The Future of Aviation

The Government's Consultation Document on Air Transport Policy

Response by the

BRITISH AIR TRANSPORT ASSOCIATION

April 2001

Introduction

The British Air Transport Association (BATA) welcomes the opportunity to contribute to the Government's review of air transport policy. BATA represents UK-registered airlines, both scheduled and charter. Our members produce 95% of UK airline output. BATA's objective is to encourage the safe, healthy and economic development of UK civil aviation.

The principal points we wish to make are contained in the Overview and in our responses to the main questions posed in the consultation document. We have also responded to most of the questions on particular topics and this is in the appendix.

Overview

Aviation is one the UK's most successful industries – punching far above its weight internationally. The UK has the world's third largest aviation industry (behind the USA and Japan) and the second largest in terms of international passengers carried.

- In 1999 UK airlines carried 97m passengers, up 64% from 59m in 1989 - approximately two thirds of the total UK market. In the same period cargo carried increased by 126% from 2,387m Tonne-Km to 5,399m Tonne-Km.
- UK consumers have access to a huge range of high quality services from the most competitive and innovative aviation market in Europe. London is one of the world's best-connected cities with direct flights to more than 260 destinations.
- The real cost of flying has reduced dramatically through innovation, competition and investment in new technology by all airlines. Charters and "no frills" scheduled airlines have pioneered low cost fares bringing the opportunity of travel, with all its social and cultural benefits, within the reach of most of the population. Government figures published in autumn 2000 revealed that UK residents took 35 million overseas holidays in 1999, two thirds of which were by air.
- The range of international services is a key factor supporting many of the UK's growth industries and in promoting inward investment in the UK. London's pre-eminence as an international finance centre, for example, depends on aviation.
- Inbound tourism is the UK's biggest invisible export, accounting for 4-5% of GDP and 7% of all jobs. Some two thirds of overseas visitors arrive by air, spending £10 billion per year (80% of all spending by overseas visitors).

- The UK's active engagement in Europe relies on good air transport links to a far greater extent than continental states simply because we are an island.

However in recent years the industry has been increasingly constrained by a shortage of infrastructure capacity - especially runways in the South East and ATC capacity over Europe. No new full-length runway has been built in the South East for more than 40 years and it has been obvious for at least 10 years that more runway and terminal capacity is needed in the region. A decision about Terminal 5 is still awaited despite an agonisingly long public inquiry. In effect we have demand management now by reason of capacity restrictions.

This is in sharp contrast to the far-sighted approach taken, for example, by France, Germany and Holland where consistent long-term investment in transport infrastructure has provided Paris, Frankfurt and Amsterdam airports with far greater potential capacity than Heathrow - and with integrated links to a superior rail network.

The success built up over the years is being thrown away because successive governments have refused to grasp difficult issues. The UK badly needs more infrastructure capacity. Current constraints are restricting consumer access and choice, contrary to the Government's own consumer policy. They undermine the Government's polices to reduce unemployment, create a favourable business environment and to promote the UK tourist industry. Passengers are subjected to delays and poor quality service. The costs to airlines of operating from the busiest airports are rising when congestion costs are taken into account. Congestion adds to the environmental impact. The unsatisfied demand is being 'exported' and other European airports and airlines are prospering at the UK's expense. A national airport development plan is required to show how, and where, future growth will be accommodated.

Sustainability

The Government's definition of sustainability encompasses economic, social and environmental goals (paragraph 13). We hold that the maintenance of high and stable levels economic growth and employment, and, making social progress which recognises the needs of everyone, can only be achieved if aviation is allowed to grow.

However, we also recognise that the environmental impact of aviation must be tackled and we have demonstrated that we are willing to do this. The UK has one of the most modern, fuel efficient and quiet aircraft fleets. The result is that:

- At Heathrow, the number of people within the noise footprint reduced by 35% between 1988 and 1998.
- At Gatwick, between 1988 and 1997, the noise footprint2 reduced in area by 65% and the number of people affected reduced by 75%.
- Specific fuel consumption has improved significantly. The British Airways fleet, for example, has improved 21% from 435g/RTK in 1990 to 345g/RTK in 1999.
- The proportion of movements made by the noisiest aircraft at Heathrow has dropped from 55% in 1990 to 7.5% in 1999.
- Support is being given to help scientists measure upper atmosphere chemistry and hence improve understanding of global warming.

- Voluntary agreements to limit night noise, which go beyond regulatory constraints, exist at many airports.

BATA was one of the founders of the Greener By Design Group and took the lead in proposing an industry-Government agreement based on environmental targets. We are prepared to pay for our reasonably-assessed external costs and believe this is to a great extent being achieved through Air Passenger Duty (APD). We are committed to continue with our efforts to make further progress in protecting the environmental from the impact of aviation and making prudent use of natural resources. We need the Government to be positively engaged in finding solutions.

We believe that the Government's aviation policy must be consistent with its policies for the consumer, business and tourism. It must be aimed at satisfying the legitimate demand for air travel for the benefit not just of the aviation industry, important though that is, but for the social, cultural and economic health of the UK as a whole.

Main Questions in the Consultation Document

a) Should the Government choose policies that respond to the demands of consumers and allow current growth patterns to continue, while mitigating the negative effects as far as possible? Or are the costs of this approach too high and should we therefore choose policies to limit these negative effects?

The aviation industry, through innovation and efficiency, has brought air travel within the reach of most of the population. There is a huge range of destinations and types of air travel available. Foreign holidays are amongst the things that people prize most and the proportion spent on holidays has risen to 31% of all leisure spending. If the wrong policy decisions are made then it will be these consumers who will have most to lose. Restricting demand is inconsistent with the Government's consumer policy which includes, inter alia, the principles of "access" and "choice" (paragraph 84). Neither of these can be met if demand is restricted. Has the Government carried out independent surveys of the travelling public about the impact of polices that would limit access and choice?

Government economic policies "to create the best modern environment for business in the world" and "to make Britain the best place in the world for multinationals to locate" cannot be sustained if aviation is restricted. The Government is also "….ambitious for Britain and British tourism. …. We want to see it match and exceed the rate of global growth in the industry by the end of 2010.". To enable this to happen there will have to be a corresponding growth in airline capacity.

It is generally accepted that unconstrained demand will continue to grow and that passenger numbers will probably double by 2015. Freight will grow at an even quicker rate. Much is made in the consultation document of the costs of meeting this demand but little is said about the costs of **not** meeting it. If demand is not met then:

- The availability of low cost charter flights will be reduced at the busiest airports. Operators will use their slots for scheduled or pseudo-scheduled flights, or will concentrate on the upper end of the market. This will reduce competition in the leisure sector leading to higher prices. There are no charter flights at Heathrow and low cost flights will be steadily excluded from Gatwick.

- Scheduled flights will fill up with business travellers, further restricting the choice for leisure travellers. The impact is likely to be greatest on inbound tourists who tend to use scheduled flights rather than charters.
- Business passengers will be faced with fewer routes, reduced frequencies, higher costs and difficulties in changing bookings.
- Increasing congestion and delays will occur particularly at Heathrow and Gatwick.
- Regional services to London will be squeezed out in favour of more profitable long haul services. More UK regional long haul demand will be diverted to continental hubs thus exporting jobs and business. This is already happening. Alternatively some passengers will choose to make long car journeys to Heathrow or Gatwick increasing the cost to the environment.
- There will be increased pressure on Government to lift the charging cap at regulated airports and to ration demand by price – thus delivering monopoly profits to airport owners. Travel to the UK will become less competitive.
- There will be increased pressure on Government to ration demand further by introducing polices such as slot auctions. Fares will inevitably rise, excluding the most price-sensitive passengers from holidays and reducing inbound visitors.
- The trade gap between inbound and outbound tourism will increase. In 1998 the number of holidays taken abroad exceeded those taken in Great Britain for the first time. As UK prices rise or capacity is restricted inbound tourists will go elsewhere and jobs will be lost from the UK tourist industry. UK residents have no such choice and they will fly via continental hubs or go by surface transport – probably by car.
- There will be serious penalties for the UK economy. With no growth beyond current levels, by 2015, GDP will be 2.5% less than it would be without constraints – equivalent to £33 billion a year.

Restricting capacity in the UK will not necessarily result in a net environmental benefit. At the global level the unsatisfied demand will be exported to continental hubs, resulting in more flights at those hubs and more surface travel. There will be more congestion, both in the air and on the roads, leading to more fuel consumption and pollution. Within the UK the shortage of connecting regional services will result in more car travel to airports with international flights. Charter flights will be squeezed out to airports further away from the main population centres and more people are likely to use their cars to go on holiday in Europe. A higher proportion of freight will have to go by road.

The Government's policies should be aimed at ensuring there is sufficient capacity to meet anticipated demand, at the locations where the demand arises, and it should take urgent action to implement the policy. Planning permission for Terminal 5 should be granted immediately without undue restrictions. The next set of runway and terminal capacities in the South East should be developed on an accelerated programme as soon as possible. It is safer, far more efficient and better for the environment to meet demand by having a few multi-runway airports rather than many single-runway airports. An efficient and effective hub airport requires at least three and arguably four runways. The way forward therefore is to designate Heathrow as the UK's hub airport and expand it to three, or preferably four, runways. Gatwick and then Stansted should each get a second runway and consideration should be given to providing an additional runway at Luton, if feasible. Only then should a fourth London airport be considered.

Even with these steps it will take many years for the shortage of capacity to be reduced, let alone to provide for future growth. In the meantime the current constraints will continue to act as a form of demand management. This difficult situation will be easier to manage in the knowledge that more capacity is in the pipeline and its location has been determined.

Elsewhere in the UK, there is still some spare capacity although in some areas it will not take long for this to be used up. To prevent the problems experienced in the South East being repeated, extra capacity needs to be delivered in a timely fashion in the locations where demand arises. Development in the regions should follow the same principles that we have proposed for the South East. Initially, terminal capacity should be expanded to make best use of existing runways. Then additional runways should be added to existing airports.

b) How should the Government ensure that aviation meets the external environmental costs for which it is responsible? Should greater emphasis be placed on regulation (at global, national or local level), economic instruments or voluntary agreements? If we should use a mix of approaches, what are the principles that should underlie the choice of approach for each issue?

In principle we agree that aviation should meet its environmental costs. However airlines are public transport and they should not be treated differently from other modes of public transport. Do other modes meet all their external environmental costs?

External costs first have to be established with much more certainty than is the case now and the external costs currently borne by airlines taken into account. The evidence so far indicates that aviation already meets its external environmental costs. According to the DETR's research 1[16] the environmental costs per passenger are between £2.18 and £3.30 on short haul scheduled flights and between £18.05 and £20.24 on long haul scheduled flights. (These figures will be lower for charter flights because of higher seat capacities and load factors.) These are less than Air Passenger Duty (APD) currently levied on passengers as a surrogate fuel tax. In addition there are other mitigation costs borne by airlines such as noise abatement procedures and night flying restrictions. Other organisations, such as airports, also pay for at least some of their external environmental costs.

Even with external environmental costs met, we accept that efforts to reduce further the environmental impact of aviation must continue. Progress so far has been made largely through voluntary agreements and this is our preferred approach. International legislation should only be considered when agreement is not possible.

Environmental policy needs to distinguish carefully between global and local effects. At the global level the Government should not 'go it alone'. Aviation is an international business and UK airlines and airports should not be burdened more than their foreign competitors. Progress has to be made through international agreements. We will work with the Government in the sensible development and reform of international agreements, standards and regulations.

Aviation is unique as regards possible measures to reduce its environmental impact. There is no competitive alternative mode of transport for journeys over about 500kms, or for most journeys over water, and there is no alternative fuel for the foreseeable future. We therefore believe that the potential of open emissions trading, and other options such as offsets, should be investigated as ways to deliver targeted improvements. These however will not be without costs to airlines and consumers.

At the local level there should be a national framework for environmental agreements. A wide variation in standards for emissions or noise will create operational difficulties and add to costs. This national framework should also describe where and by when growth in airport capacity is justified. The industry is keen to explore how such a national framework can facilitate a sustainable growth in capacity.

c) If aviation covers its environmental costs, should capacity then be provided to meet demand?

Yes. See (a) above.

d) Should the UK try to maintain its position as a major hub for international connecting traffic, or focus on enabling travel to, from and within the UK? Is there a role for Government in promoting either objective (given that airlines will pursue the most commercially attractive option)?

These are not mutually exclusive and it would be economically damaging to concentrate on one option only. A hub allows passengers to make connections and provides access to long haul destinations from the regions where the market is insufficient to support direct services. Passengers who connect via London are an economic benefit to the UK – an invisible export – and help ensure that there is a greater range of destinations served and more frequent services. This is a benefit to both business and leisure passengers.

Heathrow is the only UK airport that can claim to be a genuine global hub used by global scheduled carrier alliances and the Government's policy should clearly state that it will remain so. The most productive role the Government can take is to ensure that there is enough capacity at Heathrow to meet the demand, especially from the regions, and let the free market decide the best mix of services. Government policy should define a clear role for each of the other major airports.

e) Within the existing capacity constraints, how can the interests of UK consumers be best advanced?

Capacity constraints work against the consumers' interests. Consumers are best served by ensuring that there is free, fair and open competition, which in turn means that enough capacity must be provided. It is difficult to see how consumers will benefit if the use of scarce resources is managed by attempting to 'price off' demand.

APPENDIX. Questions on Particular Topics

Notes:

- We have not responded to all questions.
- On some topics we have made additional comments where we feel that the questions do not address all the issues.

Chapter 4. Consumer issues

a) In protecting consumer interests, where should we strike the balance between regulation and voluntary action by the industry?

UK aviation is already heavily regulated and the cost is borne by the consumers. Voluntary action is greatly to be preferred. Regulation should only be used when agreement is not possible.

b) What changes, if any, should we make to airline conditions of carriage to bring them up to levels which meet present day consumer expectations?

We accept that there is a need for improvement in the conditions of carriage and action has already taken place at an international level to revise them. The conditions for UK-based airlines should not be any different than those for foreign-based airlines. The UK Government should lobby other governments for an early implementation of the changes.

c) Should further comparative airline information be made available in the UK including perhaps environmental information? If so, by whom?

We think it unrealistic to expect that most passengers would choose an airline on the basis of comparative environmental information. Compiling the information would add to costs and would not provide significant benefits to passengers or the environment.

f) Do we need further action to ensure consumers are adequately protected when buying airline tickets directly from airlines?

We see no distinction in consumer rights between tickets purchased directly with airlines and tickets purchased through travel agents. No further action is required.

g) Do we need further action to combat disruptive behaviour on board aircraft, and if so, what? For example, should passengers be prohibited from drinking alcohol other than that supplied by the carrier?

The police need to be able to arrest a person when they have committed an Air Navigation Order offence. A ban on drinking alcohol other than that supplied by the carrier would probably be helpful and is often included in an airline's conditions of carriage. To be effective similar measures would need to be in place at foreign airports. However, such a ban would be difficult to put into effect as implementation depends, in practice, on procedures and the approach of airline crew.

h) How should any health risks associated with flying be tackled?

We support the recommendations of the House of Lords' Select Committee on Science and Technology and are disappointed that action by the Government seems to be slow. The DoH should issue clear advice to doctors and the general public to support that already given by airlines. Where there is uncertainty the DoH should sponsor authoritative research.

i) Should we set up a statutory consumer body for air transport, as in some other industries? If so, how should it be organised and financed, and what should be its duties?

We support the concept of a strong independent body to represent consumer interests but are not convinced that a statutory body is the best solution. There will be inherent difficulties for a UK statutory body in an international industry. The role taken by the Air Transport Users Council (AUC) has recently been enhanced and we believe this an excellent starting point. The organisation, duties and funding of the AUC should be the subject of an open review involving all interested parties. Currently, the AUC costs are borne indirectly by the airlines.

Chapter 5. Economic effects

a) Is there any evidence of negative economic effects associated with the development and operation of airports?

Some negative economic effects such as labour shortages and wage inflation can sometimes occur in prosperous regions but on balance the positive effects of an airport far outweigh the negative.

b) Do you agree that good air transport links to and from regional airports encourage regional economic growth? What might be done to promote them?

Yes. However regional services to Heathrow and Gatwick are being squeezed out by more profitable long haul services. The total number of UK regional points served from Heathrow has nearly halved over the last decade - dropping from 19 in 1989 to 10 in 2000. First it is necessary to provide enough capacity in the South East to meet the existing demand and protect existing links before promoting more regional services.

c) Should we encourage maintenance operations to shift to regional airports?

This is not a role for Government. Maintenance will be attracted to the regions when the economic conditions are favourable, e.g. BA and GE in South Wales. The availability of a workforce with the right skills is a key requirement. However some maintenance will always be required at major airports to support the operation efficiently and to keep positioning flights to a minimum.

Chapter 6. Environmental effects

a) To what extent should the Government rely on regulation to influence noise, emissions and other environmental effects of aviation, and to what extent are economic instruments or voluntary agreements more appropriate?

Economic instruments are generally a crude and ineffective way of influencing behaviour and will not work in constrained situations. A fuel tax will simply put up costs – airlines have plenty of incentive already to minimise consumption. A fuel tax that is not applied internationally will be counter-productive by tempting airlines to tanker fuel into airports where fuel is taxed and, furthermore, will distort competition. The issues should be tackled directly by, for example, voluntary agreements. There should be no discrimination against UK-based airlines.

Regulation should be the last resort but we agree with continued development of international requirements and standards on noise and emissions.

b) To what extent should there be a national framework for the assessment and mitigation of noise and local environmental effects at airports and to what extent should the details be decided locally? For example, should limits for aircraft noise and/or emissions be set around airports (where they do not already exist)?

There should a national framework for environmental agreements and standards and these should be consistent with international standards whenever possible. A wide variance in standards for emissions or noise will create operational difficulties, add to costs and potentially disadvantage UK airlines with their competitors.

c) If economic instruments were used to reflect the polluter pays principle, should such instruments be varied in relation to the sensitivity of location or operating time (for example for night flights)?

An environmental surcharge on night flights would hit holiday charter flights particularly hard. Night flights enable charter airlines to secure three rotations per day from their aircraft and so keep costs down and maximise runway usage. Night flights are relatively unpopular with charter passengers and therefore rates are lower than comparable day flights. If costs were to rise there is a risk that night charters will cease and that prices on all charter flights will rise significantly.

Night flights are popular with business travellers because they do not lose a day's work. A small number of night operations are required by scheduled airlines to meet this need on certain routes.

UK time is one hour behind continental which puts London at a competitive disadvantage compared to Schiphol, Charles de Gaulle and Frankfurt. "Night arrivals" at Heathrow are coincident with daytime in Amsterdam.

d) Is a balance between mitigation and compensation the best approach for local impacts? Are there further steps the Government could take to mitigate the environmental effects of aviation?

We advocate that APD should be ring-fenced for use in compensation to local residents.

e) In the long term, where should the UK concentrate its efforts in international negotiations on environmental impacts?

The UK should concentrate on securing international agreements through ICAO. There is some overlap and confusion in the roles of ECAC and the EU which needs clarification. The European input to ICAO could be better co-ordinated and structured.

f) What more could be done to encourage further development of future technologies in this field?

The Government should support long-term research aimed at producing radical improvements in aircraft and engine environmental performance. The Greener By Design Group has identified a number of technology options that could reduce fuel consumption by a further 50% but research is becoming increasingly demanding. The Group's report is due in summer 2001 and it will set out how such improvements could be achieved. The Government should become fully engaged in finding solutions.

Chapter 7. Airport capacity

Comment.

We are concerned that the Government is advocating radical reform of the slot allocation system (paragraphs 183-189) before there has been any proper assessment of the effects the proposals might have. There has never been any explanation or definition of terms such as 'efficient use of capacity'. Without such clarity it will be impossible to make an assessment of a proposal. Nor has there been an explanation of how consumers and UK business would benefit if airlines had to buy slots.

We believe that some reform of the allocation rules, such as establishing a transparent market for the secondary trading of slots, would be beneficial. However significant changes must be thoroughly studied before being put forward as new policy. The potential impact can only be understood through transparent studies and effective consultation.

Ultimately, any change in the rules will only change who uses the slots and not solve the fundamental problem of the shortage of slots.

a) Would it be desirable to implement new policies in order to make best use of airport capacity? If so, what policies should be implemented?

The capacity of an airport is best used when it supports a wide variety of services. Long haul flights and hub operations, for example, have peaks and troughs during the day. Heathrow is well utilised with a mixture of long and short haul flights but could be further improved by allowing mixed mode operations on its existing runways. At most airports, a "mixed economy" of long haul, short haul, business, leisure, scheduled, charter and freight will improve utilisation. Any new policies should be carefully framed so as not to discourage, either through costs or constraints, particular types of services.

b) Should the slot allocation regime be adjusted to take environmental considerations into account?

No - this is the wrong tool to use for controlling environmental impacts. The slot allocation system is international and getting compatible slots at arrival and departure airports is difficult enough as it is without adding further criteria. Slot allocation should not be equated to other types of limits such as night flight quotas.

c) What are the arguments for and against raising the cost of using airports where demand exceeds capacity?

Raising the cost will put more money in the pockets of airports or the government at the expense of airlines and passengers and will have the perverse effect of discouraging investment to improve service quality and expand capacity. UK-based airlines would be at a competitive disadvantage. It will exclude the most price-sensitive passengers and families, particularly incoming tourists. It will make it more difficult to run regional services to such airports making those regions less competitive.

d) How can future technologies to reduce capacity constraints at existing airports best be used? How can the Government and the aviation industry encourage the development of such technologies?

There are several promising technologies such as support tools for ATC and free flight which could improve the flow of aircraft at airports. The adoption of such technologies is a lengthy process for reasons of safety and the life cycle of aircraft. Clear priorities need to be set so that development is targeted at the most severe constraints.

Airport competition and ownership

Comment.

It is anomalous that, in a regulatory regime that promotes competition as the preferred approach to ensuring that there is an orderly market, the three largest London airports and the three largest Scottish airports are all owned by BAA. Many believe that this has contributed to the lack of drive to provide sufficient capacity in the South East. The government has decided not to break up BAA 'for the time being' since 'competition was constrained by the lack of unused capacity in the system'. Over a period of 30 years however, this situation should be reviewed at regular intervals in full consultation with the airlines. Government policy should be aimed at achieving competition amongst airports.

We are also concerned about the trend of consolidation in the ownership of airports, including the creation of some international groups. Airports by their very nature are monopolies at least at a local level. Competition between airports is weak and ownership consolidation could make it weaker. There is also a danger of inappropriate investment priorities. An airport owner may restrict investment at one airport in order to force traffic to other airports in the same group even though this may reduce overall benefit. We need structures that encourage competition especially as cross-border groups develop.

We suggest that every case where an existing airport owner proposes to buy another airport, either wholly or in part, it should be examined for its implications for competition and investment. The regulatory authorities should have the power to stop the purchase or impose conditions on it.

a) Does the current economic regulatory regime for airports properly safeguard against abuse of position? Does it provide the right signals to the airport about timely investment? How might it be improved?

We have concerns about the direction that the CAA is taking on airport regulation. In the Airports Act 1986 the CAA is required to "further the reasonable interests of users of airports" and "encourage investment in new facilities at airports in time to satisfy anticipated demands by users of such airports". Yet the CAA has recently stated that "it intends to adopt a framework of economic efficiency as its guiding criterion for making recommendations to the Competition Commission in this review” and “to maximise the total economic surplus generated, irrespective of which parties enjoy that surplus”. This is not compatible with the requirements of the Airports Act. Furthermore, we are concerned that the review could be used to deliver demand management rather than meeting the anticipated demands of the users.

The main risks for airports are in the planning process. Airlines have always been prepared to pay reasonable charges for the facilities they use and to pay for the development of new facilities. Airports are highly profitable businesses, far more profitable than airlines in recent times, and we do not think there should be a natural reluctance to invest. Any reluctance has far more to do with the horrendous difficulties of getting planning permission and the absence of a national airport development plan. The expense, uncertainty and long lead times inherent in the planning process greatly magnify the risks in the early phases of a project and thereby make it more difficult to justify investment. A national airport development plan would reduce some of the risks and airports need incentives to take on the others.

Airport planning

a) Do you consider that the guidance in PPG24 on noise sensitive development near airports is easy to understand and interpret? Has the guidance achieved its objectives?

The guidance has not achieved its objectives. Houses continue to be built in areas that are affected by aircraft noise and purchasers are often not aware of this. There is little point in the industry spending huge sums of money in reducing the noise footprint if more housing is built in the areas still affected. Through ICAO, the UK is committed to developing a balanced approach, under which land use policies play their part alongside restricting noise at source. At noise sensitive airports in the UK, there is a very unbalanced approach because of the weakness of PPG24.

The Government should strengthen the guidelines to local authorities to avoid inappropriate development near airports. It should also consider introducing legislation to compel the vendors of houses in areas affected by aircraft noise, or areas that will become affected, to inform purchasers of the fact. Purchasers should then sign an undertaking not to seek compensation for noise disturbance.

b) Could the concept of environmental capacity limits be applied successfully to UK airports? How would limits be set? Would these be alongside or instead of limits on passenger throughput?

This is inconsistent with the concept of internalising environmental costs. If costs are internalised and the proceeds used to address environmental issues, any growth is sustainable and should not be artificially constrained.

d) Should the Government encourage a system of voluntary environmental agreements between airports, airport users and local interests, which could provide an agreed framework for development and complement the statutory role of the planning system?

Yes, but the Government should indicate where, in the national interest, further development is necessary and justified.

e) How should people best be compensated for the environmental impact of airports on their local area? Should the Government encourage greater use of voluntary arrangements to compensate for, or mitigate the effects of, significant airport development?

Voluntary agreements can be an effective way of addressing local concerns. However these can only go so far and the full range of measures will need to be employed in major developments. In particular, compensation should be seen as a legitimate part of the planning process. Aviation should be treated in the same way as other industrial and transport developments.

Integrated transport

a) Is there anything further that the Government or the aviation industry can do to encourage increased public transport use to access airports, and to encourage greater use of airports as inter-modal hubs connecting different forms of transport?

In order to increase public transport use the first requirement is to provide a good service. Passengers and airport staff require services, which are fast, frequent, inexpensive and operate from early morning to late at night. Where such services exist they have been successful but many schemes have been abandoned or postponed because of inadequate infrastructure or lack of funding. Except at the very largest airports, dedicated airport services are unlikely to be commercially viable especially if significant infrastructure development costs are included. Services will either have to serve a wider network so that non-airport passengers also use them, or they will have to be subsidised.

The Government's first policy priority is to rectify inadequacies in the public transport infrastructure.

- Increasing the capacity of the rail network. For example, Terminal 5 represents a major opportunity to create a new inter-modal hub with significant new rail connections to the west but it depends on more capacity being made available on the Great West Mainline and South West line near Heathrow. Similarly more capacity is required on the lines to Gatwick and Stansted.
- Providing dedicated bus and coach routes to airports so that fast and, above all, reliable services can be provided.
- Funding the development of new infrastructure including new metro and tram routes. At Heathrow the shortage of capacity on the Piccadilly underground line needs to be addressed.
- Providing facilities, such as lifts, for passengers with baggage at all stations.

The Government could encourage employers to provide staff public transport subsidies by making them tax-free.

Encouraging passengers to use airports as hubs purely for interchanging on surface transport is a mixed blessing. The extra passengers will help make services commercially viable but will add to station congestion. On balance we believe that it would be prudent, at least to begin with, to take a neutral stance. If an airport has good links the inter-modal traffic will grow without promotion.

b) Should surface access connections to airports be regarded as essential components of airport development and approval for any new capacity be made conditional on appropriate connections being provided?

Yes, good surface access is essential. However not every development would justify new connections and there is a danger of slowing down the planning system even more. The scale of the investment in surface access must be proportionate to the scale of the new capacity and limited to new services so that investment is not inhibited by onerous conditions. Where new surface access infrastructure is needed Government should provide it.

c) What are the best mechanisms for bringing together the various interested agencies in order to establish the best surface access connections?

This could be done under the auspices of the Commission for Integrated Transport.

d) What are the likely costs and benefits of substitution between short haul air travel and rail, for example between London and major regional centres? If the benefits outweighed the costs what could the Government do to encourage substitution?

The main benefit of substitution would be the freeing up of a few slots at congested airports such as Heathrow. The rail service would have to attract a significant proportion of the air passengers before a reduction in air services could take place. The train would have to serve the airport directly and be high speed otherwise few passengers will choose to substitute rail for air. The costs would be in providing the extra capacity on the rail network.

Chapter 8. Airspace

a) How might EUROCONTROL, the EU, the CAA and NATS ensure that, if necessary, additional (i) airspace capacity; and (ii) air traffic service capacity, is created? How could the costs of this, both economic and environmental, be minimised?

European airspace needs to be designed and managed as a whole and not according to national boundaries. As traffic levels increase the concepts of sharing and the flexible use of airspace amongst the various users will become more important. The amount of airspace used exclusively by the military needs to be reduced.

In the short term, tackling the European shortage of air traffic controllers, introducing RVSM and development of tools to assist controllers offer the best prospect of increasing capacity.

The economic provision of ATM services can be improved by more commercialisation in this area and a closer relationship between the service providers and customers. The redesign of European airspace, removing the restrictions imposed by national boundaries, will in itself reduce costs. Environmental benefits will be realised by having more direct routings and less stacking of aircraft waiting to land (although this also depends on the provision of more runway capacity).

b) How might Europe’s air traffic services be liberalised?

The UK is leading the way on this issue and can serve as a model for the rest of Europe. As a first step, non-monopoly services should be separated out and opened up to competition. We hope that the recent selection of the Airline Group as the strategic partner in NATS will reinforce the Government’s negotiating position.

c) Are we striking the right balance in the allocation of airspace between different classes of user? What changes, if any, might help in the future?

Some services are charged on the basis of weight, which means that light aircraft pay significantly less for using the same resources as commercial flights. There should be a minimum charge that more closely reflects the true costs. Airspace provided for military activity should secondary where commercial expansion is required.

d) How should research and development efforts into new technology in air traffic management be stimulated and funded? Should the Government help to secure implementation of such technologies?

There is no shortage of new technology but its development must be co-ordinated across Europe to improve system compatibility and to share the risks and costs. The difficulties of implementing new technology lie in the areas of human factors and the time it takes to implement any changes. Some funding and research should be directed into making improvements in these two areas.

Chapter 9. Airlines

Comment.

UK airlines are a success and play an important role in the UK economy. Liberalisation of the industry in the UK has provided the right climate for this success. The danger now is that lack of capacity will strangle the industry. Airlines are increasingly global entities and will choose to locate elsewhere if capacity is unavailable in the UK with resultant loss of jobs.

a) In the light of increasing globalisation of the aviation industry, how should the UK’s approach to alliances, codesharing and franchising meet the objectives of sustainable development?

The UK’s approach should be one of ensuring that there is international consistency in the treatment of alliances, codesharing and franchising.

b) Are there particular features of the analysis of competition in the airline industry which might differentiate it from other industries?

The scheduled airline industry is international and much of it is network based. Some competing foreign airlines are still state subsidised. Many air routes are still controlled by inter-state bilateral agreements.

c) Should the UK press within the EU for a change in Community policy on ownership and control of airlines?

Yes – to ensure there is a level playing field for UK airlines, there should be an end to state subsidies and all airlines should be privatised. There are ownership restrictions on scheduled airlines in most countries and these should be removed.

d) Is there a case for further liberalisation of cargo services? If so, what form should it take and what are the main considerations?

Yes, however most cargo is carried on passenger aircraft therefore the further liberalisation of passenger services is the first priority.

Chapter 10. Air freight

a) Should the Government encourage the development of dedicated freight airports?

About 70% freight is carried in the holds of passenger aircraft and general capacity increases will allow freight to grow. We do not think there is a requirement for a dedicated freight airport in the UK but it is important for the UK economy to maintain appropriate capacity for the time-sensitive small parcels market. This will continue to need some night operations at locations convenient for this important market.

b) What action might be taken to reduce the specific environmental costs attached to the structure and operation of the air cargo industry? What role could rail play in the movement of freight to, from, or between airports? How could the Government promote the transfer of goods to airports by rail?

Trucking airfreight within the UK and Europe is flexible and economic. About 85% of freight from Scottish airports is trucked. Rail potentially could be used on major flows where an economic volume is available. However, there are difficulties with setting up rail services:

- the high cost of setting up intermodal rail facilities;
- lack of paths on the rail network at appropriate times;
- reduced frequencies due to the volumes required per train (hence longer journey times for a time-sensitive product).

Government could encourage greater use of rail for freight by providing new freight rail links to major airports, by improving the capacity of the rail network generally so that train paths will be made available for air-freight movements and by adopting a planning presumption in favour of air-rail freight interchanges.

c) Is there more the Government could do to make the UK air freight industry more competitive, efficient and responsive to the needs of its customers?

There is unequal treatment for market access and associated regulation to compete in European markets. This extends to all areas of regulation including customs, security and user charges.

Freighters are restricted in their access to runway capacity in the South East where demand is high. Priority is given, rightly, to passenger transport, but the effect is to reduce competitiveness of the UK air freight industry.

Chapter 11. General aviation

b) Will it be possible to allow business aviation access to major airports where there is a pressing need to make the most efficient use of limited capacity?

Commercial services must take priority over business aviation at constrained airports because they make far better use of a scarce resource. Business aviation needs its own capacity which is best provided at local airports.