# All Party Parliamentary Group for Aviation (APPGA)

Submission to the Airports Commission Consultation on Short List Runway Options Dated November 2014

## 1. **Introduction**

The All Party Parliamentary Group for Aviation (APPGA) welcomes this opportunity to respond to the Airports Commission's latest consultation.

The APPGA has met with the Commission three times, at two formal sessions and one separate session chaired by a member of the House of Lords. It has also drawn the Commission's attention to the APPGA report on Aviation Policy priorities we produced in August 2012.

Members of the APPGA are drawn from all major political parties in Westminster.

The Commission's work is fundamental to informing UK Air Transport Policy for a generation. We hope its conclusions and recommendations can be accepted by whatever administration is formed after the General Election in May 2015, and will last beyond one Parliament. APPGA is itself evidence of the ability to gain cross party consensus on such issues.

We repeat our previous submission that the UK needs clarity on Air Transport Policy. It is APPGA view that:

- The UK needs two new runways, one first at Heathrow to allow its status as UKs only hub airport to be sustained and UK Global Connectivity ensured.
- A second runway should be built at Gatwick as its local traffic development dictates.
- Splitting hubs between two or more airports in the UK has been tried and failed.
- The needs of UK regions' connectivity to the hub airport and the global network of air services that only it offers must be secured in both the short and long term by positive Government action and policy backing. To ensure this happens, and as included in our report of August 2012, the Commission should propose other means of meeting the lack of runway capacity at Heathrow. Critically this should aim to secure vital regional operations using EC Public Service Obligation protection to those UK regional centres

that have lost links to Heathrow by use of RAF Northolt's existing 1700 metre runway only some 4 miles north of Heathrow.

## 2. Commentary

As the only cross-party group at Westminster dedicated to promoting total aviation policy issues, the APPGA welcomes this opportunity to respond to the Airports Commission's latest consultation and its short list of options for new runway development.

APPGA welcomes the Commission's acceptance that up to two runways may be required and that two of its three short list options are for development of additional runway capacity at London Heathrow as previously proposed by us in submissions to the Airports Commission.

Our research and examination for our paper on UK Aviation Policy and APD in August 2012 confirmed that the first new runway should be at London Heathrow. The Commission's detailed economic analysis clearly identifies that the economic benefit of developing a new runway at Heathrow is twice that of a new runway at Gatwick.

Whilst the work has confirmed our long held views that there is a need for at least one new runway, we also believe that the Commission must address the question as to what practical and policy initiatives can be adopted to resolve the runway capacity shortfall and its adverse economic consequences to the UK's trade and global connectivity in the period before a new runway is available, probably not before 2030.

We repeat our previous submission on this in answering Question 8.

The APPGA's answers to the Commissions Questions 1 to 8 are given below.

In view of its unique membership of MPs, many of whom will be debating your Policy recommendations after May 2015, APPGA remains ready to meet with the Commission and provide additional information about its submission.

### Q1 What conclusions, if any, do you draw in respect of the three short-listed options?

APPGA believes that the Commission is correct in its analysis of the options and considers that the runway options for Heathrow should be

taken forward to be developed into a new Government Policy for UK air transport.

APPGA believes the Option for the Heathrow Airport Northwest Runway should be favoured as it is more conventional and offers greater flexibility and resiliance whilst adopting internationally accepted conventions on runway configuration, lateral separation and operation. We also have some concern with the operational management and ATC interoperability for missed approach and go-around with the proposed Heathrow Extended Northern Runway option.

The APPGA also welcomes the Commission's proposals for an additional runway at London Gatwick, but not at the expense of one at Heathrow first. Gatwick has needed another runway for many years as operating its single runway at 55 air transport movements per hour may be efficient for the airport owner/operator, but has increased airline block times, airline costs, delay and disruption and negated any real operational resilience at Gatwick.

This serious operational implications of this "over-scheduling of the runway" were well illustrated on the 29th of December 2014 when a Virgin Atlantic 747-400 bound for Las Vegas returned to the airport with a hydraulic problem, having spent four hours reducing its fuel load to below its maximum permissible landing weight. The aircraft then landed at Gatwick and caused the closure of the UK's second busiest airport for 4 hours at a peak time of year, with knock-on cancellations and delays to other airlines and their passengers. This is not an acceptable way for major transport infrastructure to be operated.

The APPGA believes the Commission must address operational resilience, through the establishment of realistic runway achievable and operable capacity levels, at say 80% of theoretical runway capacity. We also call for the designation of a fully resourced, supported UK master incident diversion airport, particularly in the interim, until new capacity is available, as part of its findings. We suggest the potential use of Prestwick airport for such a role in answer to Question 8.

**Q2 Do you have any suggestions for how the short-listed options could be improved, i.e. their benefits enhanced or negative impacts mitigated?**

**Regional Air Services and Public Service Obligation (PSO).** The APPGA welcomes the additional work the Commission has undertaken into the vital role that regional air services to the UK hub serve in supporting

those communities and their associated economic development. We believe the short-listed options should also look at and assess regional links and how they might be protected under Public Service Obligation (PSO) designation. The Commission refers to this at paragraph 1.31 of its latest Consultation but then does not seem to take the impact and importance of such links further. Any new runway capacity will be there to serve not just London and the South East of England, but if developed at the Heathrow hub, to serve and facilitate the UK regions and maximise their global connectivity.

Heathrow's hub status and the overall network of destinations served has been eroded as airlines, encouraged by the airport owner, sought to maximise their returns by focussing on the most profitable routes – often cutting profitable domestic ones and replacing them with substantially more profitable international services.

Over 20 UK regional airports lost services to Heathrow as a result. Whilst Heathrow – New York offers over 30 services a day, there are no services from Heathrow to UK regional destinations such as Prestwick, Inverness, Newquay, Humberside, Teesside, Liverpool, Guernsey or the Isle of Man. The Commission should consider how such services can be protected in the future and slot substitution limited.

**Slot Allocation Rules.** The Commission needs to recognise the impact of the existing internationally agreed Slot Allocation rules on new entrants when new capacity is made available. This is crucial if the benefit of new capacity at the hub is to be maximised and the network of services available grown and links to UK regions (see above) guaranteed.

**Air Freight.** When we met the Commission for the second time, we understood that the Commission was visiting the BA and other all freight operations the following day at Stansted. It became apparent during that conversation with one Commissioner that he had little idea of the relevance or value of air freight to the airlines. That lack of appreciation seems to have been continued in this consultation.

The Commission does not appear to appreciate the significant importance of air freight, particularly on long haul airline economics. It makes passing reference to air freight for instance at paragraph 3.70 but does not appear to recognise its real economic importance to airlines. Some 10% of British Airways revenue comes from air freight. For airlines such as Lufthansa it can be up to 30%.

Modern wide-body aircraft can have 30% or more of both their volumetric and weight payload as "dead load "for air freight, mostly in the underbelly of long haul wide-body aircraft.

Although over 80% of air freight is carried in the belly holds of passenger aircraft, the ability of an airline to be able to consolidate its freight operations, including specialist all freight operations is key to airline revenues and profitability. British Airways all freight operations were "forced out" of Heathrow to Stansted by the then BAA Heathrow management on spurious environmental and slot efficiency grounds; thereby splitting BA's s freight operations and increasing costs. Meanwhile its major competitors such as Lufthansa at Frankfurt and KLM / Air France at Schiphol and Paris have been able to benefit from single airport operations and use one freight shed and associated facilities. Heathrow Airport Limited's (HAL) belated recognition of the importance of air freight and Heathrow's role as UK number one port by value is welcome, but it should never have been overlooked.

The revenues earned are fundamental to the overall economics of long haul airline operation and need to be recognised by the Commission in its appraisal process.

**Q3 Do you have any comments on how the Commission has carried out its appraisal?**

**Airline Economics.** We believe the Commission has a fundamental misconception as illustrated at Paragraph 3.18 of its latest Consultation that airports compete or that multiple hubs work. It is airlines that compete for passengers and freight, not airports. Airlines sell tickets and air freight weigh-bills, not airports!

Understanding this point is crucial to the Commission's appraisal process and one it really needs to grasp.

The UK developed a twin hub airport strategy in the 1970s and 1980s with active Government, BAA, Airline and CAA policy backing, including relevant bilateral support through Bermuda 2. Despite all that positive support, including establishing a Second Force Carrier in British Caledonian, the policy failed. As soon as capacity became available at Heathrow through removal of Air Transport Movement restrictions or abandonment of Traffic Distribution Rules (1991), then 20 airlines and 2 million passengers transferred from Gatwick to Heathrow. As a result Gatwick's long haul network is now a fraction of what it was in the mid-1980s. Its sole flights to New York, the UKs largest long haul market,

warrants a 3 – 4 times a week Norwegian Airlines 787 service; by comparison, Heathrow offers 30 frequencies a day to New York by multiple carriers all offering full online and interline connectivity.

Vietnam Airlines has announced it is to move its current service from Hanoi and Ho Chi Minh to London Heathrow, instead of London Gatwick, on 30 March 2015, with B777-200ER. This serves to illustrate the real attraction of London Heathrow as the UK's only viable hub airport. Every long haul airline that can get slots at Heathrow does so, often paying many millions for the privilege. Indeed the capacity constraints at Heathrow are one of the reasons why Secondary Slot Trading has developed and been accepted by the regulator. It has recently been adopted in the USA.

Air transport and airline economics are what drive the industry and economy of scale is key; that means large single hub airports are the optimum way to develop global legacy air service networks. The Commission should accept this, as it does in part at paragraph 2.27, but make more of the implication in its appraisal process.

Low Cost Carriers such as easyJet, the largest operator at London Gatwick, do not offer passengers secure, airline-backed connecting products. Those are left to the legacy and Alliance airlines with proven industry IATA supported Interline agreements.

EasyJet confirmed that despite its move into more business focussed markets, it would not be pursuing guaranteed connecting products or services for its passengers. That is not part of its business model.

**Investment cost contrasts.** The APPGA is also concerned at the Commission's focus on the cost to airport operators or owners of delivery and fundability of each of the runway options at the Commission's own estimates of between some £12 billion at Gatwick to £19 billion at Heathrow. It has also failed to highlight the current cost and opportunity cost lost, of not having the new runway capacity to the airlines operating at Heathrow and Gatwick.

The capital cost of developing the new runways at Heathrow or Gatwick is equivalent to airline investment in between 25 and 40 Airbus A380 aircraft. There is no shortage of banks or leasing companies willing to fund such aircraft investment.

Many large pension funds such as Ontario Teachers with their increased investment in Birmingham International Airport, would appear to confirm

that there is no shortage of funds for airport infrastructure investment and the revenue streams that result.

If any of the airport appointed Commissioners had an airline background, this issue would be more fully appreciated. The requirement to develop new runways should be being driven by the needs of airlines, on behalf of their passengers and shippers, not by airport owners or operators.

IATA recently stated that its member airlines operating into Europe incurred additional operational cost through inadequate infrastructure of some $3 billion a year; no doubt much of that is already incurred at London Heathrow. It also referred to its member airlines accepting $180 billion of new aircraft deliveries (Source: IATA Press Release 16th December 2014). Meanwhile a Boeing press release of the 6th January 2015 refers to it achieving 1,432 net commercial orders last year valued at $232.7 billion. Such substantial and readily supported investment in new aircraft by the world's airlines puts the investment required for new runways to serve the UK hub in perspective, one that the Commission does not seem to have applied sufficient thought or weight to.

**Q4 In your view, are there any relevant factors that have not been fully addressed by the Commission to date?**

Already covered in answer to Question 3 above.

**Q5 Do you have any comments on how the Commission has carried out its appraisal of specific topics (as defined by the Commission's 16 appraisal modules), including methodology and results?**

No

**Q6 Do you have any comments on the Commission's sustainability assessments, including methodology and results?**

The assessments need to recognise the broader global achievement of the air transport industry. According to the latest IATA figures (December 2014), the world's airlines have doubled the number of city pairs served whilst and halving air transport costs in past 20 years; whilst globally "national Governments gain substantially from $125bn of taxation annually and from 58 million 'supply chain' jobs".

Similarly fuel use per Available Tonne Kilometre (ATK) is anticipated to fall a further 1.6% year on year, saving 12 million tonnes of CO2 emissions and $3 billion of fuel costs.

These factors are highly relevant to the UK deliberations and should be recognised by the Commission

**Q7 Do you have any comments on the Commission's business cases, including methodology and results?**

No; other than recognising the higher value of developing the Heathrow hub and needing to recognise the impact on the air transport network and airline operations if there is a failure to act on the Commission's recommendations to secure UKs future runway capacity requirements.

**Q8 Do you have any other comments?**

APPGA believes that the Commission must address a number of other aviation policy issues in making its final recommendations in order to secure UK ability to meet both short and long term development and continued ability to sustain its vital air transport network.

We have made some of these recommendations before in our previous submissions, but believe they are worth repetition at this stage in the appraisal and short listing process.

**Mixed Mode and use of RAF Northolt.** The APPGA is concerned that the Commission has focussed solely on the long term runway development options and not addressed how we might address the runway capacity problem in the interim for, say, the next 15 years.

We have suggested the potential use of mixed mode at Heathrow to increase capacity, assuming that additional stand capacity can be found to accommodate the 50,000 ATMs that such a development may permit.

In our previous submission and in the Aviation Policy Paper written by APPGA in August 2012, we have proposed the use of RAF Northolt's existing 1687 metre runway to provide renewed connectivity to a number of UK peripheral regional airports that have lost access to Heathrow over the last 30 years.

That would enable Heathrow once again to provide vital global connection to major parts of the UK and all the associated positive economic activity that would result. It would help the regions and confirm that UK aviation policy can contribute to the economic development of the whole of the UK, not just London and the South East. This could be achieved without any increase in movements at Northolt if the existing 12000 permitted Business Aviation Movements were transferred to Biggin Hill, Farnborough or Oxford and substituted by twice daily connections to say 10 UK regions

such as Inverness, Newquay, Prestwick, Teesside, Humberside, Liverpool, Isle of Man, Guernsey, and Dundee. Many of the aircraft used for business aviation at Northolt are already larger and potentially noisier than the regional aircraft that would be able to replace them.

Connections to Heathrow could initially be achieved by regular dedicated high quality coach transfers to the central area of Heathrow, plus separate connections to Terminals 4 and 5.

The proximity of the Central, Piccadilly and London Midland lines to Northolt with potential links that might afford to both central London and via tube links to Heathrow with modest investment may also be possible.

In its submission to the Transport Select Committee Inquiry into regional airports, Europe's largest regional airline, FlyBe, has confirmed support for potential use of Northolt for UK regional services to access LHR global connections.

We also understand that the Heathrow Airport Limited supported Regional Task Force has recognised the potential of Northolt to allow the UK regions to reengage with vital Global aviation connections at Heathrow.

We believe the fact that groups such as APPGA, UK regions and a major and influential regional airline are all in favour of use of Northolt and should be recognised by the Airport Commission in its final announcement.

**Operational Integrity**

The major UK airports at Heathrow and Gatwick along with NATS, take pride in the efficiency with which they operate the system. The UK operates those runways at ATM rates for Instrument Flight Rule operations that are not matched elsewhere in the world.

Such intensity of use causes significant problems for operational resilience and integrity. Any delay, disruption, or adverse weather has a disproportionate impact on the operation of our major airports. We described above the issue of the Virgin Atlantic 747 incident at Gatwick on the 29th of December 2014.

APPGA considers that realisable and scheduling ATM rates should be reduced to allow for some contingency in operations to achieve efficient use of runway capacity. That limit should be set at 80% of the theoretical maximum. This would provide vital programme resilience and the ability

of airline programmes and schedules vital "catch up" in the event of adverse weather or other incidents.

**Slot allocation**

APPGA recognises that the Commission's deliberations on the potential use of any new runway capacity are governed by International agreements on slot allocation.

Many of the actions by airlines are governed by slot allocation rules, with most recently, IAG, BA parent holding company, seeking to buy Aer Lingus, in part to secure additional Heathrow slots. There is less of a threat of increased competition and potentially better return for IAG shareholders, by buying up existing carriers with Heathrow slots, rather than advocating new capacity when half of new slots go to new entrants, under the agreed new entrant rules.

**Major Incident airport availability.** APPGA is concerned that with both London Heathrow and Gatwick airports running at almost 100% of capacity, their ability to deal with service disruption due to weather or operational incidents is non-existent. The latest such incident was, as mentioned above, on 29/12/14 when a Virgin Atlantic 747-400 *en route* to Las Vegas experienced a hydraulic problem but had not declared a mayday, yet returned to London Gatwick and closed the UK's second busiest airport for 4 hours, with all the attendant delay, cancellation, disruption and cost to the airport, airlines travellers and shippers, plus the reputational risk to service integrity.

Until there is additional runway capacity at the major London airports, we believe that the UK should designate a major UK airport with a long runway and clear remote approaches for diversion in the event of an emergency or a security alert. We would advocate the designation of Prestwick Airport with its almost 3000 metre main runway.

The additional Rescue Fire Fighting and associated facilities and manpower required for such a facility could be part funded by the major airports such as Heathrow and Gatwick, which would benefit by not having to endure operational disruption in the event of an incident, and potentially the Westminster and Scottish Governments to cover additional security requirements.

Discussions have already been held with the Scottish Government on this potential opportunity, given their ownership of Prestwick Airport.

**Lost Connectivity.** APPGA is concerned that there is any reference to the loss of UK origin or destined traffic to overseas airports such as Amsterdam, Dublin, and in the Middle East due to a lack of capacity in London in the right location. The CAA Origin Destination Surveys shows that some 2 million connecting passengers a year from the UK are being diverted over Amsterdam Schiphol due to lack of UK connectivity over the Heathrow hub and Air Passenger Duty. The loss over Dublin and hubs such as Dubai will also be substantial and represents a significant loss to UK airlines and economy.

**Achieving an All Party Aviation Policy Consensus.** APPGA is unique in the Westminster Parliament in being a group representing cross party aviation interest and priorities. It is vital that if the Commission's recommendations are to be accepted that the proposals forward are accepted by more than one Parliament, possibly 3.

The Chairman of the APPGA was a long standing member of the House of Commons Transport Select Committee. In 1998, that Committee wrote a report on Regional Air Services. The Government response to the Committee recommendations was to Commission and publish the Future of Air Transport White Paper in December 2003.

The Airports Commission's work fully endorses the conclusion of that White Paper, that London Heathrow was the preferred location for a new runway. We have lost 12 years of planning and potential progress and economic contribution as a result of the delays.

Had those policy proposals been accepted at the time, then rather than currently debating where and when a new runway was required for the UK, we would be opening a new LHR runway now, not still analysing options, and failing to allow the UK to maintain its position at the heart of the global air transport network.

Brian Donohoe MP - APPGA - Chairman – January 2015