British Air Transport Association response to Airports Commission consultation on its short-listed options and assessment – February 2015

1. The British Air Transport Association (BATA) welcomes the opportunity to respond to this consultation. BATA is the trade body for UK registered airlines. Our eleven members are: British Airways, DHL, easyJet, Flybe, Jet2.com, Monarch, RVL Group, Thomas Cook, Thomson Airways, Titan Airways and Virgin Atlantic. They cover all sectors of the airline industry – including freight, charter, low cost, regional operations and full service.

2. This response does not comment on the detail of the three short-listed options due to our diverse membership. We focus instead on common areas of agreement and the principles that should apply regardless of location. Some BATA members will submit individual responses setting out their views in more detail.

Section 1 – the Airports Commission's work so far

3. BATA has welcomed the scope and scale of the Airports Commission's work and analysis, and the level of consultation and engagement offered to individuals and organisations. The UK aviation industry is vital to the economic and social well-being of the country so it is important that the question of South East airport capacity is resolved. According to a recent report by Oxford Economics, the aviation sector:[1]

   - contributes £52 billion to GDP;
   - supports 961,000 jobs; and
   - pays nearly £8.7 billion in tax.

4. Airlines registered in the UK carry 134 million passengers and approximately 1.1 million tonnes of freight a year. In 2013, BATA members employed over 74,000 people, operated four-fifths of the UK commercial aircraft fleet and were responsible for some 96% of UK airline output. Oxford Economics estimates that UK airlines contribute in total £10.9bn to the economy and support 200,000 jobs.[2]

5. We welcome the Commission's clear conclusion that *'without the provision of new infrastructure the London airport system is likely to be under very substantial pressure in 2030, and demand will significantly exceed total available capacity by 2050'*, and that *'there is a case for at least one net additional runway in London and the South East by 2030.'*[3]

6. The Commission was right to consider non-runway options put forward by opponents of airport expansion, but we support its conclusion that these options *'would not offer a viable solution to the UK's aviation capacity and connectivity needs.'*[4] The debate over the need for an additional runway in the South East of England is over. The question is where should it be built?

7. BATA supported the Commission's decision not to short-list the new inner Thames Estuary airport option in September. Britain needs additional runway capacity in the South East of

[1] Oxford Economics, *Economic benefits from air transport in the UK*, November 2014, p.4
[2] Ibid, p.10
[3] Airports Commission, Consultation document, November 2014
[4] Ibid

England, but not at any price. Our members were never convinced that the business case for this proposal stacked up. The Commission's conclusion that high costs and cumulative obstacles to delivery (amongst other issues) meant that the proposal was not *'a credible option for shortlisting'*[5] confirmed our view.

8. Whichever option is proposed in the Commission's final report there will be controversy and some disagreement, but the UK cannot afford further procrastination and delay in dealing with this issue. A political consensus will be urgently required to turn any of the options into reality. This lengthy but thorough process has to be the final word on this crucial issue for a considerable length of time.

Section 2 - The Commission's appraisal

9. We welcome the extensive analysis undertaken by the Commission and we urge politicians from all the political parties to study the findings in detail.

10. The next Government should use this material alongside the final report to make a decision and then prepare and complete a National Policy Statement as expeditiously as possible. Airlines believe that the existing Nationally Strategic Infrastructure Project (NSIP) planning process, which has been established to overcome previous difficulties in managing large infrastructure projects through the planning process, is the appropriate mechanism rather than a Hybrid Bill.

<u>Meeting passenger needs</u>

11. The 29 objectives by which the three short-listed options are appraised (listed on pages 18-19 of the consultation document) are both wide-ranging and appropriate. Each objective is important, but we believe that two are particularly fundamental:

    - to be affordable and financeable, including any public expenditure that may be required and taking account of the needs of airport users; and
    - to improve the experience of passengers and other users of aviation.

12. If new capacity is to be successful, attract airline users and avoid being a white elephant, it must be cost effective, fit for purpose, and designed to meet the needs of passengers and cargo customers, airlines and other airport customers. Delivering a great passenger experience is essential, but gold-plated proposals that attract the eye of architectural prize-givers and require unnecessarily high charges that make flying more expensive for passengers must be avoided. Passengers departing UK airports already pay the highest air passenger duty in the world. They shouldn't be subjected to ever higher airport charges too.

<u>Analysing future demand</u>

13. We support the use of scenario modelling by the Commission. However, the Commission has combined both demand and airline outcomes within the same scenarios. We think it better for the Commission to separate out its modelling of demand and airline model effects. Further, we think it unlikely that airline business model changes can change demand. They may be able to better reflect it, but they are unlikely to be able to change it. So we are

[5] Ibid

sceptical of analysis that suggests that a certain profile of airline business model will on its own lead to significantly different passenger flows.

14. The Commission has prudently considered 'carbon capped' and 'carbon traded' scenarios in forecasting future aviation demand. BATA endorses the Sustainable Aviation Carbon Road-map which concludes that UK aviation can accommodate significant growth to 2050 without a substantial increase in absolute CO2 emissions, and we support its call for the reduction of net CO2 emissions to 50% of 2005 levels.[6] We hope that the negotiations at ICAO will lead to a global framework using market-based measures and we are cautiously optimistic at the progress that has been made so far.

Surface access, mitigation and role of government

15. We welcome the recognition (in paragraph 2.38) that in contrast to most other large transport infrastructure schemes the costs of new airport infrastructure are likely to be borne entirely or predominantly by the private sector. We believe 'predominantly' rather than 'entirely' by the private sector is appropriate given the nature of this project where the benefits (estimated to be worth hundreds of billions of pounds) would be shared between the industry and the nation. We welcome the acknowledgement (in paragraph 2.48) that *'there may be a case…for some costs directly associated with the scheme to be funded by the public sector.'*

16. In particular, public funding for off-site elements such as surface access improvements and mitigation measures should be considered. Excellent surface access, including convenient and affordable public transport options, is an essential element of a successful airport that is also able to achieve its carbon and local air quality targets. However, roads and rail infrastructure are the responsibility of government, and government directly benefits from the revenues they generate from users.

17. Furthermore, all decisions about airport location and flight paths have always been made by government, NATS and/or public bodies, and not by the industry. Airlines do not influence land use planning around airports, so both government and the industry are responsible for the number of people adversely affected by aircraft noise. Government's shared responsibility is recognised in ICAO's 'balanced approach' to noise management.[7] Governments receive significant positive externalities from aviation. Generous mitigation schemes in other countries are often state funded, presumably at least partly for these reasons.

Pre-funding

18. Paragraph 2.45 states that *'the Commission has made conservative assumptions in its commercial analysis regarding any increases in per passenger charges to 'pre-fund' new infrastructure which might be levied prior to the delivery of additional capacity'*. BATA airlines are firmly opposed to the pre-funding of new runway capacity and do not believe it would be in the interest of passengers. Passengers should only be allocated risk (and its associated costs) when it is in their best interests and they are demonstrably best placed to manage that risk.

19. There are significant inter-generational and competition concerns raised by pre-funding. Today's passengers should not pay for capacity they may never use. Furthermore, airlines operating at Gatwick and Heathrow today might not be operating there when new capacity

[6] http://www.sustainableaviation.co.uk/wp-content/uploads/SA-CO2-Road-Map-full-report-280212.pdf
[7] http://www.icao.int/environmental-protection/pages/noise.aspx

become operable, and new entrants will get the benefit of new capacity without any of the costs of pre-funding.

Noise

20. The Commission has rightly undertaken significant analysis on the likely noise impacts of the short-listed options as this is the main source of complaints from local communities. BATA members endorse the Sustainable Aviation Noise Road-map which concludes that aircraft innovations and engine technology, operational advancements and better land-use planning could reduce UK aviation noise output by 2050 compared to 2010, despite the forecast growth in flights.[8]

21. This prediction builds on the huge progress that the industry has already made to reduce its noise impact. For example, a review of noise data at Heathrow, Gatwick, Manchester, Stansted, Birmingham and Luton airports between 1998 and 2010 found that the number of people inside the UK Government's standard measure of noise impact reduced by nearly 40% despite an increase in flights of over 5% at those airports. This analysis echoes the Government's own finding that the number of people within the same contour around Heathrow has shrunk since the 1970s from two million to 245,000.[9]

Night flights

22. We are concerned at the suggestion *that 'noise mitigation options could include changes to night flight regimes'* (paragraph 2.54). Airlines support the ICAO 'balanced approach' on aircraft noise mitigation, with operating restrictions considered as a last resort once other approaches have been fully explored. The existing restrictive night flight regimes operating at Heathrow and Gatwick are crucial to the UK economy and should not be further tightened.

23. Night flights are a very small but vital part of the UK's aviation capacity and play an important role in UK connectivity and the viable operation of entire transport networks. The current movement limits equate to just 16 movements per night on average at Heathrow, around 40 at Gatwick and 33 at Stansted. Oxford Economics estimate that the flights during the night quota period at Heathrow alone directly contributed some £158 million in "value added" (GDP) in 2011, directly supported 3,200 jobs, and generated £37 million in tax revenue for the UK Exchequer.[10]

24. The express freight network especially relies on the availability of night flights, both dedicated cargo flights and passenger aircraft, in order to guarantee next day delivery for thousands of business critical goods dispatched from and to UK businesses. For example, BATA member DHL operates its own pure cargo flights at Heathrow and is a very heavy user of bellyhold capacity, both inbound and outbound and has traffic on most – if not all - of the long-haul aircraft that arrive at Heathrow in the early hours of the morning, technically still during the Night Period (23:30 to 06:00). This is business critical material for the UK, in particular received from the growing economic trading regions of the Far East and India.

25. Night flights carry a small proportion of UK trade by weight but are vital for supporting export-led growth in sectors where goods are high-value or have to reach target markets quickly. These flights allow the latest possible pickup from customers to give them the full working day

[8] http://www.sustainableaviation.co.uk/wp-content/uploads/SA-Noise-Roadmap-Publication-version1.pdf
[9] Ibid
[10] Oxford Economics, The economic value of night flights at Heathrow, December 2011, p.1

to work on their goods. In a recent study, Oxford Economics stated that over 85% of UK businesses surveyed would be badly affected if international next day delivery services were no longer available and that UK businesses rely on express delivery services for 28% of their sales revenue.[11]

26. Scheduling requirements necessitate night flights on certain key routes. For example, passengers from the Far East demand flights that land in the UK in the early morning to be able to attend business meetings during the same day or to connect to onward services to the United States and other destinations. Likewise, when demand is exceptionally high in the summer peaks, leisure airlines often introduce extra "late" or "early" rotations, without which the cost of holidays may increase. Restricting the current regime further may make it impossible to operate two rotations a day to medium-haul destinations like Turkey and the Canary Islands. In addition, the current regime provides some limited flexibility for delay recovery as positioning flights and maintenance exchanges can be conducted before the start of morning operations.

Air quality

27. We welcome the Commission's acknowledgement that further work is required on detailed air quality modelling, but agree that it was right not to delay the publication of this consultation while this is undertaken.

Section 3 – The shortlisted options

28. BATA is not commenting on the detail of the three short-listed options. The Commission's final recommendation must best meet its overarching objective set out in its terms of reference; *'to maintain the UK's position as Europe's most important aviation hub'*.

29. Each runway proposal has been developed with a limited amount of direct input from airlines. BATA airlines believe that detailed scrutiny of costs, by airlines on behalf of passengers, is needed before the costs of the schemes are finalised and the amount that can be passed through to passengers is agreed. The regulatory process of constructive engagement could be one way to do this if there is a mandate and appropriate forum for the scheme operators to share information with airlines, as representatives of passengers. This engagement will also allow airlines and the airport to work together to ensure that the final proposals that are submitted for planning permission offer the optimal solution operationally and from a passenger experience perspective. There should therefore be a recognition in the final decision by the Airports Commission that their recommendation is not wedded to a specific cost and that further cost and scheme scrutiny work is required.

BATA
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[11] Response to the Department for Transport's Night Flights Consultation by Oxford Economics, 2013