

Stansted Generation 2

A Response from British Air Transport Association (BATA)

BATA welcomes the opportunity to respond to BAA's consultation on the proposal to build a second runway at Stansted airport – Generation 2. BATA represents UK-registered airlines, in the scheduled, charter and cargo sectors. Our members produce more than 80% of UK airline output.

The consultation document is a major disappointment in that it fails to present any options that are appropriate to the low cost air travel market at Stansted. There are no short runway options, there is no analysis of the effect of the costs on user charges and, as a consequence, no assessment of the effect on traffic levels of any increase in airport charges.

The BAA should think again and develop a more realistic project tailored to the requirements of the market at Stansted.

Runway Options

The outstanding issue with the proposal is the limited range of runway options that have been presented. Stansted is an airport dominated by no-frills carriers (NFCs) predominantly operating short and medium haul routes. This is not expected to change in any significant way. Indeed the consultation document states that “The fleet mix in 2030 is assumed to be principally short- to medium-haul aircraft of the Boeing 737/Airbus A320 type.” It seems extraordinary therefore, that all 7 options involve building a full length runway which will only be needed for long haul aircraft. The relatively low number of long haul aircraft, including cargo freighters, could – and would want to – use the existing runway.

A runway 2000-2200m long, instead of the proposed 3048m, positioned in about the same location as option A would reduce land take, blight costs, construction costs and the noise footprint.

The Effect on User Charges

Nowhere in the document is there any indication of how the project will be financed, nor what the effect will be on user charges. The CAA's “stand alone” regulatory approach, which we strongly support, means that the project costs will have to be covered from airport revenues. Most of the traffic at Stansted is carried by NFCs and much of the strong growth in passenger numbers in recent years has come from a market stimulated by the low fares being offered. Most NFCs operate at low margins and will be unable to absorb any significant increase in airport charges. Fares will rise and, because the low fare traffic is price sensitive, demand will be dampened which could be sufficient to obviate the need for the high capacity option chosen. At the very least, it will delay the point at which a second runway will be needed.

Stansted is also an important cargo base, the most important one in the south east. However the consultation gives insufficient detail on Stansted's cargo role, policy relating to cargo or proposed facilities. Cargo operators need more information to be able to comment adequately. Freighter margins are also slim so an increase in operating costs would be equally significant for them as NFCs.

What is proposed is an option that delivers the maximum possible capacity, and is therefore high cost, rather than a project that takes into account the characteristics of the market at Stansted. We question whether the projected demand will, in reality, be achieved if airport charges are increased. The document contains no evidence to show that the relationships between capacity, costs, fares and demand have been properly taken into account.

Comments on the Preferred Option

The major justification for the preferred option - Option A in mixed mode - is that it has the lowest unit cost per passenger. The unit costs, however, refer to the maximum passenger **capacity**. The mixed mode options, for example, are all more expensive in absolute terms than the equivalent segregated options. The segregated Options A, B, C, and Option D, have costs which are some £400-500m less than the mixed mode options. Until traffic approaches capacity, the unit cost per passenger **carried** will be more for the mixed mode options.

The unit cost comparison with other projects is flawed. The proposed Luton airport project is a replacement runway rather than an additional one and the Manchester airport second runway operates in segregated mode not mixed mode.

We have already expressed our doubts about whether the projected demand will be achieved and we are unconvinced that the preferred option is best.

We recognise that forecasting demand some 25 years ahead is fraught with uncertainty and it is possible that Stansted may grow to the projected 76 mppa eventually. This, however, is nearly 4 times the current traffic and depends on an increase in long haul traffic, including 3 mppa on A380 aircraft. Such long haul growth will be affected by what happens at other airports. A third runway at Heathrow, or even the increased probability of such a development, will reduce the likelihood of long haul carriers developing services out of Stansted.

What is required from Generation 2 is a more modest and affordable project especially for the first phase. Subsequent phases should only proceed when there is a sound business case for doing so.

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