



Presentation to Airports Commission

9 July 2013





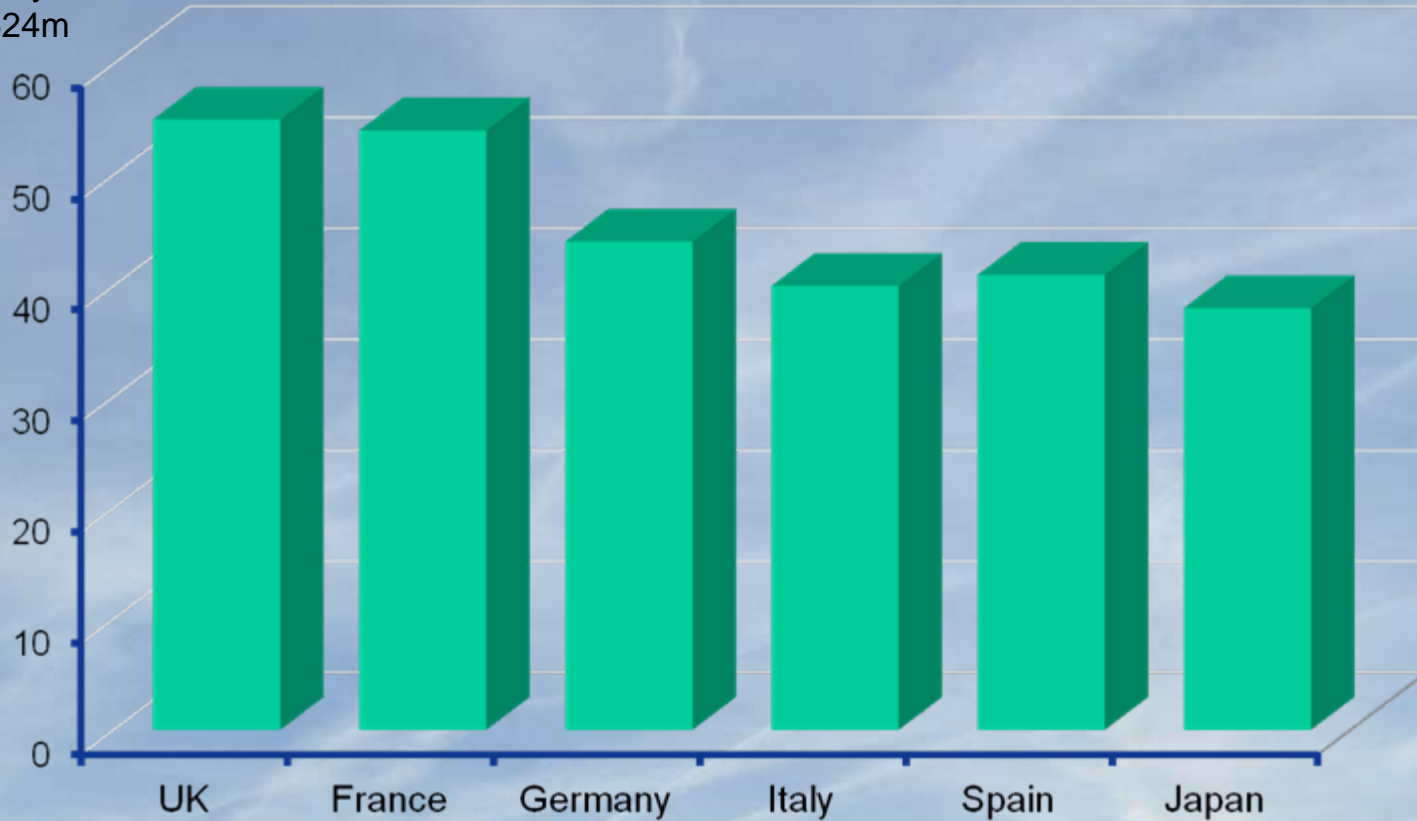
DfT aviation forecasts

- 2003 ATWP predicted 500mppa by 2030 – called for 4 new runways
- DfT now expects 320mppa by 2030 i.e. 180mppa downgrade
- Capacity of 4 new runways = approx 180mppa
- ATWP was applauded at the time by the aviation industry, CBI, IOD, ABTA and others as the right policy response ...
- ... so why do these same bodies now speak about a capacity crisis?
- Moreover, air travel is greatly undertaxed relative to road travel. APD would need to be 4x higher for fiscal equity – raising about £11.0bn rather than £2.7bn
- To what extent is demand artificially inflated by aviation's generous tax breaks?



Is there really a capacity crisis?

Commercial runways > 1524m



The UK has more commercial runways than either Germany, France, Spain or Italy. We even have more runway capacity than Japan, also an island trading nation, which has twice our population and twice our GDP.





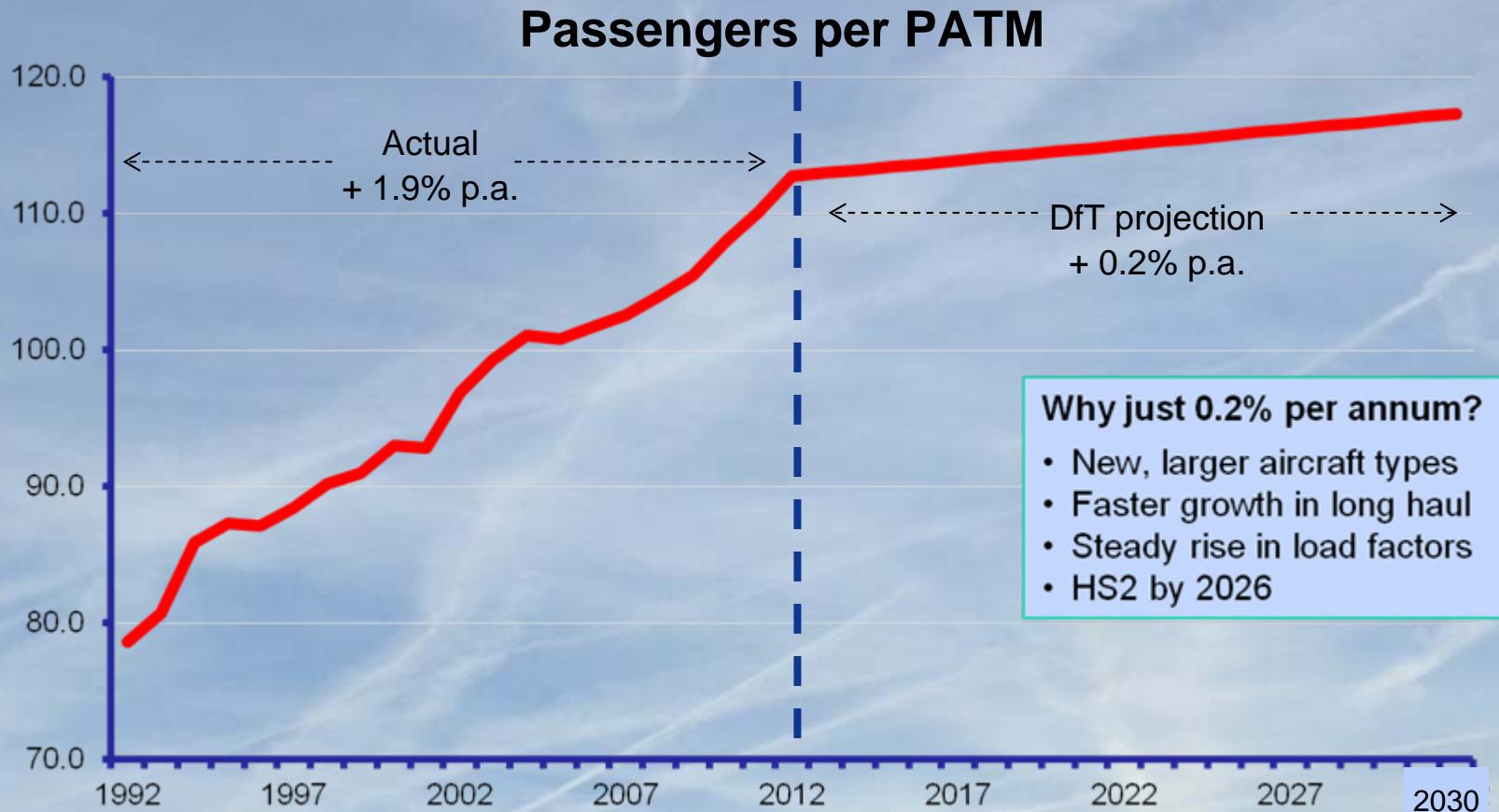
2012 ATMs vs UK airport capacity in 2030 (without new runways)



- Without new runways UK airports could handle 3x the DfT forecast for 2030
- Heathrow is at 98% of its ATM capacity but it could handle another 20mppa.



... and the DfT's ATM forecast is too high

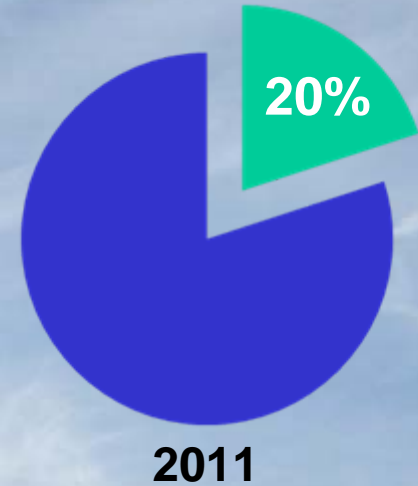
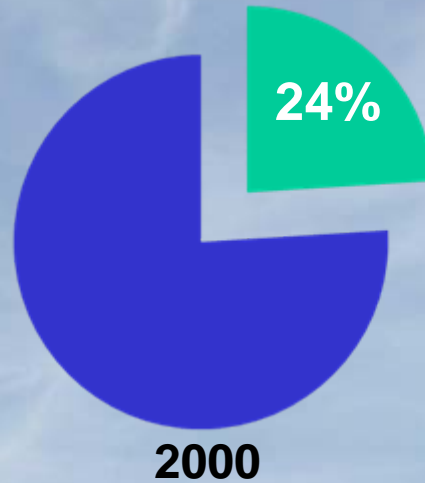
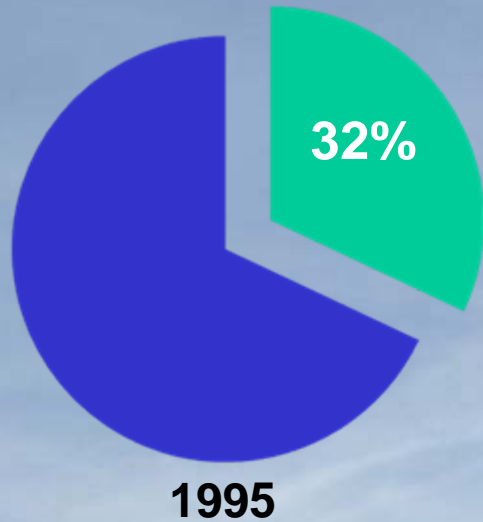


- Just 1% annual growth in the number of passengers per PATM between now and 2030 would mean 2.3m ATMs needed for 320mppa, not 2.7m.



Business travel continues to decline

Proportionately

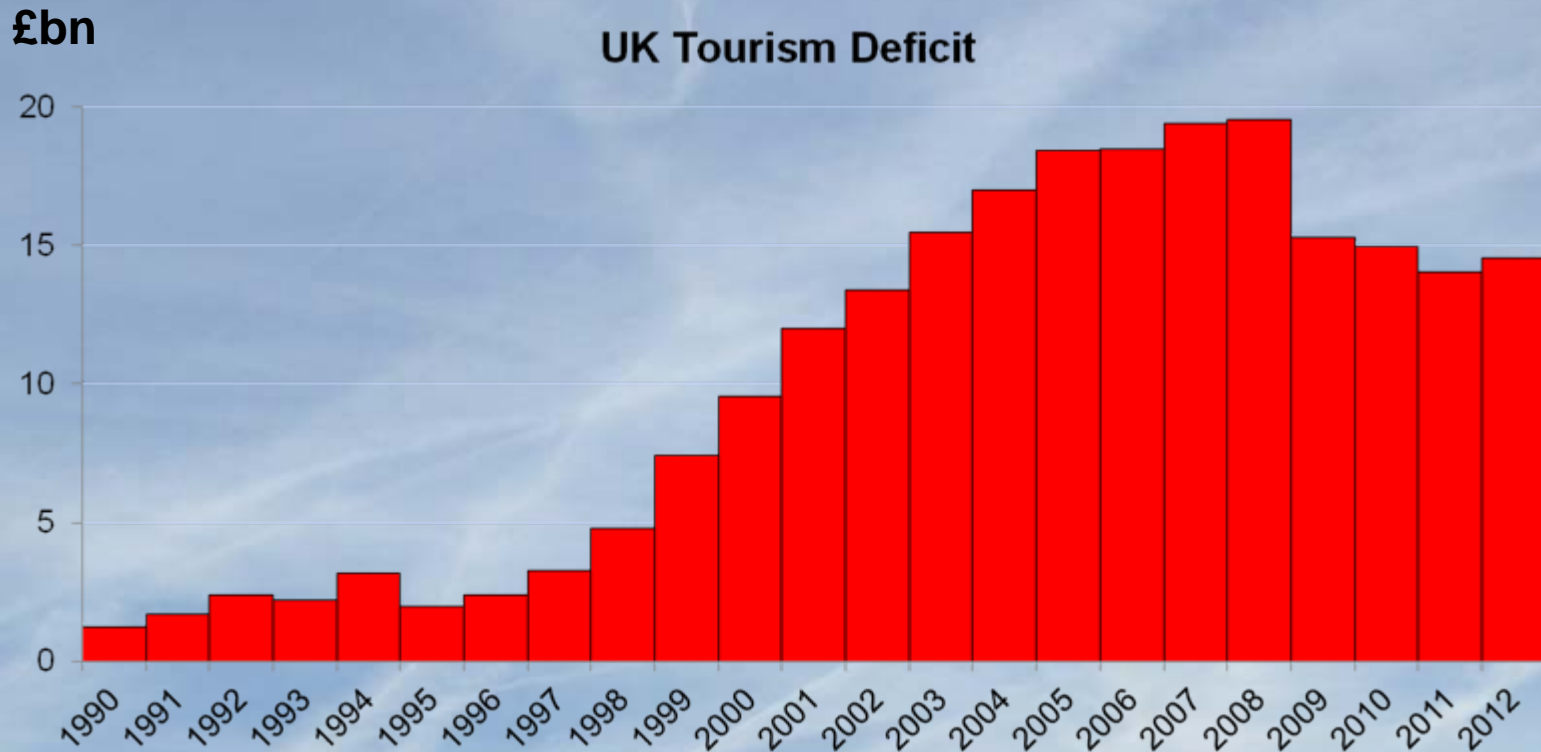


... and in absolute terms

- The number of business flights abroad by UK residents has fallen by a fifth in past 10 years
- Only one in every eight overseas flights by UK residents is now for business purposes



Meanwhile, the tourism deficit has moderated



... but it still amounted to almost £15bn last year

- 80% of all flights are non-business
- Outbound tourism is twice as big as inbound tourism



A nation of holidaymakers?

- Heathrow flew more people to Miami last year than to all of mainland China. It flew more people to Nice than to either Shanghai or Beijing.
- Gatwick flew almost 50 times more people to Spain in 2012 than to all four BRIC countries combined – Brazil Russia, India and China.
- Stansted has no long-haul flights and no flights to any of Europe's leading business centres – e.g. Paris, Frankfurt, Zurich or Brussels but you can fly every day from Stansted to Torremolinos and Tenerife.
- And if there was market demand for another 100 flights a day to China, Stansted has the capacity to accommodate that tomorrow.
- Pressure on Heathrow/South East capacity could be alleviated by differential rates of APD.





Is London really losing out?

- London continues to be ranked – by some margin – as Europe’s best city for business, a position it has since the start of the C&W annual surveys in 1990.

City	2011 Score	Rank		
		2011	2010	1990
London	0.84	1	1	1
Paris	0.55	2	2	2
Frankfurt	0.32	3	3	3
Amsterdam	0.26	4	6	5

... and London is improving whilst others are falling back

"Companies were asked which are the top three cities in terms of transport links with other cities and internationally. The top five cities again remain static, although the gap between London, the top ranked location and second placed Paris has widened further. London was the only city in the top five to see its score improve, with perceptions of Paris, Frankfurt, Amsterdam and Brussels all weakening over the year."

Cushman & Wakefield, European Cities Monitor 2011





Summary of Key Points

- When considering the question of runway capacity it is the demand in terms of ATMs that matters, not the demand in terms of passenger numbers.
- It is therefore highly significant that there were fewer ATMs at UK airports last year than in 2001 despite 22% more passengers being handled.
- The total capacity of the UK's airports is about three times the DfT's central passenger demand forecast for 2030 and about twice its forecast for 2050.
- There is more runway capacity in this country than in Germany, France, Spain or Italy. We even have more runway capacity than Japan - also an island trading nation - which has twice our population and twice our GDP.
- The number of business flights abroad by UK residents has fallen by a fifth in the past ten years and only one in every eight overseas flights by UK residents is now for business purposes.