

# The Future Development of Air Transport in the United Kingdom

## RASCO Consultations

A Response from British Air Transport Association

BATA welcomes the opportunity to comment on the Regional Air Services Co-ordination Studies. BATA represents UK-registered airlines, both scheduled and charter. Our members produce over 90% of UK airline output.

The six RASCO studies are similar and, except for a few variations, they address the same issues and ask the same questions. We are therefore submitting one response covering all the RASCO studies with references to particular regions where necessary. We have responded in general terms only to some of the economic, environmental, surface access and regional strategy questions as we believe it is more appropriate for the regional stakeholders (e.g. airports, local authorities, Regional Development Agencies, business interests, environmental and consumer groups) to decide how best to respond to these in detail.

The main points we wish to make are:

1. The RASCO Reference Case should form the basis of the national airport strategy although we do not support the introduction of fuel or environmental taxes.
2. The projected demand should be met provided it can be done so in a sustainable way.
3. Regional links to London, particularly LHR, are vital for the regions. A third runway at LHR is required as a top priority. Capacity at LGW and STN is also required so that the regions have access to the range of services at these airports.
4. We support better rail links to airports – both for local services for local passengers and staff and for inter-regional services.

### **A.1 Which, if any, of the National Policy Scenarios do you think should form the basis of the UK Government's national airports strategy to 2030 and why?**

The RASCO Reference Case comes closest to representing what we believe should form the basis of the national airport strategy. It provides a balance between the benefits of more capacity and the costs of the environmental impacts. However we do not support the introduction of an aviation fuel tax nor the imposition environmental taxes. These are not effective mechanisms for addressing environmental impacts.

### **A.2 If you think additional capacity should be provided in the South East to meet the needs of regional air passengers interlining or accessing services from London airports via surface modes:**

- **how much capacity do you think should be provided; and**
- **where in the South East should it be located?**

The Government's forecast show that demand will more than double over the next 30 years which means that at least 3 new runways will be needed in the South East in the same period.

In our view the best package is:

1. A new runway at Heathrow
2. A new close parallel runway at Gatwick
3. A new wide-spaced runway at Stansted

The new runway at Heathrow is needed as soon as possible and the next one soon afterwards. However, unless the current planning agreement at Gatwick is re-negotiated, a new runway cannot be built there before 2019 and the need for a Stansted runway is brought forward. It would be the second to be built and Gatwick would be third.

A thriving and successful hub airport is essential to maintain the international connections which support international businesses throughout the UK. Heathrow is the only realistic option for a globally competitive hub in the UK in the short and medium term and another runway is needed to ensure regional connections are maintained.

This package meets most of the Government's forecast 2030 demand in the South East. However, there are many uncertainties in forecasting and planning over a 30-year period and we suggest that the position should be reviewed after 10 years and policy modified accordingly. Options for developments at Luton and a third runway at Stansted should be safeguarded.

**A.3 Which of the scenarios will most enhance consumer choice and accessibility to services in:**

- the UK as a whole
- the regions

In general, consumer choice and accessibility are best served by allowing the development of services to be market led. There should not normally be any attempt by Government to direct traffic to particular airports. Capacity should be provided where the demand arises, i.e. neither Concentrated Growth nor Fly Local is an appropriate spatial scenario. A possible exception would be to prevent an environmentally unsustainable development occurring at a particular location.

**A.4 Are there any other policy scenarios, including any combination of those set out in the document, which would better meet your aspirations for the development of regional air services and airports in the regions?**

See our answer to the previous question.

**A.5 The Government is committed to bringing forward policies for civil aviation and airports that are sustainable. Please explain why you think your preferred scenario best supports the Government's sustainable objective?**

Sustainable development means striking a balance between the economic and social benefits of aviation and the environmental effects of any developments. The Government's own analysis shows that, overall, the economic and social benefits of meeting the demand far outweigh the costs of the environmental impacts.

The RASCO studies have also shown that capacity in the South East is vital for the economic health of the regions, not least to provide links to London, the South East and access to international services at Heathrow.

Our preferred scenario meets most of the projected demand which:

- Ensures that the UK retains the economic benefits and jobs are not exported to the continent.
- Reduces the likelihood that cars will be used for inter-regional travel and access to hub airports.
- Closes the tourism trade gap.<sup>1</sup>

It also meets the demand where it arises as far as reasonably possible so that:

- Surface access costs, time and environmental impacts are minimised.
- The economic benefits are distributed amongst and within the regions.

**A.6 Which of the policy mechanisms set out in Chapter 3 do you think are essential to delivering your preferred scenario? Are there any that you consider might assist in doing so but you do not consider essential? Are there any policy mechanisms not covered in Chapter 3 that you think should be considered?**

It is **essential** that the existing environmental, fiscal and aero-political frameworks remain in place although they should evolve over time to deal with changing circumstances.

It is **essential** that new development is permitted where there is an acceptable balance between economic, social and environmental considerations and that environmental impacts are mitigated as far as reasonably practical.

It is **desirable, although not essential**, that the current regulatory policy regime remains unchanged. We are in favour of the existing tax regime in general except for APD which we regard as a regressive tax. It does nothing to encourage the industry to improve its environmental, operational or economic performance. Furthermore we do not regard the introduction of a fuel tax or environmental taxes as an effective mechanisms for addressing environmental impacts.

International agreements and conventions are **essential** for the establishment of standards for safety, passenger rights, environmental performance and fair competition. ICAO is the only institution capable of brokering worldwide agreement on such matters.

Bilateral agreements are a barrier to the liberalisation of the market and are clearly **not essential**, generally speaking. We recognise they are sometimes desirable in order to develop new markets and services. The out-moded Bermuda II agreement continues to exist because of the shortage of capacity at Heathrow.

The EU common Air Transport Policy is **essential** for the development of a liberalised market in Europe, an equitable competitive environment for European airlines and improvements to the European Air Traffic Management system.

Implementation of some of the policies of 1998 New Deal for Transport White Paper is **essential** otherwise there is a risk that the development of airports will not be

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<sup>1</sup> SERAS: South East Consultation Document paragraph 14.37.

sustainable, local demand will not be met at regional airports and there will be no integration with other forms of public transport.

It is **not essential** for airports to contribute to cost of new surface transport infrastructure. Funding could come from elsewhere as part of a partnership arrangement to improve the wider economic interests of a region. In principle however, we support the policy that airports should contribute to the cost of new surface access infrastructure.

## **B: Location of Airport Capacity**

**B.1 This document has described how airports in the region might develop, if policy is to meet demand. Do you have any comments on these suggestions for new infrastructure?**

See our answer to the next question.

**B.2 If your preferred strategy for the regions involves accommodating growth in air services, where would the projected levels of growth best be accommodated and what form of airport development should be supported in order to achieve this?**

Generally we prefer the development of existing airports rather than building new. It is far less costly both in economic and environmental terms, to expand existing airports than it is to build a new airport. The RASCO studies have shown that all the regional growth can be accommodated at existing airports, albeit with expansion at some of them. However, if new airports, such as those put forward for consideration in Scotland and the Midlands, can be shown to be fundable, economically viable and environmentally sustainable, we would support them. It is up to the regional stakeholders to develop the business case for any new airport.

**B.3 If it does not, do the regions need all of their current complement of airports, and are there particular airports whose development should be constrained and why?**

Not relevant.

**B.4 If you are of the view that the regions should seek to accommodate their own demand (and attract demand from elsewhere) how might this best be achieved? Can the existing airports be developed to provide sufficient capacity?**

See our answer to question B2.

**B.5 Is it important that demand should be met direct from the regions, or can the needs of the region be met by passengers interlining at hubs elsewhere in the UK or in continental Europe?**

It is clearly desirable that demand is met directly from the regions but there is not always sufficient demand to make direct services economically viable. Realistically, there will always be a large number of long haul routes that can only be sustained from a hub airport, which is why more capacity at Heathrow is needed for regional feeder services.

Although some interlining demand can, and indeed is, being met at continental hubs, this is undesirable. The interlining passengers are being carried by European airlines

to the detriment of UK aviation and UK jobs. Furthermore, westbound passengers have to backtrack which lengthens journey times and generates a bigger environmental impact.

## **C: Competition v Complementary Development**

### **C.1 Are there opportunities for greater partnerships between airports, airlines and the public sector stakeholders to foster the wider economic interests of the regions?**

It is likely that there are opportunities for such partnerships and airlines would be keen to participate in them.

### **C.2 Is competition always preferable to complementary development? Do you think there are any circumstances in which the latter approach would bring wider economic or other benefits?**

Complementary development is most appropriate where the demand is insufficient to sustain competition, either between airlines or between airports.

## **D: Economic Benefits**

### **D.1 How important is the contribution of aviation to the regional economies? How and where can the benefits be captured?**

Aviation is very important to regional economies. A number of business sectors, usually those with the greatest potential for growth such as IT, pharmaceuticals, biotechnology, financial services and consultancy depend on the availability of a large range of international air services in order to compete in the global marketplace. The availability of international services, or links to a hub airport with such services, is a key factor in creating a favourable business environment for inward investment.

### **D.2 What barriers need to be addressed if the jobless on benefit, in particularly low employment areas, are to take advantage of the employment opportunities that arise from growth in aviation and airport services? Are there any solutions?**

Many jobs in aviation require shift and weekend working. So that the jobless can take advantage of the employment opportunities, cheap, fast and frequent public transport is required. This must operate at times which are compatible with the opening hours of the airport and shift start and finish times.

### **D.5 Would improved airlinks help to:**

#### **(a) increase inbound tourism to the regions?**

Yes - inbound tourists will go elsewhere if convenient services are not available.

#### **(b) reduce reliance upon London as the primary point of interest for airborne inbound tourists?**

To some extent. London is the UK's biggest tourist attraction and it is likely to remain the first choice for many inbound tourists, particularly long haul. More regional services to London could encourage tourists to visit the regions as well as London.

### **D.8 How important are air cargo services for the economic objectives of the regions? What measures are needed to give air freight and mail operators**

**confidence to plan their long-term investment in airport facilities? Should night-time slots be guaranteed for airfreight and mail? Should such guarantees be contingent upon noise/emissions standards of the aircraft being operated?**

Night operations are essential for mail and other express air freight services. They are also desirable for general freight flights. Night-time slots need to be guaranteed for at least five years into the future to give operators the confidence to invest in airport facilities.

**D.9 Is there scope for capturing more of the UK and global aircraft maintenance market at regional airports and how might this best be achieved? What would be the advantages and disadvantages of encouraging growth of this sector?**

Clearly there is more scope for aircraft maintenance at regional airports as space at the major South East airports becomes more constrained. Maintenance will be attracted to the regions if:

- There is sufficient space available on airport for hangars, aircraft parking and other facilities, or, for component maintenance, within easy reach of the airport.
- There are sufficient runway slots available for positioning flights.
- There are no unreasonable planning constraints or restrictions on the development or operation of maintenance facilities e.g. engine testing.
- There is a workforce available with appropriate skills and qualifications.

**D.10 How important is business aviation for inward investment and other economic objectives of the regions? If business aviation cannot be accommodated at the major airports, how should the needs of this sector be met?**

We support the policy of providing facilities at secondary airports for Business and General Aviation so that capacity at the primary airports is available for commercial aviation.

**D.11 How important is it for your business/organisation that the UK remains the aviation Gateway to Europe.**

Extremely important. Aviation is one of the UK's most successful industries, punching far above its weight internationally. However this is at risk unless sufficient capacity is provided to meet demand.

## **E: Social Inclusion**

Air travel is now available to almost everyone in the UK. If constraints are imposed it will become the preserve of the privileged.

## **F: Environmental Impacts**

**F.1 Are there any environmental impacts from the National Policy Scenarios or infrastructure projects appraised in this document which you regard as unacceptable?**

There are a few potential impacts, which, if allowed to develop, would be unacceptable. However we believe that it will be possible to reduce, mitigate or compensate for the impacts in all cases. BATA accepts that aviation should pay the verifiable external costs of its operations on a fair and equitable basis. However passengers already pay APD which approximately equates to the Government's

estimate of external environmental costs. We believe that APD should be taken into account in any assessment of the external environmental costs to be met by airlines.

**F.2 Could these environmental disbenefits be controlled or mitigated to reduce them to acceptable levels? Do you have particular views on this in respect of:**

- **noise (day-time and night-time);**
- **air quality (air traffic and surface access impacts);**
- **land and property take (residential, agricultural, green belt, landscape);**
- **biodiversity;**
- **climate change;**
- **other environmental impacts.**

**either in general, or at particular regional airports.**

Local impacts (noise, air quality, land and property take, and biodiversity) are best dealt with locally so that reasonable and proportionate mitigation and compensation schemes can be developed for each site.

Global impacts, such as greenhouse gas emissions, require global solutions. BATA believes that this is best achieved by introducing an open international emissions trading system. This would need to be agreed through ICAO who has been given responsibility for limiting international aviation's emissions in Kyoto protocol.

**F.3 Would you support the scenarios to keep pace with consumer demand if they carried with them enforceable targets for environmental improvement (e.g. air quality, noise, public transport mode split, energy savings, and waste reduction)?**

Yes.

## **G: Surface Access**

**G.1 Under all our National Policy scenarios, we forecast that a significant number of passengers originating in the regions will still use airports outside the regions, predominately in the South East. Should surface access schemes to facilitate journeys from the regions concerned to these airports be considered?**

Surface access schemes from the regions to airports in the South East should be considered. We see such schemes as complementing air services. See our answer to question H6.

**G.2 Should the focus of any public expenditure which may be available to help improve surface access to the regional airports be on improving local or inter-regional access or both, and why?**

Priority should be given to improving local access since this will potentially benefit more passengers as well as airport employees. It also means that, if the improvements are in public transport, there may also be an environmental benefit by reducing car and taxi use.

**G.3 Under many of our National Policy Scenarios there will be a large increase in the number of passengers using the regional airports over our forecasting period. Our analysis indicates this will place considerable strain on surface access provision, particularly key road links in a number of places:**

- **Should these surface access constraints be addressed?**

Yes – failure to do so will cause congestion increasing environmental impacts and adding to costs.

- **How should these surface access improvements be funded?**

The airport developer should fund those elements that are exclusively required for airport access. Other improvements to the transport infrastructure, where non-airport users also benefit, should be funded by the developer in proportion to the expected use of the new capacity that will be made by airport users. The balance of the funding should come from the appropriate highway or rail authority.

#### **G.4 How might the share of public transport access to airports be increased?**

Experience at airports in the UK and abroad has shown that passengers prefer rail and this should be the priority for development whenever the potential demand can justify it. Dedicated coach services are the next most preferred option.

### **H1: Access to London**

#### **H.1 Would it be desirable to have a greater number of flights from the regional airports to London?**

Yes – provided they are economically viable.

#### **H.2 From which airports in the regions to which London airports?**

The prime requirement is for access to Heathrow.

#### **H.3 Would these be beneficial mainly for:**

- **Access to London itself?**
- **Access to onward flights?**

The key benefit is for access to onward flights but a significant proportion of passengers, which rises with distance from London, require access to London itself or the airport hinterland.

#### **H.4 Should additional capacity be provided at any of the London Airports (please specify) to assist such connections?**

Yes – extra capacity at Heathrow is required urgently and extra capacity will also be needed at Gatwick and Stansted in the medium term.

#### **H.5 If access to London area airports continued to be/was further restricted, to what extent would this be off-set if a wider range of services was available from or within the region to other major airports and particularly to Manchester, Birmingham and Edinburgh?**

The off-set will only ever be partially achieved. The South East has a larger indigenous demand than any of the regions and therefore services to London are the most attractive to airlines. It follows that it is most unlikely that the full range of services available from London will ever be reproduced at regional airports.

#### **H.6 Would high-speed rail access (to London) provide an adequate alternative to domestic air services to London and its airports, or should they be seen as complementary to them?**

We see high-speed rail as complementing domestic air services on all but the shortest routes. Experience with Eurostar and services in Europe, such as Paris – Lyons, has shown that, although high-speed rail can capture a substantial share of the market, it does not replace air services.

High-speed rail will not be attractive to air passengers unless:

- The services operate directly to the airport with no changes required.
- The journey time is reasonably competitive with air – no more than 3 hours.
- The services operate regularly, preferably at least once per hour, over the airport's operating day.

The only domestic routes, that might meet these criteria, are Manchester to Heathrow and Leeds to Heathrow.

**H.7 What are the best means of securing access to the South East's airports in your region? If access could be guaranteed to some degree, which criteria should be used to determine priorities for access? How would national and regional interests be balanced?**

The best way of ensuring access to the South East airports from the regions is to provide sufficient capacity at these airports. We do not believe in the use of Public Service Obligations or the ring fencing of slots to overcome problems caused by capacity shortages. Such devices distort the free market and tackle the symptoms of the problem rather than the problem itself.

**H.8 Does it matter whether demand from the regions is served directly from the region, or by more passengers interlining by way of hubs elsewhere in the UK or in continental Europe?**

Yes, it does matter. If passengers interline by way of continental hubs then they will be carried by non-UK airlines to the detriment of the UK economy and jobs.

**I: Aviation Strategy for the Regions**

**I.1 Do you think there would be any value in the regions developing and regularly updating a region-specific aviation strategy? If so, what should be its objectives?**

- to interpret the provisions of the Air Transport White Paper in a regional context?
- to provide a short term plan for delivering improved air services and new airport development in the region?
- to ensure the needs and impacts of the aviation industry are properly integrated with other regional strategies on economics, land use, the environment and transport?

BATA regards it as essential that regions take into account the Government's aviation policy and the needs and impacts of aviation when developing their regional strategy. All the above objectives need to be addressed.

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