

THE ROTHWELL AVIATION GROUP

Specialists in airport construction and operation, aviation financing, airline and business aircraft operations.

RESPONSE TO THE AVIATION COMMISSION'S FINAL RECOMMENDATION ON THE PROVISION OF ADDITIONAL RUNWAY CAPACITY IN THE SOUTH EAST TO SUSTAIN THE UK ECONOMY.

1. Introduction.

In its original submission to the Commission Rothwell Aviation proposed that the underutilised runway at RAF Northolt should be re-orientated to parallel those at Heathrow and lengthened to 2400 metres to permit its use by civil airliners for the time it would take to restructure or build a new 21st century hub airport. This to be a short term enabling facility to increase the runway capacity of Heathrow to enable it to compete for direct connectivity to new markets in South America and the Far East. Northolt would be a joint RAF –Civil Airport linked to Heathrow either by dedicated, road, rail or monorail. This would take 5 years to build and cost, subject to survey and the mode of linking transport circa £3billion. The runway could be leased to recover some costs. It would provide Heathrow with an extra 100,000 movements per year and enable it to compete for direct connectivity whilst the new facility was created. This was dismissed by the Commission on the grounds that it was prohibitively expensive and would not secure planning permission any sooner than the other Heathrow and Gatwick proposals.

The situation has now changed in that the Commission has recommended that the only options left for consideration are :-

- a A new runway extending to the west as an extension of the northerly runway at Heathrow.
- b A new runway to the south and west of the current runways at Heathrow.
- c A second runway at the non hub airport at Gatwick.

The Commission has said that a new runway is required at Heathrow by 2030 but a second will need to be operational by 2050.

Rothwell's view is that Heathrow needs 2 runways immediately to compete with European and Middle East hubs which are already operating with 4,5 and 6 runways. There is also a requirement to restore the nations internal connectivity to the capital. The first runway at Heathrow cannot be operational before 2030 which gives UKs competitors 15 years to capture and monopolise the long range connectivity business.

This situation means that there will be no positive impact on the economy for at least 3 Parliaments and as the local public becomes aware that the recommendation being made involves the construction of 2 runways over a 35 year period there will be outrage and no political party or coalition will risk endorsing it either in the near or distant future. Even if the proposal is to build one runway Heathrow will have been effectively nominated as the UKs 21st century hub and all further developments to achieve increases in hub capability will involve a continuous development of Heathrow.

Building a single runway at Gatwick will do little to encourage greater hub connectivity or contribute to the task of competing for the connectivity to new markets. It does offer an option to provide supporting facilities for Heathrow to grow its business

Rothwell requests that a more than cursory evaluation be made of the Northolt proposal which will give time for Heathrow to capture connectivity business and thereby provide the seed corn for the new hub. If nothing is done nor can be done then the UK's economy will suffer irreparable damage.

2. The Task

Rothwell notes that the Commission now wishes stakeholders to :

- a. Test the evidence base it has assembled, understand stakeholders views as to the accuracy, relevance and breadth of the assessments it has undertaken, seek views on the potential conclusions that might be drawn from them and learn of evidence and ideas about improving the short listed options and through mitigation measures to address specific impacts.
- b. Rather than undertake a line by line critique of the details of the Commissions work Rothwell accepts that the matter has been researched by the Commission diligently and with integrity but the term “An Independent Commission Appointed by Government” is a non sequitur and this is evident from the framing of the brief which focuses on one type of transport and ignores the synergistic aspects of a national transport infrastructure plan. The timescale for publishing the final recommendation suggests that the government does not want to have to respond to questions on this subject in the pre election period. The Government’s ready acceptance of the Commission’s recommendation to reject a new build hub airport before the difficulties and cost of implementing the Heathrow solution had been fully analysed, and compared for value and deliverability, suggested that this recommendation was to support a Government Policy U turn rather than examine the reasons for that policy change because nothing fundamental has changed in the scenario over the last 6 years .
- c. Rothwell believes that the most useful contribution it can make is to comment on the deliverability of the Heathrow option recommended by the Commission.

3. Commentary

- a. In any business situation it is necessary to assess the strengths ,weaknesses ,opportunities and threats posed by competitors, to establish whether investment in the business penetration process can be justified. This Rothwell has done in terms of the time scales it will take for Heathrow to reach a position when it has the physical ability to compete for increased business.
- b. A 3 runway Heathrow will not be adequate to compete with the current competition from Europe or the Middle East where 5, and 6 runway super hubs are already operational.
- c. If a single runway is built at Heathrow that will signal Heathrow’s nomination as the nations 21st Century hub airport and whatever extra facilities are required (the second runway by 2050) to maintain competitiveness will be built at Heathrow. This will involve a 35 year development of Heathrow. Rothwell believes that this will enrage public and political objectors and the outcome will be no development of Heathrow.
- d. Rothwell notes that the Government has been able to exclude its £50 billion plus High Speed Railway Project from the Commissions task even though it duplicates the high speed air transport facilities which could operate now between the Capital Birmingham Leeds and Manchester if there was adequate and cost effective runway capacity at a London hub airport.
- e. Air transport, which costs the government nothing in capital or operating costs, could provide the high speed transport required by those who in 30 years time still have to travel to attend meetings in person in London.
- f. The HS2 railway no longer meets the criteria established at its inception. Running speeds are now less than those advertised to produce the time saving which was initially the railways raison d’etre . Euston Station in central London cannot now accommodate the rail terminal after 6 years of planning and both the National Audit Office and the Public Accounts Committee have reported that the cost benefit ratios of the project are less than those required by Government to proceed .Thirty

two Secretaries of State for Transport in 33 years and no National Transport Infrastructure Plan says much about the way governments address key transport issues.

l. The Commission was evidently encouraged to proceed with the Heathrow development aspect of the commissions interim recommendation despite the fact that 5 years ago it had cancelled the previous administrations plan for a third runway because 'additional deaths would occur as a consequence of additional air activity and pollution'. However that would not solve the issue of emissions caused by aircraft holding over London waiting to land which would continue for a further 15 years. NATS calculated that 220,00 tons of CO2 pollution per year is created when 70,000 tons of fuel is burnt in holding patterns This equates to 2500 wasted transatlantic crossings per year.

m. Additionally the government's advised that it was obligated to the EU to reduce UK Aviation Emissions which are defined by the EU as "that quantum of pollution created from the burning of fuel from a UK airport by any carrier irrespective of ownership, passenger nationality or aircraft destination". The Department of Transport eventually acknowledged that it was impossible to allocate a quantum of aviation pollution to any nation. Can one conclude from this that the commission and the current government are now unconcerned about aviation emissions and that this will no longer feature as an objection in formulating a plan?

To place Rothwell's Commentary into perspective there is a need for context.

4. Context

a. The Scale of the Crisis The UK's economic competitiveness continues to be undermined because Heathrow with only 2 runways is unable to match the capacity of Paris, Amsterdam and Frankfurt operating 15 runways developed to secure direct flight connectivity to new markets in South America and the Far East. These new markets will account for 65% of global trade over the next 20 years.

Heathrow may be the fourth busiest airfield in Europe but it only serves 147 different destinations compared with the 780 currently served by European Hubs. Heathrow has no capacity to reduce this ever increasing differential.. Across the world over 630 airports are being developed to accommodate a doubling of the global air passenger fleet to 32,000 aircraft by 2030, with comparable increases in air freighting operations.(Boeing & AIRBUS) The DfT forecasts a 7 million year on year increase in visitors to the UK which cannot be accommodated by the nations current airport infrastructure.

Airlines are already operating regularly from UK regional airports into European hubs for intercontinental connections and Heathrow is bypassed because runway slots are unaffordable for provincial airlines. In 6 years, Heathrow will find itself at the end of a branch line off the global aviation network and a second tier player in the direct connectivity business twixt Europe and the new global markets.

b. Connectivity. Direct connectivity with a trading partner is important; now vital, because the UK trades 20 times more with new markets which have daily direct flights to London. (Frontier Economics) Sixty seven % of new high growth markets and companies prefer business in continental Europe because of the better connectivity; 92% say direct flights are critical for inward investment and 62% will only invest in the UK if direct connectivity is improved. (BCC). ICAO, the CAA and the IMF agree that air travel and economic growth are directly inter-related. The CBI reveals from recent analysis that 'one daily flight to the 8 highest growth global economies could generate £1billion of extra trade per year to UK'

c The 21st Century Hub Airport. The modern airport hub is not a government creation nor can it be likened to a rail terminal. It is, in the UK a private enterprise business sustained by client airlines recognising the business potential of the site. To be successful in the hub business owner/operators must be able to develop runway capacity and expand the infrastructure to increase the number of destinations and the frequency of services. More global destinations attract more passengers and the cycle becomes a virtuous circle for business expansion at the hub and within the economy

c-1 The vital requirements for growth are spare runway capacity, to develop more destinations, rapid and convenient access to and from a city centre, infrastructure to manage the unforeseen and the facilities to provide excellent supporting services. An essential requirement for the 21st Century hub must be the ability to operate on a 24hr basis to optimise use of the huge investment in airport infrastructure and accommodate a doubling of the global air transport fleet carrying an unprecedented increase in the number of international citizens who now have the disposable income to travel.

For Business Boards to be thwarted in development of their business by government intransigence can only test their resolve to stay with the investment.

c-2 To meet the requirements of a 21st century hub it must be surrounded by an urban free area to allow it to function 24 hours per day at maximum capacity without disruption to the local population. This may seem to be expensive but it has already affected Frankfurt's night operational capability and prevented the building of a third runway at Munich. In the longer term separation will protect the site from political gerrymandering.

d. Heathrow's Limitations. Heathrow surrounded by domestic accommodation is prevented from operating on a 24 hour basis which will become essential for international hub airports over the next decade to recover the cost of ever more expensive airport infrastructure. Road and rail access to Heathrow is inadequate now and although it is sensible to have main line rail within the terminal it is interesting to note that at Frankfurt airport equipped with a custom built rail station only 19% of air passengers use the facility. Matching air and rail schedules and managing baggage on a train are cited as reasons for this not proving to be convenient. Indeed now that international carriers are uplifting UK passengers directly from UK cities and Provincial airports to established hubs in Europe and the Middle East, passengers repeatedly observe that it is easier, cheaper and much more convenient to use the local airport and car park and by-pass the bottleneck that is Heathrow.

d-1 Heathrow is too small a site to develop for the scale of expansion in air travel expected over the next 30 years. From an Air Traffic Control perspective the NATS consensus is that a 4/5 runway hub is much easier to manage than a cluster of airfields. It is also less costly because individual airfields need to be joined to each other as well as individually to central London

d-2 The commission is to recommend that a first new runway at Heathrow should be complete by 2030 to provide the capacity to compete. A fourth runway is required by 2050. That is the timescale it will take UK PLC to match in capacity the smallest hub airport in Europe. To achieve this would involve a continuous development programme at Heathrow for the next 35 years. This would certainly make securing local support for any development at Heathrow virtually impossible. By dismissing so early in the process any further consideration of new build airports the Commission has no fall back position if implementation of its recommendation is thwarted by political or public dissent.

d-3 Given the vital importance of the project a first runway which will take 18 years to build must be agreed by all political parties. However the way politics is conducted today which involves vacuous statements, vitriol and intellectually adolescent insults there is no way that such a project will be underwritten by political agreement. In any event we must now expect that the days of single Party governments are likely to disappear for at least a decade and that, from recent experience, this will delay and dilute decision making.

d-4 The Commission correctly stated that "Doing Nothing is not an Option" It has, of course, been the option for 3 plus decades and unless a formula is found very swiftly the crisis will imperil the nations ability to manage its economy and fund its £1.4 trillion debt. Time is now critical. If the Commissions recommendations cannot be agreed with the local population or political parties, swiftly, then there is no way forward without reassessing the building of a new hub in an area where its impact on local residents is minimal. The other factors which make a hub work can be managed.

1. Looked at from a business perspective if Heathrow cannot increase its Connectivity in the next 6 years then there is little point in talking about building new or developing an old hub into one which meets today's

specifications. France Holland and Germany as well as the Emirate States have invested in the Connectivity business and they are intent on monopolising their new found hegemony.

d-5. If the UK has to wait as long as 15 years before one runway can be built to challenge for global business it will discover that this business has already been secured and monopolised. The law of competitive business is to lead the field , and pursue an affordable growth plan to keep competitors out. It is not reassuring to look at how easily past Empires imploded when they ceased to look outwards and became preoccupied with internal power struggle self interest and indulgence.

d-6 The uncomfortable conclusion to be drawn from the Commissions current recommendation is that it looks safe, appears to be less expensive than a new build and many support it; not because they have looked at the barriers to penetration of the business or the long term ramifications . It is because their business needs are now, immediate and critical.

E. Prioritising Expenditure on Transport Infrastructure. It will be 2032 + before Heathrow is linked to Birmingham, Leeds and Manchester by the so called high speed rail project. A concurrent spend of £50 to £70 billion on a rail line and £100 billion on a new hub which will attract private venture capital, is unaffordable. It will also be problematic to manage these concurrent airport and rail projects without bringing a construction labour force into the UK for 15 years. Both projects will exceed current 'guesstimates' of cost. Statistics reveal that HS1 was budgeted to cost £1billion but the taxpayers invoice was for £11billion, the 2012 Olympic games was scheduled to cost 3 billion but the actual cost was £10 billion, the Chanel Tunnel was 40% over budget and the West Coast line 80% and we are still paying some £9 billion for the NHS Computer Project ordered by PM Blair which never saw the light of day.

e-1 With a national debt of £1.4 trillion plus annual borrowing at £100 billion with further cuts in public sector services post election coupled with uncertainty over the future of the EU and the UKs role in it any decision has to be made on hard commercial and economic grounds as to which projects provide the best investment for developing the economy.

e-2 The difference between the HS2 and Airport hub projects is that the rail track, the rolling stock , maintenance and the generation of electricity to power trains will have to be paid for by a loan.

The National Audit Report has stated that the cost benefit ratios of the HS2 project do not meet government guild lines for it to proceed. In addition it will not travel at 250 mph and will not reduce the travel time on which the whole project was predicated. Indeed it will not have a destination in central London. Birmingham Leeds and Manchester all with airports, are already connected to London by Air if there was affordable runway capacity at Heathrow

e-3 In sum the original justifications for this line no longer exist and the £50 billion plus cost of this project would be better spent on improving conventional rail services and offsetting the cost of building a 21st Century airport which facilitates access to global markets and makes a substantial contribution to the economy. Both projects must be subjected to independent Cost/Benefit ratio analysis and compared to determine which is the better project for national investment.

e-4 As long as uncertainty over the London hub exists airlines will consider their commercial positions and review more business stable, and connected locations. This will make a new or restored hub in the UK superfluous especially as European competitors will not relinquish the hegemony they have achieved.

f. Protecting Heathrow's Business Whilst New Facilities are Created If the government, following the election were to discover that development of Heathrow was impossible and that a new hub was a more cost effective option over the long haul there would be a need to provide Heathrow with additional short term runway capacity so that when the new hub was operational there would be business to transfer to the new facility. If this is not achieved then the UK will be seen to have created a Monumental and Terminally Ill White Elephant.

f-1 The only local airfield that can be modified quickly to increase the long haul capacity of Heathrow, is nearby (7 miles) RAF Northolt. This is an underutilised government owned airfield which can be linked to

Heathrow by rail , dedicated road or elevated monorail to provide a secure transit system for passengers & baggage within a 15 min journey. Customs and immigration facilities would remain at Heathrow.

f-2 Northolt's adaptation is on the basis that it must return to full RAF management when the new runway is operational. The commercial use of Northolt by airlines would be limited to the time it takes to create the new hub.

f-3 This involves the adaptation of nearby RAF Northolt for the operation of commercial aircraft. Civil certification cannot be achieved in its current configuration because the only operational runway is constrained by 2 major roads preventing adequate end of runway safety stop-ways or over-run areas (RESAs) and there can be no ILS system on the easterly runway until it is re-orientated to parallel those at Heathrow. The runway lengthened to 2,400 metres would release 20% of Heathrow's current ATMs (Air Transport Movements) for the development of connectivity to new markets.

g.The Benefits of Rothwell Aviation's Enabling Interim Solution . Infrastructure costs would largely depend on the type of dedicated road or rail link between Northolt and Heathrow and with judicious placement of the runway there would be no need for the removal of residential buildings. . The increase in revenue available to Heathrow would be substantial for the enabling period. Construction could be completed in 5 years without disruption to Heathrow operations.

g-1 The project offers cost effective use of the under-utilised government airfield of RAF Northolt which would otherwise require investment to make it suitable for military or civil aircraft operations in the 21st century. The airfield would be developed for joint military and civil use, which is common practice internationally. This would not compromise the military functions of the air base, but a realigned and lengthened runway with modern ATC approach aids and an all weather capability would greatly enhance this facility for military use over that currently available. Revenue could be available to Government from lease of this facility for the purpose of the Interim Project whilst retaining the base's long term role and value.

g-2. It will take 15-18 years to build a new hub or a new runway at Heathrow. Adapting Northolt does not resolve the hub location issue but it is a vital protective, enabling measure which will have to be implemented whether the runway capacity issue solution is a new hub or a developed Heathrow .This plan does not waste money and it will allow Heathrow to enhance its business portfolio which will become the seed corn for the new hubs business.

5. Points in Summary

The Commission in recommending the development of Heathrow has with governments agreement reversed its 2010 policy not to develop any airfields in the southeast until 2050 because additional runways and emissions would increase deaths around Heathrow. Moreover it was obligated to reduce "The UK's Aviation Emissions" which ,it was eventually agreed, could not be calculated or ascribed on a national basis. The third runway planned by the previous administration was cancelled and 2 years later it became obvious that the lack of a 21st Century hub airport with 4 or 5 runways was having a very significantly adverse effect on the UK economy. British Industry and Business became concerned and the Commission was appointed.

The Commission recommended at the mid point in its work 2 options; a single runway at the non hub airport at Gatwick and a 2 phase development of Heathrow with one runway being built by 2030 and a fourth by 2050. This was to be a development of Heathrow to achieve a 4 runway hub in 35 years time. Only when the first runway is complete in 2030 will Heathrow be able to enter the competition for global connectivity or increase its business portfolio which has the potential to improve the economy very substantially.

A new build option was rejected at the mid point of the Commissions deliberations principally on the basis of cost . This decision supported by government meant that Heathrow's development was now the only option left to increase runway capacity.

Rothwell contends that the Commission should have retained for further consideration a new build hub airport to provide an option when the risks of the Heathrow solution and other concurrent transport infrastructure projects had been fully appraised and compared with each other to achieve a best value for investment .

Although the Commission has only been concerned with location of a hub airport the next Government in June will need to look at this issue in the context of a National Infrastructure Plan because the investments to be made will have a very substantial impact on the economy for the next 12 administrations Once work starts on the first Heathrow runway the 'UK hub die' is cast and Heathrow will be designated the UKs new hub well into the 2070s

Rothwell believes that any government or coalition will have great difficulty securing cross party support for a 4 runway hub in 35 years time when competitive hubs are already operating 6 runways hubs. Objectors will find a 35 year development of Heathrow to be unacceptable and there will be very strong public resistance reflected in Parliamentary elections. There will also be a call for better use to be made of the £50+ billion ring fencing of the now irrelevant HS2 project and that will exercise political restraint.

The key issue now is how to add runway capacity to Heathrow in time for it to be helpful. After 10 years without competition from Heathrow and a further 15 years ahead European and Middle East Airports will have monopolised the connectivity business to and from Europe because that is their stated goal. If there is no additional capacity available at Heathrow in 6 years time the nation will have to be resigned to the fact that it has been deprived of its links, its status in the global air network and the business it has enjoyed as Europe's hub airport since the end of the Second World War.

If , or when that situation prevails there is likely to be a significant reduction in further investment in Heathrow because a business case may be difficult to make. The UK will not need any new runways in the South East for all the wrong reasons.

Rothwell Aviation's proposal for unlocking the impasse is not the solution to the Hub issue. However it is a stand alone, low cost, swiftly implemented, temporary measure which could help the nation sidestep the Heathrow political impasse and reset relationships with public objectors to give Heathrow the opportunity to compete albeit for a limited and defined period. It would enable a proper solution which might after all be a new hub somewhere where it can meet the 21st Century requirements.

Successful business is about constantly searching for the competitive edge so to lead the field and set the bar. In June 2015 the new political administration will discover that options and time have now run out and that this is the time to use the nation's asset at Northolt to provide an opportunity to look again at what to do to keep the UK in the Global Aviation Network The Northolt option should not again be summarily dismissed before thinking laterally about it and the alternatives.

The Rothwell Aviation Group.

