



**Meeting of the Airports Commission
12th February 2015 - 10:00am to 16:00pm
Rm 6.02 Sanctuary Buildings**

Attendees:

Commission members:

Howard Davies - Chair
John Armitt (agenda items 10-13)
Ricky Burdett
Vivienne Cox
Julia King

Secretariat (agenda items):


Philip Graham



Expert Advisory Panel:

Richard Everitt (10-12)

Consultant:

 (OECD) (10-12)

1. Welcome

Howard Davies (HD) welcomed attendees and invited updates on the register of interests. None were received. The Secretariat also asked to be notified of any gifts or hospitality received by the Commissioners as a consequence of their position on the Airports Commission in order to respond to an enquiry. There were none.

2. Note of Last Meeting

There were no new comments on the last meeting note and the note was agreed. No comments were received on the Commission's draft rules of engagement note for the period to publication of the Final Report and the note was therefore agreed.

3. Round up of stakeholder meetings

HD gave an overview of the meetings that have taken place since the last Commission meeting. The meetings were as follows:

2nd February – Greg Clark MP

2nd February – Phone call with Carolyn McCall (EasyJet)

3rd – Phone call with Tony Tyler, IATA

5th – Phone call with Rafael del Pino, Ferrovial

10th – Phone call with Lucy Chadwick, DG, DfT

HD had phone calls with the Chancellor of the Exchequer and John Kingman from HM Treasury where Airports Commission issues were touched upon, but not discussed in any detail.

In addition, Ricky Burdett (RB) had met with Gatwick Airport Limited on 30th January. The note of this meeting will be circulated to all Commissioners.

The Secretariat had met with Airbus in Toulouse and with United Airlines.

ACTION: Secretariat to arrange a visit to ARUP Soundlab for Commissioners who had not yet visited.

4. Update on analysis and any current concerns

The Secretariat provided an update on current areas of analysis which included economic appraisal work following on from discussions with the Committee for Climate Change and ongoing work relating to air quality and noise. The Secretariat was also carrying out its analysis of responses received to its national consultation.

5. Consultation: Headline findings

The Secretariat presented an overview of responses to its national consultation and provided an update on how responses were being considered. The Commissioners asked whether the Secretariat could identify the geographic location of respondents in its analysis of responses. The Secretariat noted that in many cases this would be possible, but some respondents would not disclose these details in their response. The Secretariat enquired whether Commissioners were in favour of publishing further details on responses received to the consultation – the Commissioners stated that this would be helpful.

ACTION: Secretariat to draft a note for the Commission's website providing information on the number of responses received and categories of respondent.

6. Final report narrative

The Secretariat gave a short overview of where each of the meeting's agenda items would fit into the final report narrative, highlighting that most items would fit into chapters 1 and 2. A paper detailing the structure and high level content of the final report was circulated ahead of the meeting and the Commissioners stated that they were content with the proposals as presented. It was noted that the item on UK aviation statistics had been moved to a later Commission meeting.

7. Demand forecasts

The Secretariat gave an overview of its programme of work analysing and comparing the Commission's demand forecasts with those of Gatwick Airport Limited (GAL), Airbus, EasyJet, and other stakeholders.

The Secretariat had commissioned an independent peer review of demand forecasts provided by GAL, a draft of which was presented to the Commission. The Commissioners were keen that, once the peer review was finalised, it should be published as part of the final report documentation, alongside an explanatory note to explain the background to the work, its findings and how these may relate to the DfT demand forecast model.

The Secretariat discussed how forecasts undertaken by Airbus, EasyJet and GAL compared to the Commission's forecasts.

ACTION: Secretariat to provide a note on demand forecast peer review work.

ACTION: Secretariat to provide more narrative on connectivity from the supply side (airline behaviour).

8. Second net additional runway and role of other London airports

The Secretariat provided an update on its work relating to the second net additional runway and the role of other London airports. The Secretariat presented analysis of how quickly other London airports fill up under different Airports Commission scenarios.

A discussion was then had relating to planning caps at other airports, including Stansted. HD stated that any proposals to allow more flights at Stansted should be looked at in the future, closer to when the extra capacity was needed, and provided comments on the proposed options for the final report narrative on this issue.

The Secretariat presented an initial draft narratives discussing the second net additional runway for incorporation into the Commission's final report. The Commissioners provided comments and requested to see a revised draft.

ACTION: Secretariat to re-draft final report narratives relating to planning caps and the second net additional runway.

9. Benefits of connectivity and costs of not expanding: The evidence base

The Secretariat outlined work it had undertaken examining the benefits of connectivity and the costs of not expanding the UK's aviation capacity.

The Secretariat presented analysis showing how airline passenger demand would change out to 2050 in terms of the aircraft required, passenger numbers and where this demand was likely to be. HD expressed the importance of ensuring that the Commission's forecasts took carbon impacts appropriately into account.

A short discussion was held relating to forecasted demand for freight transport by air. HD requested that further analysis on air freight (amounts and at which airports) be provided by the Secretariat.

HD asked whether it would be possible to simplify the presentation of the Commission's published figures on the economic benefits of expansion. The Secretariat said this would be possible by focusing on one of the 5 scenarios used and supplementing this using other scenarios to provide sensitivity tests or ranges for particular measures. The Commission agreed that the presentation should focus on a single, most plausible scenario, and asked for further advice in the light of consultation responses as to what that scenario should be.

ACTION: Secretariat to provide further analysis on demand for air freight.

ACTION: Secretariat to provide note on the plausibility of the forecast scenarios, with a view to focussing the narrative more fully on a single one.

Agenda items 10 and 11 were presented by the Secretariat and followed by discussion with experts, which is summarised under agenda item 12.

10. Connectivity

The Secretariat provided an update on its policy work relating to international and regional connectivity.

It was noted that if the Commission's objective was to maximise the size of the route network in the UK, then hub capacity (which is provided by airlines) needed to increase in the London airport system. In the case of Heathrow expansion, the probability of hub capacity expanding is quite high, while it is lower in the case of Gatwick expansion. It was noted that this consideration needed to be taken into account when making the decision on one of the options and balanced against other costs and benefits of each scheme.

The Commission considered a paper on the potential uplift in connectivity between London and the UK regions that could accrue from expansion, and the scope for further potential measures to support this aim. The Commission agreed that it should continue to consider the scope for Local Rules proposed by Slot Coordination

Committees and Public Service Obligations to facilitate regional connectivity, and set out its conclusions in this area in its Final Report.

ACTION: The Secretariat to engage with the ACL to understand how they would go about allocating slots in the case of expansion.

11. Airlines

The Secretariat provided an overview of the work by the International Transport Forum (ITF/OECD) and SEO Economic Research on the potential uptake of new capacity by airlines, that was included as part of Commission's evidence base for consultation in December 2014.

The Secretariat then discussed responses to the consultation that the Commission received from airlines. These fell into the following few themes:

a) Strong support from airlines for expansion at Heathrow

Airlines are largely supportive of expansion at Heathrow, while remaining sceptical about expansion at Gatwick and the Commission's 'low cost is king' scenario for how the aviation sector may develop. Arguments against Gatwick are mostly based on a claim that an expanded Gatwick, due to increased aero-charges, would no longer be affordable to its traditional low-cost short-haul base (for which aero-charges are a much more significant proportion of costs than for long-haul carriers) due to an unattractive yield to costs of using capacity ratio, while not being attractive enough to long-haul carriers (as yields at Gatwick are expected to be lower than at Heathrow).

b) Airlines think that the costs of the proposals are too high and are against pre-funding of new capacity and APD

One of the responses offered a comparison between the estimated cost of the schemes and other international projects of a similar kind. Some responses indicated that higher costs of new infrastructure may have a detrimental impact on domestic and marginal international routes, hence reducing the potential size of the future route network.

Some responses were against 'gold plating' of the terminals and also indicated that they considered some aspects of scheme promoters' plans to be unnecessary, for example certain passenger and baggage transfer facilities. HD questioned whether the Commission could get insight into the cost estimates for these facilities at Heathrow and Gatwick.

ACTION: Secretariat to look at scheme promoter plans and identify costs for items raised by airlines in consultation responses.

A discussion was had relating to EasyJet's proposals to launch operations at an expanded Heathrow. HD asked the Secretariat to find out whether these proposals would have implications for the scheme costs submitted by HAL and Heathrow Hub.

ACTION: Commission to investigate potential impact of EasyJet proposals for flights from Heathrow Terminal 4 on scheme costs submitted by Heathrow Airport Limited and Heathrow Hub Limited.

The Secretariat asked whether the Commissioners would like the International Transport Forum (ITF) and SEO Economic Research to review the technical responses on airline competition and to look deeper into the slot allocation regime. The Commissioners agreed that these two pieces of analysis should be carried out.

ACTION: Secretariat to commission the ITF and SEO to review the technical responses on airline competition.

12. Airline economics/connectivity: A discussion

A discussion was held on how new slots are allocated in the UK. Richard Everitt (RE) from the Commission's Expert Advisory Panel and Steve Perkins (SP) from the OECD who is leading a number of projects relating to airline competition for the Commission discussed how important the slot allocation regime was to the future connectivity outcomes. The Commissioners asked the Secretariat to continue looking into these issues and provide the Commissioners with an update.

HD asked whether pre-funding for airport expansion had happened internationally, for example at Frankfurt Airport. SP/RE suggested that the Secretariat contact IATA for more information.

ACTION: Secretariat to contact IATA for more information on pre-funding internationally.

13. AoB

There was no other business raised.