

# Airports Commission Interim Report: Conclusions and Recommendations 17 December 2013

**Sir Howard Davies**  
**Chair, Airport Commission**

## **I. Preamble and Introductions**

Good morning, ladies and gentlemen. Apologies for starting a little bit late, but we will try to make up for it by finishing early. We were just dealing with a lot of press interest, as you might have expected. My fellow commissioners, John Armitt, Julia King, Vivienne Cox and Ricky Burdett, are here with me this morning and may wish to chip in at various points.

Let me also begin by thanking a lot of you, because many of you have been involved in contributing to our work in one way or another. I know that in some cases that is your job, and therefore, perhaps I do not need to thank you. But in other cases we know that we have had a lot of advice, assistance, information and opinions from voluntary bodies, and we know that this whole process is quite a burden on them. It puts a burden on the respondents to our papers as well as the people who write them. So I just wanted to thank you for all your contributions to this process so far.

## **II. Agenda**

What I plan to do is to run through as quickly as I can the main conclusions of our report and then, of course, we will be happy to take your questions or, indeed, comments on it. As you know, I think the Commission will produce its final report in the summer of next year. This is supposed to make recommendations for maintaining the UK's status as an international aviation hub. The purpose of the interim report is to set out the evidence base on which that eventual decision will be made, and to make a number of recommendations for making the best use of existing capacity in the short- to medium-term. We also include a shortlist of what we now see as credible options for future expansion, as well as an assessment of the options for a completely new airport. Finally, we explain our work plan in the second phase of the Commission's life.

I am grateful to my fellow Commissioners and to our staff for their hard work so far and, as I have said, to all of those who responded to our consultations.

## **III. Conclusions Drawn From Discussion Papers**

### **1. Overview**

We began without any prejudices as to whether there was a need for additional capacity or, if so, where it should be. We did conclude early on in our work, however, that we should take an integrated and inclusive approach to the job. This involved publishing a series of discussion papers

on demand forecasts, connectivity and the economy, hub capacity, climate change and aviation and noise. Those papers, and the responses we have received to them, have been the building blocks of our analysis. I will describe our conclusions as simply as possible today; the rather lengthy report describes the reasons for them in far more detail.

## **2. Air Connectivity in the UK**

### *a. Overview*

The existing airports have responded well to the changing profile of aviation demand. The UK has a uniquely competitive and largely private-sector model of airports, which has an important influence on what we can recommend and what can be done. That model has shown, and continues to show, flexibility.

At the risk of turning you into one of my classes at my university where I teach, I am going to show you one or two slides taken from the report because I think they do amplify the points. (Slide 1) Heathrow is the most intensively used two-runway airport in the world; this is the two-runway list. Gatwick is the most intensively used single-runway airport. In combination, these two, with additional provision at Luton, Stansted and City, have ensured that London and the UK remain well-connected. (Slide 2) This shows the number of destinations served daily over the last decade and shows that, against the Netherlands, France, Germany and Spain, the position has not changed a great deal, frankly. Those connections are good, including to emerging markets.

### *b. BRIC Countries*

(Slide 3) What this shows you is the number of destinations to the BRIC countries – Brazil, Russia, India and China – from European hub airports with at least daily services. As you can see, on this measure, London does stack up reasonably well against Frankfurt, Madrid, Charles de Gaulle and Amsterdam.

### *c. Impact of the Recession*

So the UK is not facing an immediate crisis of air connectivity, though that is partly for the reason that the recession has suppressed demand over the last six years, so that is not something that we should wholly welcome. Maybe we would be happier if we did have a bigger crisis of airport connectivity, but that is the way things have moved in the last few years. While the situation is not yet critical, there are clear signs of strength. Other competing airports in Europe have been expanding a little faster, and Gulf airports have captured some transfer capacity which could have passed to London.

### *d. Long-Haul Destinations*

(Slide 4) Looking at the change in the number of long-haul destinations at major airports, Heathrow is at the top. The big change you can see is that Madrid has come up but also, particularly, Dubai. This story is quite a dramatic one and Dubai has been growing extremely rapidly, including, of course, in its connections to UK regional airports. Particularly for people in Scotland, or indeed Birmingham or Newcastle, the Dubai connections open up a lot of new possibilities.

*e. Constraint*

(Slide 5) Links to Heathrow from Scotland, Northern Ireland and the English Regions have been constrained. This is the number of UK destinations with a direct service from Heathrow. That has been decreasing as Heathrow slots have been diverted into long-haul routes. If you travel to Scotland, Wales or Northern Ireland, as I have done during the course of this study, you find that they are particularly concerned about this phenomenon. However, it is fair to say, and people acknowledge, that the overall connectivity of the regions has been enhanced by new links, to Schiphol and Dubai in particular.

Since Heathrow and Gatwick are operating at, or very close to, capacity, they have little ability to cope with unexpected events. The consequence is that too many flights spend too long in holding patterns and delays are somewhat longer than elsewhere. There is also evidence that passengers are paying for restricted capacity. We have done some work on fares from different types of airport, and there is evidence that fares from constrained airports are around 10% higher for an equivalent route than they are elsewhere.

Looking ahead, we see the prospect of these problems getting worse and of a severe capacity constraint emerging, if no action is taken. That capacity constraint would impose costs on the UK economy. We explain in our report how we calculate those costs. Our estimates are somewhat lower than some others that have been proposed but they are, nonetheless, material. Aviation connectivity is a significant element of a nation's attractiveness as a business location. We also have to take account of the fact that the UK is home to many multi-national companies who have a particular concern with connection to their base, and also that our exports are heavily service-based. Service-based exports tend to be more travel-intensive, if you like, than manufacturing exports.

### **3. Aviation Forecasting**

Now, looking forward, of course, we have tried to say: how will things develop? Aviation forecasting is not a precise science and we have attempted to explore the uncertainties in a new set of forecasts and scenario-testing. J. K. Galbraith famously said that, 'The only purpose of economic forecasters was to make weather forecasters look good' and that may be said of aviation forecasts as well. Of course, a lot of aviation forecasting actually depends on assumptions about GDP.

(Slide 6) We have looked at what has happened, and this is a fact. As you can see, aviation demand does correspond quite closely with GDP.

### **4. Aviation Emissions and Climate Change**

*a. Overview*

Looking forward, we have tried very hard to take account of the impact of aviation emissions on climate change. Therefore we have not simply adopted a view that we should predict and provide, because we have to think about aviation within the context of the legislated climate change objectives of the 2008 act and how it will fit into that. Aviation is not easy to decarbonise and is likely to generate a larger proportion of our total emissions in future. Lord Stern, the author of the report on climate change which led up to the Climate Change Act, has said that he thinks the last barrel of oil will be consumed in an aircraft engine. In other words, kerosene is more difficult to replace with other types of fuel than truck diesel, or whatever.

*b. Global Scheme for Emissions*

The fact that aviation is growing in significance, as part of the total emissions picture, is something that has been recognised by policy makers in Europe and elsewhere. Of course, in Europe, an emissions-trading scheme was agreed. For reasons we explain, largely due to opposition from other countries, it has not yet been implemented. So we are operating in an unfortunate absence of a global scheme for emissions. There is work to try to develop one in ICAO and elsewhere, but it does not seem to us that we can just assume that will happen. Therefore, what we have done is taken our cue from the Committee on Climate Change, here, who have suggested that growth of around 60% in aviation demand by 2050 would be compatible with the carbon targets legislated in the 2008 act.

*c. Predictions*

(Slide 7) Our report shows a number of different forecasts: the DFT forecast; a carbon-traded forecast, assuming an emissions-trading scheme is developed; and a carbon-capped forecast, assuming that you constrain aviation demand within the Climate Change Act, which actually produces quite a large price per tonne of carbon emitted. Our conclusion is that across all scenarios we have considered, including one which envisages a very high carbon price and an emissions cap, there will still be a need for a significant amount of new capacity in London and South East, by 2030.

## **5. Avoiding All Increases in Runway Capacity**

Of course, many people have put forward proposals to us for avoiding capacity of the kind of a new runway or a new airport. I have to say that, after very careful analysis, none of those proposals put to us for avoiding all increases in runway capacity look realistic. We have looked carefully at increases in aircraft size and the impact that they will have on the number of air traffic movements. We have looked at options for distributing demand to other airports, including through use of the traffic distribution rules and changes in air passenger duty. We explain in some detail in the report why we believe that these options are not going to solve the capacity problem in London and the South East. We explored, in particular, the possibility of a congestion charge element in APD, applied to congested airports and offset by reductions in air passenger duty elsewhere, to see whether that would incentivise the use of regional airports to take pressure off the South East. In the end, it looked as though that would produce a less efficient set of connections, in fact with more emissions for the same degree of connectivity, and would not materially contribute to resolving the problem that we have identified.

## **6. Plans Currently Implemented**

*a. Optimising Current Runways*

We have found that there is much inefficiency in the system of managing the UK's air space in particular. We propose what we are calling an 'optimisation strategy', to improve operational efficiency. This would provide new leadership for the future airspace strategy, which is underway in theory, and would offer the prospect of enhanced traffic management, reducing delays and stacking. We explain in some detail the use of time-based separation measures and a new structure of decision-making in airspace strategy, which we believe can make some material improvements. These changes promise, we think, important economic benefits with a net present value, we estimate, at around £2 billion in terms of reduced delays.

*b. Aviation Noise Authorities*

We also, in our short-term chapter, propose the creation of an independent aviation noise authority. Similar bodies operate in Australia; there is also one in France. Although it is not usually a good idea to propose France as a model in this country, we do see that there is one called ACNUSA that seems to make a useful contribution. What do they do? Well, they provide expert advice on the noise impact of aviation. By increasing community confidence in the objectivity of the analysis of noise impact, they facilitate the delivery of future improvements to airspace operations, whether that is in the form of assessing the noise impacts of a new runway, or indeed, of different vectoring procedures or what have you.

We are not naïve enough to believe that an independent noise authority can remove all the controversy about airport noise, which it will not do. Nonetheless, we have found that a lot of the arguments start from disputes about the fact base: about how noise should be measured, what the appropriate measurements and contours to use are, etc. We think that an authoritative and independent noise authority would help. An authority of that kind will require primary legislation because it would be a statutory consultee on any future proposals. We are calling on the government in our report to provide time, as early as possible, for such an authority to be developed. We are also looking for a response from the Secretary of State for Transport as soon as possible.

*c. Short- to Medium-Term Plans*

I wrote to the Chancellor of the Exchequer in November, recommending a substantial package of surface transport investment to improve access to existing airports, totalling around £2 billion. Now, we did so outside the timescale of our report because we could see that the Autumn Statement and the national infrastructure plan was a moment we should not miss. Seeing this bus going by, we decided we would try to jump on it. My colleagues and I were pleased to see that package included in the national infrastructure plan, presented by the Chief Secretary to the Treasury, which accompanied the Autumn Statement. Those improvements will, we think, increase the attractiveness of airports to passengers, which will help bring on stream the spare capacity that does exist in the South East. This is particularly to Stansted, which will be vital to fill the inevitable gap before any new runway is built. I should point out that our forecasts do assume that other airports will be able to attract this surplus demand, because otherwise the capacity crunch would come earlier.

## **7. Expanding Runway Capacity**

*a. Overview*

All of these changes do not obviate the need for new runway capacity. We estimate that the equivalent of one net new runway of additional capacity will be needed by 2030, in all scenarios. The date at which existing capacity is exhausted varies a little, depending on assumptions about demand and carbon prices. The need for one net, new runway does not in itself pre-judge the choice of expansion options. The options for large, new airports with four runways involve the closure of Heathrow with its two heavily-used runways, and would also be likely to reduce capacity at, or close to, other locations for air space management reasons. It would probably involve in addition, for example, the closure of London City Airport.

*b. Private and Public Ownership*

It is important to note that in an environment in which airports are largely a private ownership, and that airport development itself is likely to be largely privately financed, it is unlikely that capacity well in excess of forecast demand will be constructed. In other places – whether it is the Gulf or indeed in much or possibly all of the rest of Europe – where airports are in public ownership, decisions may be made on the ‘if you build it, they will come’ principle. However, in this country, that is not the environment in which we are operating. So it turns out that the capacity needed in line with our forecasts, and the commercial proposals put to us by airport operators and others, are, in practice, broadly aligned.

*c. Consideration of Submissions*

We undertook a lengthy process of work involving a number of expert consultants, as well as our own team, to review the options put to us for additional capacity. We had 58 submissions in total in July, and over 40 of them were for new capacity. Some, of course, were arguing that we did not need new capacity. The report and its associated annexes explain this process in some detail. Our aim was to produce credible options to be taken forward in the second phase for detailed analysis and consultation. We tried to exclude implausible options, and those dominated by other similar options in crucial respects, to minimise blight. This has been something which has concerned us through our work; it is inherent in a process of this kind, which involves opening up decision making, that you have a longer period of uncertainty. Therefore, it is incumbent on us, I think, to try to close down options where we do not think they have a realistic chance of being taken forward.

We focused attention on the immediate need we identified, while recognising that some options included capacity for further expansion later. As I have said, we estimate that a second new runway will be needed in the 2040s. The appropriate location for that second runway will be influenced by the choice of a first location and by the evolution of demand in the interim. In our final report, we will discuss the way in which that second, later decision might best be made.

The comparisons between the options were straightforward in some respects, but complicated in others. Some were put forward by existing airport operators and were therefore informed by detailed understanding of the way the airport operates in its current configuration. In those cases, while capacity expansion would require additional surface transport provision, that expansion is relatively easy to assess and cost. You have an existing operator with a good knowledge of the site and its surroundings, and how it would work with an increased runway capacity. Where the proposition amounted to a Greenfield site – perhaps not Greenfield, necessarily; sort of mud field, or whatever – put forward by an architect-led consortium or by the Mayor of London, it is not surprising that the level of detail and certainty is lesser.

## **8. Expanding Gatwick’s Capacity**

*a. Overview*

The sifting process against criteria we consulted on earlier led to our conclusion that there are two credible locations for the development of existing airports on the timescale envisaged with, in one case, two significantly different options which deserve consideration. The first persuasive case, advanced by an existing airport, has come from Gatwick: as I have said, an independent ownership. Gatwick’s claims for expansion were not supported in the 2003 White Paper, under the previous

government, as undertakings had been given earlier that Gatwick would not expand until 2019. However, the timescale for future development now takes us beyond that date.

*b. Long-Haul Routes*

Gatwick is currently approaching full capacity and has been competing for new long-haul routes since leaving the BAA group. Comparing the number of passengers and destinations served between Heathrow and Gatwick, most of Gatwick's business still remains short-haul and low cost, but that has been the fastest growing market segment.

*c. Legacy Airlines*

Look at passengers at UK airports over the last 20 years. (Slide 9) If you compare the legacy airlines, or the traditional network airlines, with the total of the members of the low cost airports consortium, you can see that more than all of the growth in the last decade has come in the low cost sector, rather than in what are often called the 'legacy airlines'. Gatwick, of course, has been in that fast growing market segment, particularly, as you know; in particular, it bases a lot of its operations with Easyjet.

*d. Gatwick and London*

The arguments advanced for Gatwick's expansion are essentially that London's particular characteristics, with many different market catchment areas, make it suitable for an airport network with competing offerings. If you look around the world it is very difficult to find one model elsewhere which can be easily replicated in London. Look at, say, Frankfurt: this is a completely different market in terms of its local market, which is very, very much smaller and essentially is justified by its transfer passengers. Schiphol is rather similar, actually. New York is often quoted as a comparison, but New York, JFK and Newark do have competing airlines that perform a hubbing function. Again, although it might be the nearest in some ways, it is not quite the same. One has to look at a solution that is about London itself.

*e. Conclusions*

Here, Gatwick further argue that a model based on lively competition between airports may deliver the best option for airlines and their passengers. If long-haul, point-to-point services expand, Gatwick is again well-placed to respond. The noise impact of expansion there is substantially less than at Heathrow. While the surface access currently is imperfect, there are options for improvement on the table, and some have already been accepted by the government. For all these reasons, we think the Gatwick option is worthy of further, serious consideration.

## **9. Expanding Heathrow's Capacity**

*a. Runway Expansion*

Heathrow Airport Limited proposed a number of different options for a third runway, but none of which were the same as the short, third runway envisaged before the last election. Of these options, we consider that a new, 3,500 metre runway to the northwest of the existing airport is the most attractive in terms of practicality and environmental impact. This would run across the existing M25, spaced sufficiently to permit independent operation. When I say 'across the M25' I do not mean with a set of traffic lights; I do mean some kind of underpass would have to be developed, similar to that around Charles de Gaulle.

*b. The 'Heathrow Hub'*

We consider the so-called 'Heathrow Hub' worthy of further consideration. This would involve extending the existing runway to the west, to a length of at least 6,000 metres. It would allow the extended runway to operate independently as two: one for departures and one for arrivals. The Heathrow Hub promoters have also proposed a new surface access hub, on the great western mainline. That proposition is, in principle, separable from the runway option, but is also worthy of serious consideration.

*c. Noise Implications*

As a comparison, the two have different noise characteristics and implications for the local neighbourhoods, which will need to be extensively debated. We understand the strength of feeling among those who live near Heathrow, about the noise and health impacts of the airport as it is, and inevitably their heightened concerns about expansion. The consultation process around these options will be very important. (Slide 10) It is worth pointing out that the number of residents affected by noise has been falling. Comparing the number of people living within the 57 decibel contour and the numbers of air traffic movements, these numbers have been falling and are projected to fall further as new and quieter aircraft are introduced.

Once again, immediately, of course, I know there are other measures of noise. There are several that we look at in our report and we detail the differences between them. But, on this one, we can expect that the numbers will fall from 250 down to perhaps 130 or 140. The two new options would have different noise characteristics, but both would leave the numbers of people affected at the 57 decibel level significantly lower than they are today.

*d. Conclusions*

There are safety issues to be considered, of course, but after initial consultation the CAA cannot see any overriding reason why this cannot be done. It would however be a challenge to the way airlines currently operate. On the face of it, we think this is an interesting option too.

The arguments for Heathrow expansion are, of course, relatively straightforward in aviation terms. Heathrow is constrained; we know there are a lot of airlines who would like to go in there and develop new routes. In the shadow market for slots at Heathrow, costs of slots are very high, demonstrating the constrained demand around that airport.

So, the attractions of expansions at Heathrow are easy to explain. It is a well-established airport, is favoured by global airlines and is operating as an efficient hub with a wide range of destinations. Of course, it is a crucial element in the west London and Thames Valley economies, and we have had a lot of submissions about its importance in that area.

## **10. Proposals from the South East and Elsewhere**

Stansted is worthy of particular mention, as it was selected by the previous government as the location for a new runway. Briefly, we believe that now Gatwick expansion is possible, the claims of Stansted, which is further from London and operating at only around half of its theoretical capacity at present, are much less persuasive at this point. It is very important, however, that it increases its utilisation in the next decade. That is a crucial element in coping with the demand increases in the next decade or so, before new capacity comes on stream. It may well come back



into contention, as the location for a second runway, in the 2040s, which we believe is likely to be needed.

## **11. Proposals for New Airports**

### *a. Overview*

Most of these proposals have been rejected, for what we believe to be sound reasons, and the report and its annexes explain all of that in some detail. The rejected options include a number of proposals on the Thames Estuary – especially those at a far distance from the central population – and a five-runway hub airport at Stansted. We judge the major expansion of Stansted to be unattractive, in part because of airspace management problems. It would involve closing Heathrow for commercial reasons and substantially reducing operations at Luton and elsewhere, meaning it would have to operate at a very high level of utilisation to deliver a material increase in overall capacity.

### *b. Economic Disruption*

The notion of a once-in-a-century decision to construct an entirely new facility, which would resolve the problem of airport noise for all but a very small number of people and would create a new pole of economic development east of London, facilitating an eastward expansion of a city whose population is expected to rise to over 10 million by 2036, is imaginative. At the same time, it would create a development opportunity on the Heathrow site, which would close for commercial reasons, and probably also at London City, where airspace management would make closure very likely. It follows that it would also involve a very large degree of economic disruption and business and household relocation, with the balance of local and regional economic impacts across London and the South East remaining uncertain. The construction challenge would be massive.

### *c. The Isle of Grain*

The most plausible location for such an airport is the Isle of Grain, but our initial analysis shows it poses serious concerns in respect of:

- Cost, which we estimate at £80-110 billion.
- Environmental impact, due to wildlife sites of international importance which can only be developed if no alternative site is available and compensatory habitat is provided.
- Surface access, which would require the construction of major new infrastructure.
- Aviation industry response: the airlines have, on the whole, not been positive about this idea so far.

Measured in this way, and going to the proposals for the development of existing sites, the Isle of Grain cannot be regarded as a credible option in the same way. We have not seen a proposal which we believe can now be taken to the stage of detailed appraisal. It is fair to say, though, that some of the detailed work needed to allow us to definitely dismiss, or to validate, such an option has not been possible in the time available.

*d. Plans for Additional Work*

Our proposal in relation to the Estuary airport, therefore, is to carry out further analysis of the issues above in the first half of next year. That will enable us to reach a firm view later in the year, as to whether it should be considered a credible option and taken forward for consideration alongside the shortlisted options. If we decide it should be, then it will be subject to a similar appraisal and consultation processes as those options we have taken forward before the Commission reaches its final consideration. The additional work will look in more detail at surface access challenges, consulting Network Rail, the Highways Agency and others, the economic development case and the feasibility of meeting the requirements of the habitat regulations. The response of the airlines community will also require consideration.

#### **IV. The Final Report**

This process will ensure that, by the time of the final report, we will be able to produce a firm recommendation to the government, which we hope it will be able to move forward with quickly. We remain on target to complete our work in the time that we have been given. We think it is important to make progress in an area which is critical for our economy and we think it is possible to do so while respecting the environmental issues we have outlined. We are committed to continuing to make our contribution to resolving this very awkward public policy question.

Thank you for your attention. We will now be happy to take your questions.

### **Questions and Answers**

#### **Peter Gordon, Transport Statistics Users Group**

The assumption is that if you build a new, large hub airport, you must close Heathrow. I know the reason for that is to do with yields and the fact that a new hub could not compete with Heathrow, at least initially. It looks to me that the effect on the West London economy of closing Heathrow would be devastating; at the same time, politically, it is not possible to build new runways there. Has there been consideration given to having a dual hub strategy for London? Do you think it would work? I know the answer that will be given, which is that the airlines' economies would not be able to cope with it because of differential yields. Are there ways around that, and have you looked at the time of surface access and the potential savings in surface access times from having a dual hub strategy for London, one to the East and one to the West?

#### **Sir Howard Davies**

The Gatwick option – well, not a dual hub in the sense that you suggest – would of course involve long-haul flights from Gatwick, otherwise I think the option would not be viable. So, in that sense, you would have a kind of hub, although of course, as I have shown in my description of what has been going on in the market, we need to think very hard about how the market will evolve.

I do not think that the idea of a brand new hub in the East of London, co-existing with a hub in the West, is, frankly, a plausible one. Certainly nobody in the airline industry, the airport industry, or

indeed the Mayor of London, has suggested that that would be viable. I think that it would be highly unlikely that this market could support a continuation of Heathrow in its existing format and a new hub in the East of London. I think a distributed airport system of the sort we have got, with airports providing different types of services at different price levels, is possible. There are people who say that one should consider the London market as a whole in terms of its airport provision, but I do not think the two hub operation and the formulation you have established is one that is likely to be commercially viable.

**Mark Reckless, MP for Rochester and Strood**

Sir Howard, your report of the assessment of the long-term options does not read especially positively for the Isle of Grain option. You described it as 'imaginative'. There seem to be two particular, potential show-stoppers there: the cost of £80-110 billion and the requirement to show that there are no other plausible options under the habitats directive, even though you have just shortlisted three other plausible options.

I just wonder whether the report was changed quite late in the day, to shift this from being sifted out into a new section, titled 'Further Assessment', and what impact your meetings with the Prime Minister, the Chancellor and the Mayor of London may have had last week?

**Sir Howard Davies**

I did not meet the Mayor of London last week; I met the Mayor of London on Monday. I will confess, and my colleagues would agree, that this was the most difficult issue that we faced. We went backwards and forwards on this over the last month or so, as to whether we felt confident enough either to bring this into a serious option for consideration now, or confident enough to exclude it. Where we came down was as we have done. We set out very fairly, we hope, the assessment of this option that we have been able to do so far, but we expose that there are some uncertainties. The habitats issue that you described is complicated. There are not many precedents that we are aware of. What does it mean to say that there has to be no alternative location? We need to get to the bottom of that.

Our conclusion was to do the additional work, in order to make a safe decision about whether to exclude it or put it forward. Now, we were very much aware as we did make that decision that there would be consequences in terms of uncertainty in that area. We have visited the area; we know what that is. I am afraid, having weighed that in the balance, we concluded that the right answer was to do a bit more work before we took a firm view on it.

**Mark Reckless**

My question was, did your meetings with the Mayor, the Prime Minister and the Chancellor over the past week have any impact on that decision?

**Sir Howard Davies**

I am not prepared to discuss private meetings I have with members of the government or indeed the opposition. You would be surprised if I did.

**John Byng, The Gatwick Area Conservation Campaign**

Have you had any assurance from airlines that they would be happy to pay for a new runway at Gatwick, in terms of higher landing fees, or is there the danger that they might instead transfer their operations to Stansted?

**Sir Howard Davies**

We have not had any assurance about that, though we have not had any assertions to the contrary either. I think that that point is one which would need to be considered as we move forward to detailed consideration of these options. Obviously the big risk is borne by a promoter, in those cases, because Gatwick will wish to satisfy themselves that they will be able to fund this. I think that the prime responsibility for determining whether this is a commercially viable option and whether the airlines will be prepared to cough up to the degree they need to, is one which we will look to the promoters to look at in the first instance. However, we will of course check by discussing with the airlines themselves.

**Mary Macleod, MP for Brentford and Isleworth**

I represent residents under the Heathrow flight path. How far are residents taken into account in your discussions? My residents have a plane flying over them every 90 seconds; 30% of the European air traffic flies over my residents of West London. Can you, perhaps, just elaborate on how important residents are to the debate? Do you take into account noise, safety and also congestion in West London, given that local residents have been promised for decades that Heathrow will not be expanded?

Also, a little bit on innovation: do you think your outline here will create the best airports in the world? Do you think that Britain can lead on this and that we are doing something really creative and innovative with the solutions that you put forward in the interim report?

**Sir Howard Davies**

We have had a lot of representations. We have been to visit the areas and I think we have also discussed with the local authorities and indeed we have heard from local MPs. I quite appreciate that it is one thing to hear generalised views of the local community and another to focus on particular options, which have particular characteristics. Therefore, part of our second phase of work will be an extensive public consultation process, which we wish to do our part in. The airport itself will have to lead on some of that.

It is interesting that in this area, and perhaps in others too, we tend to be more negative as a nation about our airports than other people are. If you look at the international surveys of our airports, Heathrow tends to score quite well, actually, in perceptions, by transfer passengers, etc. It scores far better, say, than Paris, which is regarded as a much less attractive airport by transfer passengers, even though in theory it has a lot more capacity. So I do not think that we should assume that Heathrow is in some ways a bad airport. Indeed, I think that if we look at London and the South East as a whole, we are not so pessimistic about the overall provision of airline connectivity, of a range of different sorts and different places with different prices. I think we would want to see Heathrow as part of a London and South East airport system. With an additional element of capacity, whether at Heathrow or Gatwick, I think we could have an overall airline system for

London which is appropriate to the particular characteristics of London, and which maintains our competitive position in worldwide aviation.

### **Michael Schabas, First Class Partnerships**

We made you a proposal on Stansted. I came here 25 years ago to work for a developer building Canary Wharf and, at the time, National Westminster Bank, Midland Bank and Lehman Brothers said they would have to go bankrupt before they would move out to Docklands. We were also told you could not have two city centres. Canary Wharf did go bankrupt once, actually, but they came good in the end, actually – pretty well.

I am wondering: you do not seem to have looked at any serious options. The only I thing I hear is that the airlines say they are not interested in moving out of Heathrow; well, they would say that. You seem to have swallowed the argument of Heathrow Limited, which is that you cannot have two hubs. When I pointed Colin Matthews towards Newark, I said, ‘What about Newark?’ ‘Oh, well, that is not really applicable because Britain only has one hub airline.’ I was thinking: 20 years from now, British Airways may not dominate it. Is it your role to protect British Airways’ dominance of international long-haul travel? You have to listen to them, but are you taking them too much at their word, and as representing their interests rather than our interests?

### **Sir Howard Davies**

I do not think you were listening, at all, because I never actually once said British Airlines have said that they would not move and used that as an argument. You may have come in with that argument in your head, but I did not use it. I do not believe that we have paid too much attention to British Airways. I indeed made quite a lot of the fact that the airline industry is changing quite significantly and that it is very difficult to forecast how it would be. Now, we have taken a view, as I said, that we think that two competing hubs of that kind are relatively unlikely to be successful. America, as we know, is a much more socialist country than this and the New York airports are of course in public ownership. Therefore, they can consider that kind of investment on a public assumption, which is not the option that we have. So we do have to consider the commercial environment and what people say is a financeable option. That is relevant. I do not think we can be accused of just taking our cue from an individual airline.

By the way, I contributed hugely to the success of your project at Canary Wharf by moving the Financial Services Authority, may it rest in peace, to Canary Wharf at a crucial time for your project. I might also note that Canary Wharf’s success was largely attributable to one Romanian immigrant, called George Iacobescu. So whether we will have another loss at Canary Wharf, as of 1 January, we will see.

### **Peter Willan, The Richmond Heathrow Campaign**

Thank you, Sir Howard. You have not mentioned today international transfers. For us, these are key to this issue as to whether we go for a dispersed airport model or a single hub. Most people would not prefer to transfer; they would like to fly direct. All our analysis suggests that very, very few of the low frequency flights from Heathrow have any international transfers. What has happened is that Heathrow is a high frequency airport where there are flights going every 15 minutes to New York, half empty. Could you comment on the international transfers, please, for us? Thank you.

**Sir Howard Davies**

It is fair to say that we have attributed, perhaps, less weight to this issue than some others have. I think the significance we see about international transfer traffic is in the extent to which it facilitates connections for UK passengers, which might not exist were there not the ability to pool international transfer passengers together onto routes. So we do not think that it is a high priority for us to enable an airline or an airport to handle connecting passengers just for the sake of it. We think of it as important in terms of ensuring that some routes are available in the UK which might otherwise not be available without that. That is the way we have thought about it. Certainly one of the arguments advanced for the Gatwick option, for example, is that perhaps in the future some of the long-haul routes might be viable from Gatwick based on local traffic. This would free up slots in Heathrow for more routes, where they do depend on the connections that come in from elsewhere. That is one of the issues that we are going to want to debate further in Phase Two.

**Jean Leston, WWF**

Sir Howard, it is great to see that in your interim report you do say further work is needed to look at environmental safeguards, including carbon emissions and air quality. One topic we have not really heard a lot about today is the impact of airport expansion on climate change and how that is compatible with achieving our climate change targets. Now, you have said in your report that you accept the CCC's recommendations of returning to 2005 levels of omissions by 2050, but you have also said that it is ultimately up to government to determine the appropriate framework, in terms of policy measures of how to keep to those limits. You are not really recommending targets; you are not really recommending policy levers. How can we be reassured that expansion is going to be compatible with the UK Climate Change Act?

**Sir Howard Davies**

Well, I think I would reject the charge that we did not say much about climate change; I think I said quite a bit about it, actually, in terms of the way in which we had thought about our forecasting, etc. I do not think I can give you an absolute assurance. To say that it is ultimately for the government to make these decisions is, I think, a statement of fact. What I guess we were referring to there particularly was that, as I am sure you know perfectly well, the international framework is still unclear. There is, in theory, a movement at ICAO to develop a global emissions trading scheme but we do not know whether that will come out. We do not know how the EU will react and whether they will re-instate some version of the European emissions trading scheme instead. We cannot prejudge how a future government will behave. Since we are not trying to develop climate change policy per se, we have taken our cue from the Committee on Climate Change; we have had extensive discussions. Our view is that even within their framework, of a maximum 60% increase in aviation emissions which takes us back to 2005 in 2050, that would still require some additional capacity, as you rightly say. That is the issue for us.

I think, in saying the things that you have quoted, we were merely stating as matter of fact that we have to situate ourselves within the evolving climate change policy. We believe that to try to constrain aviation just by not building any new capacity is neither necessary, nor a particularly good way of achieving your climate change objectives.

**Councilor John Lenton, Royal Borough of Windsor and Maidenhead**

Thank you very much. First of all, may I, as a resident of Wraysbury, thank you for drowning the southwest runway project into Wraysbury Reservoir. In reference to the Isle of Grain and a possible hub, the Isle of Grain is rather in the south of the country. A large part of economic activity in this country is in the north, and unfortunately is drifting towards the south. I appreciate your remit was really for the southeast, but would it not be better to consider a hub airport north of London, rather than south, if we were to have another hub airport?

The other thing is I do not understand how Heathrow would close if another hub airport was opened. If it did close, would the airlines stop using it? Otherwise Heathrow might well shrink, and it is probably used at 150% capacity anyway, but I do not see why it would survive, unless it was ordered to close. Ordering it to close would not seem to be terribly competitive. In the same way, I would have thought that a new hub airport would only grow if it could be financed commercially, I hope not by the taxpayer. Thank you.

**Sir Howard Davies**

Well; some interesting points there. Let me try and pick them apart as briefly as I can. We did look at other options, in other parts of the country, for a new hub airport. There were some proposals put to us for further west down the Thames valley, but also in Oxfordshire. We looked at the options for Stansted, as I described; we looked at Luton, etc. I have to say, for a variety of reasons which I think, probably, you would thank me for not going into in any detail now, we did not find that any of them looked plausible. The impact on the local areas but also the impact on transport links, etc, just seemed to be too difficult and complex for us to overcome.

As for the way in which Heathrow would close: I think that our working assumption, though this is something which we will look at further in the next few months, is essentially that the government would have to buy it and then close it. This is essentially the way it happened in Hong Kong. So the government would buy and then say that it is going to close when the new airport is in operation. Then, if any airline decided to try to land there at that point, there would be some chap going, 'Go that way!' This is demotic. I think that would be what you would have to do; and then you would have to sell it off. Precisely how this would operate and what the consequences would be is all rather unclear. We have talked about it at some length and John, who has some expertise in housing development, did some calculations on the back of some envelope which I think we have now lost. This is quite complicated. This is one of the elements that we are going to look into, but I think that is probably the way it would have to go.

**Jim McAuslan, British Airline Pilots Association**

I will tell my members to watch out for the person at Heathrow saying, 'Keep going!' It will be quite fascinating. I thought it was a very practical report and first rate. I thought your second slide was spot on: that the competition now is not Europe, it is from Dubai, and we need to look at this much more carefully from the UK's interests. I think that your analysis, of how the airline model will dictate what the capacity should be, is right. So Gatwick and Heathrow are not equal and opposite; they are both options. I think that is terrific. I felt very similar to this in 2003, with the White Paper, and I am sure those that heard Roscoe for the first time felt very similar. How do you believe that we are actually going to make decisions now? This report is a basis for it, but where do you believe the political drive is going to come from, to make this happen now rather than kicking into the long grass?

**Sir Howard Davies**

Well, that is a difficult one for me to answer; perhaps I might refer it to the distinguished Members of Parliament who are here, who will have a big impact on this. I guess this is a case where there is an irresistible force and an immovable object, really. I guess, in most cases, I am usually on the side betting on the irresistible force. I think that the idea of ducking this question again will be very difficult for a new government to do, because I think that we will see the quite serious economic consequences. I just have to say that our view in the Commission is that, hopefully, we do the best job we can. We provide the best evidence base; we cover all the bases; we do a defensible process; we only make decisions when we feel we have the full evidence base for it, even if that creates a bit of awkwardness from time to time; and we hope that what we can present to the next government is something which is a persuasive case. I cannot say more than that. I cannot even tell you which the new government is going to be, so it is hard for me to prejudge that.

**Brian Donohoe, MP for Central Ayrshire**

I am the Chairman of Aviation in the House and I think I have met most of you in the past. Really, I am following on the previous questions that you were asked by the gentleman from BALPA: it really is all down to timescales. We are losing out internationally, big time. Right now, there are another six runways going to be built in Dubai; right now it is going ahead. We are in a position where the competition is eating us alive and, as a consequence, it does need to have some kind of result very much sooner than I see as a possibility. What is your impression, then, in terms of the possibilities of getting this through a House of Commons so divided? You have heard some of that this morning, already. What is the possibility of a short-term answer? I notice in your report, in the section on Northolt, that you virtually are dismissive of that as a possibility. However, to move the traffic out of there would free up some 12,000 movements, which would at the very least give the regions a chance of getting into the main market place. Just now, they have denied it because of the price of slots and because most of the traffic over a period of time has been developed into international traffic that was previously with the regions. We are losing out in Inverness; we are losing out across the whole of the land, in a domestic sense, to any link-up and to any hub that is in the United Kingdom, and it really is something that needs to be addressed sooner rather than later, in my estimation.

**Sir Howard Davies**

Thank you, Brian. I have always been told that I should never refer to Scotland as a 'region', but that, perhaps, a Scot is entitled to in a way I am not. The Northolt option is one which we know that you have advocated and which we did look at carefully, and my colleagues will know that we banged on about it and we got our team to do quite a lot of work on it. You will see a section in the paper which explains why we do not think that it works. There are constraints in terms of the runway size; it is very tightly sandwiched between roads. There are Ministry of Defence issues. The length of time to get to Heathrow for a connection is unpredictable; there is no connection at the moment, but even establishing one looks to us to be very difficult. I am afraid we did conclude that this does not look as though it would provide a significant increase in regional connectivity and assist in the short-term problem for Heathrow. As for the first part of what you said, I agree with you; there is going to be a short-term problem. That is why we recommended a significant improvement to the access to existing airports, so that the gap, if you like, can be filled before any new capacity could come on stream. That is, I think, probably the best solution that we can find.



**Councilor Colin Ellar, Lead Member for Aviation, Deputy Leader of Hounslow**

There are two issues which I think worry us. In your addendum one, you mention the possibility of moving more flights between the 05.00 and 06.00 slot, early in the morning, in order to give more predictability and avoid alternation of early morning flights. Obviously we have some concerns about that, especially me: I live under the flight paths. I also have a couple of concerns with the extended northern runway option. It may lead to moving away from alternation; as you know, alternation is something that gives us moments of peace. Would either of the two Heathrow options have an impact on alternation? I have also heard concerns within the senior people of Heathrow themselves that the extended runway option may lead to some risk of an overshoot, and possibly mid-air collisions between planes taking off and planes arriving. That is something that concerns me deeply. Thank you.

**Sir Howard Davies**

Thank you. Well, some of the points are pretty detailed. On the last point: as I say, we have consulted the Civil Aviation Authority and at this point they think that it is feasible but that there is a lot more consultation to be done. I think I might ask my team to respond to you in detail on the points that you make. Clearly, though, they will be subject to the consultation process. We have set out why we think this minor alteration of the night flight regime might be beneficial: because of producing more predictable respite, and also managing the arrivals in the airport more efficiently. Clearly that is something on which we will be looking for local views, because I can see that there are balances of advantage out of it, one way and the other. However, it would look to us to be something that was worth having a look at because it could have possible positive benefits.

I am sorry that we are going to have to wind up; this is obviously not the end of the process. I am sure we will see many of you again in different forums, and I would encourage you to respond to our various consultations and indeed to our interim report, if you wish to do so. In the meantime, thank you all for coming.