

SHORT (& MEDIUM) TERM MEASURES - EXECUTIVE SUMMARY

MEASURE SET	Traffic Redistribution	
MEASURE TITLE	Main Airport Redistribution	
MEASURE SUMMARY	This measure concentrates on moving traffic between LHR and other main airports, including LGW, STN, LTN, BHX and MAG	
MEASURE INVOLVES	<div><div><input type="checkbox"/> Behavioural Change</div><div><input checked="" type="checkbox"/> Infrastructure Change</div><div><input checked="" type="checkbox"/> Operational Change</div><div><input checked="" type="checkbox"/> Regulatory Change</div><div><input type="checkbox"/> Technical Change</div><div><input checked="" type="checkbox"/> Policy Change</div></div>	
<div>WHAT DOES THIS ADDRESS?</div> <div>As noted in the Aviation Policy Framework, Heathrow had effectively reached its maximum capacity in 2011 and it is forecast to remain at full capacity across all the demand cases considered. Gatwick is forecast to be full (in its current configuration) by the 2020s. Other airports such as STN, LTN, MAG and BHX have existing capacity, and generally modern facilities.</div>		
<div>WHAT WOULD BE DONE?</div> <div>Revise current Traffic Distribution rules (TDRs), currently framed to manage the impact of cargo flights and general aviation on LHR and LGW, to enable capacity.</div> <div>Deregulate airport charges to lead to distributed traffic due to market pricing associated with demand (and effectively congestion) – this measure is also considered under Financial Incentives and Regulatory approaches.</div> <div>Linking LHR and LGW through improved transport links to allow maximal use of both airports.</div>		
<div>WHAT IS THE IMPACT?</div> <div>The impacts would be expected to be:<ul style="list-style-type: none">Increased efficiency, and relocation of marginal flights. Overall Capacity is increased.Freeing up of hub capacity through movement of flights to other airports.Increase in noise, air quality and carbon emissions, dependant on location and fleet mix.Increase in quality of life, through accessibility and job opportunities.</div>		

MEASURE SET:	Traffic Redistribution	Short Term	<input checked="" type="checkbox"/>
MEASURE TITLE:	Main Airport Redistribution	Medium Term	<input checked="" type="checkbox"/>

PROPOSAL SUMMARY

Proposed by:	ABTA (005); BAR UK (008); Birmingham Airport (009); CILT (013); GACC (020); Individuals (029, 031); London First (047); LSCC (048); MAG (050); South East LEP (064); Transport for London (068); West Midlands Planning & Transport Sub-Committee (072).		
Proposal: TRed-MAIR-1 TRed-MAIR-2 TRed-MAIR-3	<p>This measure involves actions to move traffic between LHR and other main airports, including LGW, STN, LTN, BHX and MAG, optimising use of existing capacity, through;</p> <ul style="list-style-type: none"> Implied use of revised traffic distribution rules Limited / full deregulation of airport charges & differential APD Two airport hub between LHR and LGW or STN 		
Approach	<p>The approach is:</p> <ul style="list-style-type: none"> The current TDRs covering LHR and LGW date from 1991, and revision of them may enable capacity at LGW and STN in particular. Deregulation of charges at LGW and STN (and poss. LHR) would lead to market pricing redistributing traffic (cf differential APD) The linking of LHR with LGW (or STN) allows maximal use of capacity at both airports with some additional connectivity. Improved transport links are envisaged, including a high speed rail link or revisiting of the helicopter Airlink that operated between LHR and LGW between 1978 and 1986 	<p>Stated Capital Cost:</p> <p>Not stated</p>	
		<p>Capacity (mppa):</p> <p>Not stated</p>	
		<p>Capacity (atm):</p> <p>Not stated</p>	
Benefits	<p>The main benefits available are some improvement in use of existing capacity through shift of flights to other airports. LGW has limited spare capacity, but STN has significant spare capacity. TDRs are allowable under EC law if non-discriminatory. The Competition Commission identified that “Looked at dynamically, it might be that there is a justification for TDRs in boosting a new airport, which might otherwise remain under-utilised; if it is assumed that there are network effects and economies of scale at an airport.”</p> <p>Deregulation of airport charges would result in pricing reflecting market demand, with the potential for discounts at LGW and STN which could see some limited relocation of marginal flights from LHR, but LHR capacity remains fully utilised by those prepared to pay higher charges. The potential linking of two of the major London airports could enhance hub capacity by providing additional point to point / feeder route development.</p>		
Issues & Risks	<p>The main issues and risks are that not all parties are in agreement that traffic redistribution is appropriate, and it may have unintended consequences. Some submissions were clear that market intervention was not preferred. TDRs would seem due for review following the separation of ownership of LHR, LGW and STN, but the impact of existing TDRs was critiqued during the competition commission review, in particular regarding freight access differentials between STN and LGW. It is unclear – and not detailed – how suitable TDR could be framed to optimise available capacity. Issues of charge deregulation and differential APD have been covered elsewhere. Both measures respond to a comment in the supporting document submitted by SELEP that comments “although capacity exists, the airlines are simply not interested in using it, at least under the existing regulatory and taxation system, and will instead utilise capacity at [mainland] European hub airports. The joint hub issue has been raised and fast transport links have been found broadly impractical. The reintroduction of a helicopter link would have noise, airspace and operational impacts. The limited capacity and connectivity improvement available from creation of a virtual hub, by LGW and LHR operating in a complementary manner is noted, but such complementarity may be less easily realised given competitive ownership of the London airports.</p>		
Mitigations	<p>No significant mitigations are identified, although rural route flying for the proposal to reintroduce the helicopter link is suggested.</p>		
Dependencies	<p>There key dependencies are:</p> <ul style="list-style-type: none"> Regulatory charges; Air Passenger Duty; Air Services Agreements Surface Access infrastructure and operations 		

MEASURE SET:	Traffic Redistribution	Short Term	<input checked="" type="checkbox"/>
MEASURE TITLE:	Main Airport Redistribution	Medium Term	<input checked="" type="checkbox"/>

ASSESSMENT SUMMARY

Strategic Fit	Although Traffic Distribution Rules are not specified within the APF, this measure responds to the concerns expressed within the Aviation Policy Framework regarding capacity and the promotion of regional airports. However, in itself offers limited capacity, and dependent on the options taken might be seen as undue intervention in the market.
Economy	If flights are redistributed to regional airports and hub capacity is gained, then there will be additional economic benefits, although there are no attempt to monetise these economic benefits at this stage. Of the London airports, STN has greatest potential for growth and therefore the greatest economic benefit, although it is likely that some benefit would be seen at Birmingham and Manchester also.
Surface Transport	If successful in redistributing traffic, especially during peak hours will create growth in surface transport demand at airports where traffic grows. STN has greatest potential for growth and therefore surface transport impacts – would require upgrades either from road/rail infrastructure and/or improvements to rolling stock or service schedules.
Environment	Growth in ATMs at airports where traffic is redistributed is likely to impact noise, air quality and carbon emissions, with detail dependent on location and fleet mix. Growth is only possible to a limited degree under current planning restrictions on ATMs at LHR, LGW and STN. STN has greatest potential for growth and therefore environmental impacts.
People	Growth at other airports might impact quality of life, both in terms of noise negatives and improvements through greater accessibility and job opportunities. Impact likely to be minor given scale of capacity change possible.
Cost	Costs are identified for some of these changes only. Would be associated with review and consultation on traffic distribution. There would be costs to airlines if routes / flights were forced / encouraged away from their current airport of choice. The costs of a helicopter link between LHR and LGW are given, but this is not considered to be a practical option. Fast rail links between the airports are similarly impractical as short term, and indicative costs would need more detailed review.
Operational Viability	Considered broadly viable under current restrictions. Helicopter link unlikely to be immediately operationally possible as regular service due to the use of capacity and ATC at LHR. Connected virtual hub, without additional infrastructure, has been found to be possible through flexible use of London Airports and Airspace during the 2012 Olympics.
Delivery	<p>TDR review will require parliamentary consideration; Deregulation of charges and differential APD will require regulatory and taxation regime review.</p> <p>Virtual hub concepts will require cross-industry agreement and cooperation – found possible during 2012 Olympics, but cannot be presumed.</p>