital management



at major utility and minerals companies, including Anglo American and Centrica, is well placed to drive an improvement programme of significance.

The funding for that programme is in place, in part through expected operating revenues and in part through a banking facility made available by GIP. Before the sale went ahead, GIP also guaranteed the British regulator, the Civil Aviation Authority, that it would provide the Gatwick with financial stability for five years. Dunn is working with the senior management team to find ways of spending the available cash more effectively. Early evidence suggests that certain aspects of the capital programme can be delivered at a lower cost, freeing up resources for new projects to improve service delivery at the airport's two terminals.

Letting go of the past

Although the programme was initiated under BAA's stewardship, getting to

grips with its new independent status still marks a major change for Gatwick. There will be opportunities to make the better use of the investments, but shaking off the legacy of 43 years of ownership by BAA and its predecessors will be challenging. The team in place today is a mixed

“We're under the spotlight, whether it's from the government, regulators, airlines or passengers. There's nowhere we can tuck in and hide.”

one, which includes fresh faces new to the company, people from elsewhere in BAA and others with a depth of experience at the airport.

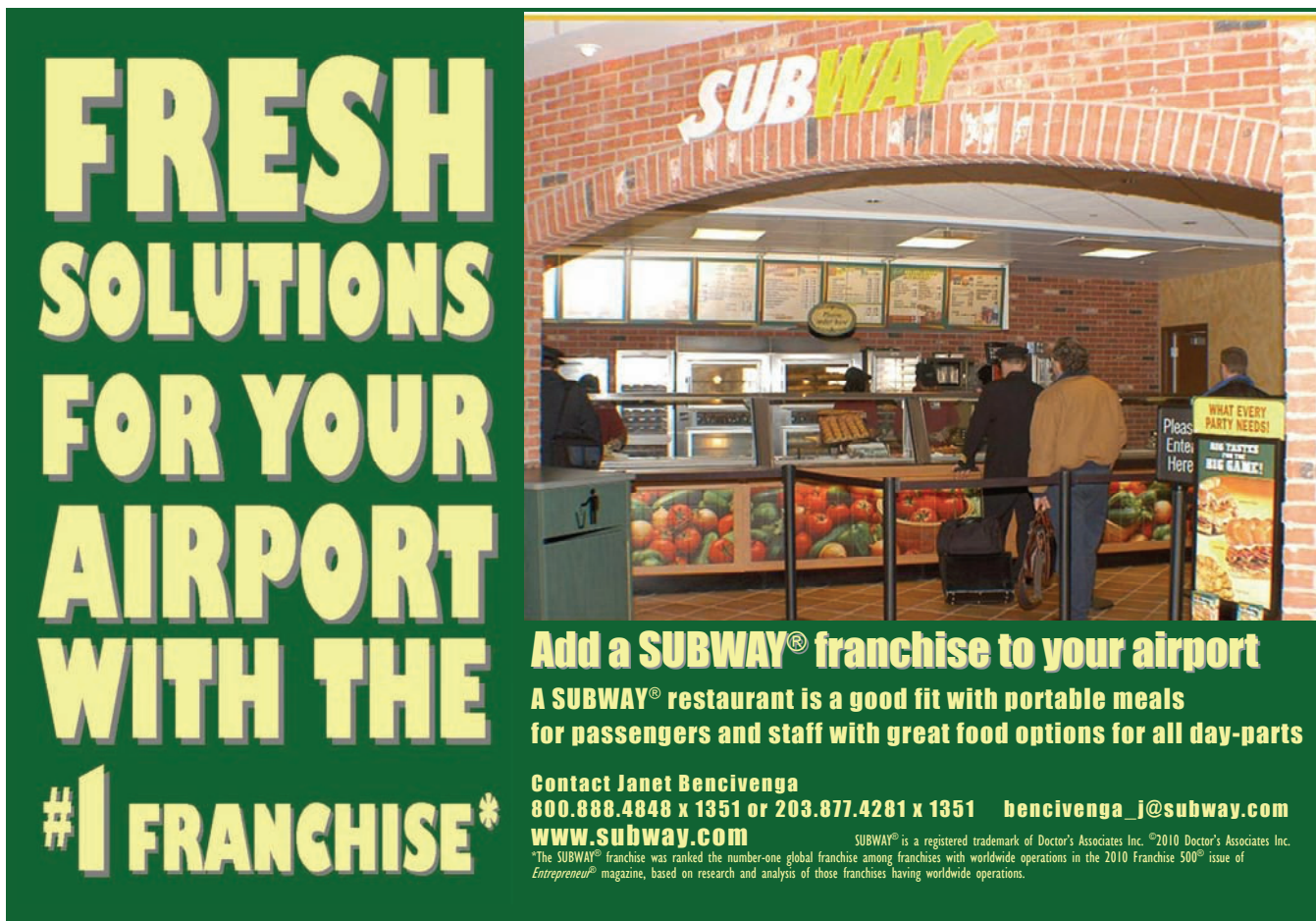
“It falls to everyone on the senior team to provide leadership in the organisation,” Dunn says.

“A lot of people have a particular frame of reference about what was important, but that will change as the new, independent Gatwick emerges. We've got to help people get focused

on the delivery of efficiency and service quality. We're under the spotlight, whether it's from the government, regulators, airlines or passengers. There's nowhere we can tuck in and hide. It's about Gatwick delivering on promises it said it can deliver on. People have to change to help the airport change.”

Redefining the nature of Gatwick is a significant task but it presents Dunn and the rest of the senior management team with an opportunity to look at the way the airport is run and what it offers to its customers and partners.

The airport will never be big enough to compete directly with Heathrow, but it has taken the first steps down a path that will provide passengers and operators with greater choice when it comes to London. ■



FRESH SOLUTIONS FOR YOUR AIRPORT WITH THE #1 FRANCHISE*

Add a SUBWAY® franchise to your airport
A SUBWAY® restaurant is a good fit with portable meals for passengers and staff with great food options for all day-parts

Contact Janet Bencivenga
800.888.4848 x 1351 or 203.877.4281 x 1351 bencivenga_j@subway.com
www.subway.com

SUBWAY® is a registered trademark of Doctor's Associates Inc. ©2010 Doctor's Associates Inc. *The SUBWAY® franchise was ranked the number-one global franchise among franchises with worldwide operations in the 2010 Franchise 500® issue of Entrepreneur® magazine, based on research and analysis of those franchises having worldwide operations.