



London (Heathrow) Airline Consultative
Committee

Response to the Airport Commission 3 February 2015

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Introduction

The Heathrow airline community, consisting of 80 airlines¹ operating from the airport and carrying 73m passengers in 2014 to over 184 destinations in 84 countries, welcomes the opportunity to submit comments to the Airport Commission on the provision of additional runway infrastructure. This response has been coordinated by the London (Heathrow) Airline Consultative Committee (LACC) and is supported by the Heathrow Airline Operators Committee (AOC) and the International Air Transport Association (IATA).

In supporting the need for additional capacity, the airlines at Heathrow would highlight the following points:

- This capacity must be affordable for airlines and their passengers; otherwise the economic benefits will not be realized.
- The limited number of night flights at Heathrow provide a disproportionate economic benefit, and their noise impact is reducing thanks to airline investment in new aircraft and operational procedures.
- Opportunities to implement runway alternation to provide noise respite for local communities should be pursued.
- Risks should be allocated to the parties best able to manage them.
- Airlines should only pay once capacity is in place.

Our detailed comments and the reasons for these are set out below in answers to the questions posed by the Airport Commission.

¹ NOTE: Aer Lingus is not associated with this response.

Q1 What conclusions do you draw, if any, in respect to the three short listed options? {section 3}

The Heathrow airline community does not wish to make any detailed comments on the merits of any of the three shortlisted schemes pending a decision by the Airports Commission regarding its final recommendation to the Government. This approach is aligned with the current CAA Consultation on Economic Regulation of new Runway Capacity. The CAA has a primary duty to discharge its functions to the passenger, as outlined in the Civil Aviation Act 2012. This includes outlining the economic regulation framework of price control structures, scrutiny of costs, the recovery of costs and taking full account of market power assessments which provide the basis for the economic regulation of airports. Consequently, detailed airline engagement will increase as both the CAA and the Airports Commission conclude the analysis of the shortlisted schemes and in the light of further developments regarding the political, economic, social and sustainability factors which underpin the Commission's approach.

The Heathrow airline community strongly supports the Commission's view that additional affordable capacity is urgently required in the South East of England by 2030. The only additional runway capacity provided in the UK since the end of the Second World War has been in London City airport and Manchester Airport's second runway. Consequently both Heathrow and Gatwick airports have grown by driving the highest runway utilisation levels in the world with the consequence that the runways lack the levels of resilience required to manage disruption. This is especially the case at Heathrow.

The Commission recognises the economic importance of new runway capacity and how this will support the competitiveness of the UK economy. The Heathrow airline community recognises the Commission's conclusions that the greatest economic value will be generated at Heathrow, which is and will remain the only hub airport in the UK. The key issue for Heathrow airlines is the commercial viability of the proposals and ensuring that the correct risk allocation processes are in place to mitigate political, regulatory, demand, financial and construction risk. Airlines support the principle proposed by the CAA that the party best able to manage a risk is allocated that risk. Consequently some refinement is required in the Commission's analysis to assess the optimum risk allocation process taking account of normal market mechanisms and the impact of the substantial increase in charges compared with other hub airports.

The Commission has identified noise as one of the key environmental criteria in its assessments process. Due to airline investment in new aircraft the number of people inside the UK Government's standard 57 dbA Leq noise contour has reduced by nearly

40%. Aircraft produced today are 75% quieter than those of 50 years² ago and further noise reductions are planned over the next 40 years when the world's airlines will take delivery of 30,000 new aircraft worth US\$ 4.6 trillion at current list prices³. Aligned with these developments there is the need to maximise opportunities for noise respite for local communities by an additional runway, using well established alternation principles. This together with the long overdue modernization of the airspace will optimize the airport's operational performance. These measures will enhance both resilience and safety levels in line with UK commitments to the EU's Single European Sky project. Consequently any trade-offs between environmental and operational viability will require a Balanced Approach, in line with the International Civil Aviation Organisation's (ICAO) recommended practices, whilst enhancing the current safety standards.

Q2 Do you have any suggestions for how the short listed options could be improved i.e. their benefits enhanced of negative impacts mitigated? {section 3}

The Heathrow airline community does not wish to make any detailed comments at this stage in the process. However there are several areas which the Commission should consider in more detail before a final recommendation is submitted to the Government. Six areas have been identified for further work and these are outlined in our response to Question 4 below.

Q3 Do you have any comments on how the Commission has carried out its appraisal? {section 2}

The Commission has adopted a detailed, comprehensive and professional approach in its analysis of the aviation requirements in the longer term for the United Kingdom. The Airline Community welcomes the extensive assessment process that has been undertaken by the Airports Commission in preparing this final consultation.

We have not been able to respond to all elements of the assessment in this submission; however, individual airlines have made comment on some areas and we remain open to discussing further elements in more detail with the Commission.

² Sustainable Aviation : www.sustainableaviation.co.uk

³ <http://www.airbus.com/company/market/forecast/>

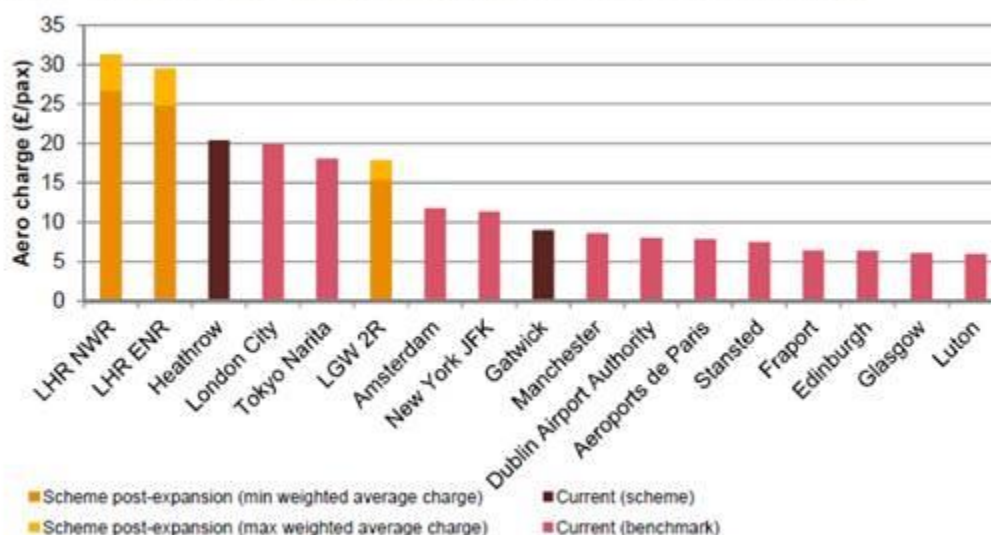
Q4 In your view, are there any relevant factors that have not been fully addressed by the Commission to date?

Section 1 Affordability

1.1. Increase in charges

All the schemes being considered by the Commission involve very significant increases in user charges to fund the capital expenditure. As the following graph published by the Commission shows, the resulting user charges would put these airports at the top of the user charge league in Europe.

Chart 49 – Average aero charge²⁴ per passenger per airport (based on most recent data available)²⁵



Source: Airport annual reports (2013), Airport Statutory Accounts, Leigh Fisher UK airport Indicators 2012/13, Airports Commission estimates.

As the graph shows, amongst hub airports Heathrow user charges are already far higher than peer group hubs in Europe. Gatwick charges are already higher than other non-hub airports such as Stansted and Luton. Using the increase indicated of circa £10 per arriving and per departing passenger, this will result in an increase of circa £20 added to the airfare of each departing passenger journey from Heathrow.

As noted by the Commission, user charges are a significant element of airline costs, especially for short-haul services. The scale of user charge increases described by the Commission (c.60% at Heathrow and c.100% at Gatwick) will undermine airlines' ability to fund new aircraft to take advantage of the new capacity and therefore limit the economic benefits arising from that capacity.

Hence the benefits of the schemes as they stand will only be realised if airlines can profitably use the new capacity. Without the ability to increase fares or absorb the cost increase, airlines will be forced to reduce frequencies, cancel marginal routes and/or not start potential new routes. **This has three major negative implications for the Commission's objective to maintain or increase UK connectivity:**

- New marginal long haul routes to emerging economies, such as secondary points in China, will be less viable.
- Short haul services connecting the **UK regions** to world markets will become less viable. The consequences of a reduced short-haul network will be severe. Reduced short-haul feed lessens the ability to aggregate demand onto thin/new long-haul routes and could even lead to reduced long-haul frequencies and/or cancellations.
- Higher fares will also reduce the attractiveness of London as a transfer hub compared to competing foreign hubs.

1.2. Rate of scheme build:

It is important that the rate of scheme build is in line with passenger demand at that location, to avoid building white-elephant capacity. A recent European Court of Auditors report⁴ notes a number of airports where passenger demand was over-estimated, and closer to home the examples of Manchester 2nd runway and the Stansted proposed 2nd runway are relevant.

Front-loading too much of the development, will also put more strain on airport charges and create unsustainable growth requirements for carriers who will need to fund new aircraft. Experience also suggests that there are limits to the rate of feasible capex spend by HAL and GAL.

1.3. Cost of build

The LACC notes that lack of long-term airport masterplanning and land safeguarding has inflated the cost of expansion, most notably at Heathrow. These costs will be borne by airlines and their passengers.

Terminal buildings and other significant cost aspects such as transit systems must not be gold-plated and a balance must be struck between excessive costs and marginal benefit to passenger experience.

⁴ http://www.eca.europa.eu/Lists/ECADocuments/INSR14_21/INSR14_21_EN.pdf

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.

Shorter Minimum Connection Times (MCT) for passengers are desirable in principle, but there needs to be a careful trade-off against the substantial incremental cost associated with the provision of Track Transit System (TTS) and Baggage Tunnel construction.

Given that the opening date for all the schemes is at least ten years away, the scheme developers should take this opportunity to implement streamlined airport processes which have the potential to reduce terminal requirements, which are a large element of the capex involved.

Land acquisition is a substantial cost and is also a key delay risk to the project. Final detailed designs must be closely scrutinised to ensure that all land take is absolutely necessary for the development; for example, some commercial development may well be appropriate outside - but in close proximity to - the airport site.

1.4. Needs to be further Opex efficiencies:

The high user charges compared to peer group airports noted above are partly a consequence of inefficient airport operations, and the LACC believes that scheme proposers should take advantage of the expansion opportunity to deliver significant scale economies in Opex. Airlines are only prepared to pay for efficient Opex costs.

Section 2 Funding of new runway capacity

2.1. Key Principles

Airlines recognise that this is an issue the Commission is leaving to the CAA and airlines are already involved in discussion with the CAA on the appropriate regulatory and funding mechanism for any new runway capacity. However, given both airports under consideration have been assessed to have market power and are therefore subject to economic regulation, there are a number of key principles that should be taken into account when assessing the business cases put forward. These are:

- There should be no pre-funding or revenue advancement – airport capacity should only be paid for once in use, so that the airport has an incentive to start delivering benefits early and to defer costs where possible.
- Only efficient costs should be passed through and this should be done fairly. It is not in the passengers' interests to reward airport shareholders for inefficient or poorly timed expenditure.
- There should be no 'gold plating' – investments need to take account of airline and passenger needs, with sound business cases showing clear passenger benefits.
- Innovation (by the airport and users) is stimulated by the regulatory framework for the betterment of consumers, with airport productivity gains shared fairly with consumers.
- Inter-generational equity needs to be addressed – this is a long-term investment with multi-generational benefits. Temporal cross subsidies are inequitable and can create inefficiencies in the market to the detriment of passengers.
- Consideration of capacity utilization is required when passing on costs to users.

It is also worth noting that airlines would not expect the CAA to settle on one type of regulatory structure at this stage, but to set out an approach that could accommodate different options (e.g. RAB based, Special Purpose Vehicle, hybrid ownership structure, long control periods etc). The focus of the CAA needs to be on providing regulatory certainty while signalling flexibility but not taking any design elements of the regulatory framework off the table.

Airlines believe commercial viability is an essential factor for the delivery of any new capacity. Without commercial viability it is not feasible to allocate risks commensurate with rewards. However, it is not enough for a project to simply be viable for an airport's shareholders, as this can be achieved by abusing an airports significant market power,

it must also provide value for money to passengers⁵, who will be required to fund the airport's project.

Perceived financing risks are likely to vary significantly between projects, according to the commercial viability of the scheme chosen. Airlines do not consider that airports would face real financing issues if a commercially viable option is selected, because the project would be attractive to airlines and passengers, to investors, and therefore to the CAA, significantly limiting risk of all kinds.

However, if a scheme is chosen that is not commercially viable, only a contribution by Government, if permitted under State Aid rules, could reduce the risks. In that case, airlines consider that regulatory intervention, however innovative, is unlikely to reduce demand, regulation or financing risk sufficiently.

Long term profit guarantees or pre-funding are especially damaging because they increase demand risks, they reduce the airport's incentive to build in an efficient way to meet consumer needs and they can generate distorting inter-generational cross-subsidies. Such regulatory intervention would be disproportionate and damaging. Airlines support the principle proposed by the CAA that the party best able to manage a risk is allocated that risk. The CAA has no duty to facilitate inefficient investment, but does have a clear primary duty to further the interests of passengers.

Therefore, if the selected option has a strong business case, it is difficult to see that there would be significant finance issues for investors.

Airlines therefore continue to believe it is only appropriate for runway costs to be recovered once any additional capacity is operational. As well as being what would happen in a competitive market, it also does not seem appropriate for funding to start ahead of this as there remains a risk that the Government of the day will not accept the results of the Commission and/or that planning permission may not be granted or may be subject to delays or onerous conditions.

Another issue that needs to be taken into account is the transmission mechanism between airport charges and fares paid by passengers. Changes in airport charges may not be reflected in fares, for instance if airlines can't pass on cost increases to passengers. Another reason why changes in charges may not track changes in fares is if other factors happen in parallel that also influence fares. For example, alleviation of capacity constraints may support possible improved operational performance which can also help generate cost savings. Timing any increase in charges with improvements in operational benefits arising from alleviation of capacity constraints could, to an extent,

⁵ For stylistic purposes, users of air transport are referred to as 'passengers' throughout this document. However, air transport users, make use of both passenger and cargo services.

offset the impacts from any charge increase. Therefore, the transmission mechanism between airport charges and fares paid by passengers needs to be taken in to account. Changes in charges may not track changes in fares if other factors happen in parallel that also influence fares. For example, alleviation of capacity constraints may support possible improved operational performance which can also help generate cost savings. If timing of the increase in charges coincides with the delivery of operational improvements then the impacts of the charge increase could to an extent be offset due to the potential improved operational performance.

2.2. Risk management

Airlines note that the Airports Commission has very little consideration of risk management in their assessment. Risk allocation is a more significant consideration given the size and duration of the investment than for smaller incremental projects and it is therefore worth addressing explicitly to ensure appropriate incentives are provided to deliver a runway in passenger interests. Airlines also believe that risks should be allocated to those parties who are best able to manage it. Misallocation of risk will create inappropriate incentives to developers and would be likely to undermine the CAA's primary duty to further passenger interests. Risks should be allocated so as to maximize the total project value, taking into account each party's ability to influence, anticipate, respond to and absorb the risk.

Risk allocation is therefore key in the delivery of efficient infrastructure. However, airlines do not support the current approach for passing all demand, development and construction risks to airlines. This argument ignores the essential principles that risks should be managed actively by those best placed to do so. The current approach incentivises an inefficient approach, whereby all investment is remunerated fully, and discourages long term planning. Further work is needed to identify the best risk allocation and incentive structure.

It is clear from previous examples where this has happened at Heathrow and Stansted, where passengers are still funding elements of costs of additional runway proposals that were never realised, that there needs to be a better way to manage this risk during this process. Airlines believe that the Government is best placed to underwrite political risk in the period until planning permission is granted. Government action can have significant financial implications at all stages. Policy risks arise because Government can change aviation policy, standards, regulations or taxes at any time and is also responsible for providing surface access links to airports. Government action can therefore stop the development or undermine the net benefits. These risks arise to some extent in all businesses, but to a much greater degree than most in infrastructure. Therefore there is a need for Government to play a positive role by creating an enabling environment that reduces political risks. The national policy

statement should facilitate this, for example by making clear political commitments, by coordinating surface access inputs and by addressing force majeure events.

These options need to be reviewed to ensure lessons are learnt from previous experiences:

- T5 pre-funding showed that generous funding treatment is highly inefficient, leads to complex regulatory interventions and regulatory uncertainty. It is also ineffective in its primary purpose of incentivizing delivery, given the gains that accrue from delay.
- The Stansted runway 2 approach removed some of these issues by requiring the airport to proceed at their own commercial risk and by disallowing some of the inefficient investment into the RAB, with a policy of revenue deferral. Nevertheless, significant planning and property purchase costs were allowed into the RAB and no benefit accrued to airlines and passengers from this wasted investment.

Finally airlines also believe there is a strong case for Government to manage the political risks, given that these are of much greater magnitude than the political risks faced by most companies. There have been many failures of the political process to address runway capacity effectively over the years. The consequences of a failure to manage political risks are all too evident and impossible for industry to manage.

Section 3 Capacity release

3.1. High level principles

Airlines recognise that slot allocation in the UK falls under the umbrella of the IATA Worldwide Slot Guidelines and is governed by the EU Slot Regulation 95/93 as amended in 2004 and the UK Airports Slot Allocation Regulations 2006. These regulations are subject to proposed amendments which could be adopted before 2025.

The general principle is to ensure that any slot release mechanisms and decisions related to the allocation of scarce slots takes place as part of an independent, transparent and non-discriminatory process which is capable of reasonably and fairly satisfying as much new entrant and incumbent demand as possible. Member States may introduce local rules consistent with the EU Regulations, which provide guidance to the Coordinator in the allocation of slots where the EU Regulations do not cover the particular circumstances in sufficient detail (e.g. Night noise restrictions and total ATM restrictions). Ahead of new capacity release in Frankfurt, the German slot coordinator released revised guidelines to demonstrate how new capacity would be handled. A

similar approach could be helpful in the UK. In Frankfurt, the guidelines were that capacity should be devised to support the overall aim of: -

- promoting the best possible utilisation of capacity
- for the benefit of the users of all transport services (passengers and freight)
- by making regular, reliable and diverse air connections available
- by promoting competition under fair conditions
- and creating sufficient transparency and planning certainty for the applicant airlines.

3.2. Key issues to address

Both the Airports Commission and HAL appear to assume a phased release of new capacity, to match when new terminal capacity becomes available. This would also address any safety or infrastructure issues on the ground and in the air. It would cater for redesigning airspace, building terminals and providing adequate engineering and cargo facilities in line with capacity increases. It is also generally acknowledged that a phased release of new capacity could be required at Heathrow to temper any environmental impacts and cost of expansion

The current administrative process, together with an efficient secondary trading market working in the years after initial allocation, should be sufficient to manage this phased release of capacity. This will enable the coordinator to effectively manage any new runway capacity whilst taking account of other terminal, apron or local parameters set by the airport.

Airlines are well aware of the growing trend towards creating more sustainable operations, driven by the twin desire to reduce noise for residents living in the vicinity of airports and to safeguard the environment. The industry has already made firm commitments to improve its environmental performance and is actively involved in creating a global framework at an ICAO level to reduce emissions along these lines. Certain governments believe that introducing 'Green Slots' could be another means of achieving environmental goals. A definition for 'Green Slots' doesn't actually exist but airlines have generally concluded that it's very complex to attach local environmental restrictions to slot allocation from an environmental, commercial and operational point of view. It may lead to undesired environmental consequences, potential market distortions and an uneven playing field for airlines operating at the airport in question. It will be critical that any options for managing the environmental impact of new capacity are assessed to ensure they deliver the desired outcomes in the most economically efficient way.

As a final point on slot allocation, there are a number of measures which would support the Commission's goal to promote UK connectivity. Fundamental aspects to this are:

- Night flights are economically valuable and so must be maintained. Indeed more night flights are required to serve and grow emerging economies and justify the case for new runway capacity. Any suggestion of retiming night flights into the day will cancel out opportunities to add new capacity. This will not deliver economic benefits and will impact airport resilience. For further details please refer to Section 5 Night Flights.
- First wave arrivals are crucial for supporting UK connectivity. An early morning weighting towards arrivals could be adopted by designating the runway configuration as AAD pre 7am, with two runways used for arrivals and one used for departures.
- The airlines believe that any coordinator following the standard allocation process would ensure a balanced approach to satisfying new entrant timing aspirations and requests from incumbents for timing improvements and new slots, some of which may be longstanding. It may well be worth capturing this philosophy in any guidelines developed for the UK coordinator. Such agreed guidelines should also ensure that the coordinator can justify allocation decisions based on criteria that may include provision for 'the optimal mixture of long haul, medium haul and short haul routes to preserve or improve connectivity'.

Section 4 Role of Government

The current proposals for Heathrow are far too expensive. The Government will need to consider whether other options exist to alleviate this challenge, including the potential use of infrastructure guarantees, where appropriate, to alleviate financial risk.

Turning a commercially non- viable project into a financially viable option through the abuse of airport market power would not be in the public interest and should be rejected.

Roads and rail infrastructure are the responsibility of Government, and Government benefits from the revenues they generate from users. For any on-airport infrastructure, the contribution must be proportionate, respecting principles established by the CAA as the independent regulator.

The Airports Commission states that its priorities are to "maximise the number of passengers and workforce accessing the airport via sustainable modes of transport" and "to enable access to the airport from a wide catchment area". The LACC supports

these priorities. Surface access must cater for time-sensitive and price sensitive passengers, as well as employees. In addition, surface access must be resilient so as not to disrupt journeys; robustness must be built in with adequate alternative options in the event of disruption

Finally airlines believe that Government could, in principle, have a role to play in environmental mitigation. Given that all decisions about airport location and flight paths have always been made by Government and not by industry, and industry has no ability to influence land use planning beneath airports, both Government and industry are responsible for the number of people adversely affected by aircraft noise. The Government's shared responsibility is recognised in ICAO's "Balanced approach" to noise management. The Government receives significant positive externalities from the aviation industry, and generous mitigation schemes elsewhere are often State funded presumably partly for these reasons.

Section 5 Night Flights

The Heathrow airline community is aware that night flying can have an adverse impact on local communities and currently only a limited number of vital movements take place during the night period. It is unambiguously clear that there is economic benefit in utilising such night flights both for passengers and for the transportation of freight. UK connectivity to high growth economies in particular is dependent on night flights, and is critical to the operation of the hub.

The industry has already invested large sums and plans to invest \$4.6 trillion at current list prices⁶ in fleet renewal programmes over the next 20 years which will significantly reduce the environmental impact of these flights. New low noise operating procedures being developed will offer further reductions in night noise impacts. The industry believes that this significantly improved environmental performance will enable additional night flights to be provided without increasing the overall noise envelope. These slots must be safeguarded and, if possible, increased to meet future passenger and cargo needs. Any retiming of night flights into the daytime period, if at all feasible, will counteract the opportunity to add a new flight and will not then deliver the potential additional economic benefits associated.

⁶ <http://www.airbus.com/company/market/forecast/>

5.1. The value of existing night flights

Night flights contribute disproportionately to the UK economy. In their 2011 report into the value of Heathrow night flights, Oxford Economics conservatively calculated the contribution as £1.2bn in GDP, supporting 18,700 jobs and contributing £197m in tax revenues.

These flights play an important role in connecting the UK economy with high growth markets around the world, such as those in the Far East, and their importance is only set to increase as the economic centre-of-gravity of the global economy shifts eastwards. Time zone differentials between the UK and these countries play a key role in their need for early morning arrival slots. Early morning arrivals are crucial to allow for specific time windows across the world to be matched particularly when scheduling long haul services.

The number of flight arrivals into the UK are already highly controlled and have been for over 20 years. There has been no increase in the number of flights before 0600 for many years no flights are scheduled to land before 0430. There is a strong risk that without practical flight times, business opportunities will flow to other nations, particularly in Central and Western Europe who have a time zone advantage over the UK, and often less restrictive night flight regimes. The rise of the Middle Eastern carriers, combined with strong European airline competition offering convenient, well-connected alternatives, stand to divert economic opportunity away from the UK. There is also the risk that without such practical flight times Heathrow will no longer be viewed as a key interchanging hub.

Additionally, the importance of night flights with regard to the just-in-time, high value and time sensitive airfreight services should be considered. Heathrow handles over 60% of all air cargo into the UK; 93% of this being transported in the belly hold of normal passenger flights. These services are particularly important to the UK's high-tech, financial and pharmaceutical sectors, amongst others. The demand for overnight services is only set to increase as UK companies continue to adapt to consumer demand and faster paced business models of new economies.

The Heathrow airline community also note that the ICAO Balanced Approach states that operational restrictions should only be introduced as a last resort after other measures, such as land use planning have been reviewed. This is an area that the Government must play a role in, irrespective of the localism agenda. The Heathrow airline community are concerned that successive governments have failed to tackle this subject, indeed they have made encroachment of population towards Heathrow worse through the approval of a substantial increase in dwellings in the area.

5.2. New capacity does not remove need for night flights

There are compelling reasons why existing night flights should not be retimed into later slots in the event of new capacity:

- Any retiming of night flights into the day will cancel the opportunity to add a new flight and will not then deliver economic benefits.
- Early morning arrivals facilitate the first hub wave as many passengers transfer onto other flights. These connections would be put at risk if the arrivals were retimed later.
- Later timings would reduce the business day available for arriving passengers, impact London's position as a global business centre and reduce the contribution to the UK economy.
- Early flights contribute to more efficient aircraft utilisation – if these flights were scheduled to arrive later in the day then this would often be accompanied by longer periods when aircraft are sitting on the ground not being flown and thereby not making a return on their costly investment.
- Re-timing these flights would mean that their inbound leg would have to become a daylight sector as there are down route restrictions – economically viable times may not even be available, which may mean the UK loses connections to these destinations.

More night flights are ideally needed to serve emerging economies e.g. Far East, given the impact of time differences

5.3. Noise impacts are reducing

A third runway at Heathrow will facilitate early morning arrivals landing further to the west, resulting in lower noise levels for local communities vs. no new runway. New generation aircraft are increasingly being deployed on these services, such as the A380 and B787 which, when combined with operational procedures such as 2-segment approaches, will further decrease noise levels in the pre-R3 period.

The Heathrow airline community are encouraged that the AC analysis shows night noise performance for Heathrow NW RW option improves for almost all metrics in both the high end and low end forecasts.

The Heathrow airline community believes that night flight noise impacts will be further reduced by new operational procedures e.g. the industry has completed several proof-of-concept “2-segment” low noise approaches which demonstrate at least a 3dB noise improvement at the start of the approach.

It is important that the Government plays its part in retaining such potential noise reductions via the land use planning system. Potential population encroachment through noise sensitive developments needs to be addressed through clear guidance from Government.

Section 6 Airspace

A more integrated and collaborative approach to air traffic management has been evolving across Europe in recent years. Most of the drivers for change have originated in the European Union's Single European Sky (SES) project and, particularly, the technologically focused SESAR project where new operational concepts and systems are being developed to meet future demand.

The UK is a major contributor to these projects as a member of the EU, Eurocontrol and ICAO where major Air Traffic Management developments are agreed at the global level. The UK Civil Aviation Authority has developed one important component, the Future Airspace Strategy (FAS), to simplify, modernize and ensure implementation of these harmonized concepts as part of the UK's commitment to the SES. The major building blocks are outlined in the CAA's FAS Deployment Plan and indicate a time line for deployment around 2017 for improvements especially in the busy congested airspace around London's airports.

The Airport Commission has taken account of these developments and proposed the adoption of an "Optimisation Strategy" to improve the operational efficiency of UK airport and airspace. Many of the AC recommendations were well received by the industry including the establishment of a Senior Delivery Group to drive forward the implementation of the Future Airspace Strategy and the delivery of the Commission's recommendations.

However since the publication of the AC's interim report in Dec 2013 little progress has been made on several critical components of the Commission's work programme which is of major concern:

- Work on early morning schedule smoothing, designed to optimize the use of the terminal infrastructure and increase the respite to the local community from aircraft noise during the morning peak at Heathrow, has been suspended pending a decision in the context of the Airport Commission's recommendations on long term capacity.
- Operational trials to introduce modern Performance Based Navigation techniques have been stopped at Gatwick and either curtailed or delayed at Heathrow. Benefits for airline users at Gatwick have now slipped until 2020

- A planning application regarding the changes to the runway/taxi infrastructure to introduce the Commission recommendation for *Easterly alternation*, “as rapidly as possible”, as approved by the previous and current Government, has been refused by the local authority. A planning appeal has been launched.
- Furthermore, although not part of the AC interim recommendations, airline proposals to introduce Mixed Mode for resilience objectives for a temporary period: i.e. allowing the temporary dual use of both runways, following major disruption due to weather events, are no longer being pursued or planned.

In addition, although a top level policy framework regarding the introduction of Performance Based Navigation exists, the lack of commitment towards its implementation is disturbing. The CAA’s Future Airspace Strategy, acknowledged by the Commission as the most significant development in improving the UK’s aviation efficiency for over 40 years, is now subject to substantial risk of major and further implementation delay or, at the extreme, a failure to deliver the core enabler in the Airport Commission’s optimization strategy. These tensions are now emerging in NATS’s London Airspace Management Programme (LAMP), the major enabler to modernize the UK’s London airspace and achieve the following objectives:

- efficient operations at the London airports, primarily, Heathrow, Gatwick and Stansted
- match advances in modern aircraft capabilities and associated ground investments
- meet UK’s obligations to the EU’s Single European Sky project by minimising airline/passenger delays, reducing emissions and optimizing the network operations.

The airline community also understands the importance of respite for local communities and, particularly, the need to incorporate and optimise noise respite into the airspace design process to the fullest extent possible. This is an area that requires close multi-stakeholder participation and in particular inputs from NATS, Government, airlines, and airport communities to ensure that best possible outcomes are achieved including clear guidelines from Government regarding the concentration of flight profiles as appropriate.

The major concern is that policy uncertainties and approval delays, by the public authorities, could now slip the implementation programme well into 2019, a slippage of two years compared to the original FAS deployment plan. These delays will impose additional costs on airlines and their passengers as follows:

- The total additional airline cost against the 2013 baseline of a “do nothing” option is £240M pa averaged over the next 5 years (ie c £1.2 Billion over 5 years). These are for airline costs only and are ultimately reflected in ticket prices for passengers.
- This will also result in a substantial drop in punctuality affecting all 73m passengers who currently use Heathrow, a major hub with large transfer volumes between terminals
- The above costs include additional fuel due increased stack holding amounting to 64,000 tonnes pa averaged over the 5 years.

Indeed, there is no “do-nothing” option and without a commitment to modernize London’s airspace via NATS LAMP project, there is a significant risk that a third runway, at any location in SE England, is no longer viable.

In addition it should be noted that the expended northern runway option, rather than an additional runway, lacks both the resilience and respite levels (achieved by runway alternation principles) required for an extended operation at Heathrow. Consequently any trade –offs between environmental and operational viability will require a balanced approach whilst enhancing current safety standards.

In the light of the above comments, the airline community has agreed the following recommendations for further consideration and inclusion in the Commission’s final report:

- a) There is a firm commitment by the Government to deliver its commitment to modernize the UK’s airspace system via the LAMP project as part of its Single European Sky obligations.
- b) There is clarity and alignment between the Government’s approach and that of the CAA ensuring that the industry partners can deliver its programme of work in a timely manner free from political or regulatory risk.
- c) The Industry players will continue to design, assure and implement the associated work programme and secure early benefits for our airport partners and passengers before the end of 2018.
- d) The operational viability of any scheme must take account of the need for both enhanced resilience and respite levels as well as making more efficient and safe use of the airspace

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 further comment

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

The Commission's noise modelling appears thorough and reasonable. The Heathrow airline community notes a potential anomaly in Fig 4.28 and Fig 4.30 N60 Contours (P100 & 101 of Jacobs Noise Local Assessment report) in that both show an isolated "25 contour" to the north east of Heathrow due to "the possibility of applying thrust in the turn". Whilst this would be true to maintain level flight, the reality is that aircraft fly mandatory "Continuous Descent Approaches" at Heathrow, with the thrust at or near idle at this phase of flight. Thus the Heathrow airline community believes the actual noise impacts will be less than currently modelled.

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

No further comments

Q8 Do you have any other comments?

No further comments