SASIG

STRATEGIC AVIATION SPECIAL INTEREST GROUP
of the Local Government Association

AGENDA ITEM 5

THE FUTURE OF AIR TRANSPORT WHITE PAPER 'PROGRESS REPORT'

Summary

In December 2006 the Department for Transport (DfT) published the promised Progress Report on the Aviation White Paper. The Introduction and overview is at Annex A. The general message from the Government is that much has been achieved and almost everything is going well. Ben Webster, the transport correspondence from the Times, gave his summary as "air passengers double by 2030 as Government puts the economy first". This report identifies some key issues for SASIG and some possible responses to the DfT.

Recommendations

R1   That in respect to the Future of Air Transport Progress Report, the Department for Transport should be advised that:

(i)   A study of the full environmental (and indeed economic and social) costs of aviation should be commissioned so that the aviation industry has a target of compensation/mitigation to aim for. This work should mirror the updated study on the economic benefits of the aviation industry.

(ii)   The aviation industry should be asked to set a 2020 target for fuel use of the UK fleet and then to monitor the gradual movement towards that figure.

(iii)   SASIG welcomes in principle the concept of an emissions cost assessment and await the consultation on its methodology.

(iv)   The revised emissions forecasts to be published in 2007 should be set in the context of historical data and should be both with and without a policy constraint.

(v)   SASIG considers that there are that there are very few targets in the Sustainable Aviation Strategy and that the industry should be encouraged to move what are currently un-quantified aspirations to deliverable targets.

(vi)   The Progress Report should have been set within the Government's 2005 Framework for Sustainable Development.

(vii)   SASIG, perhaps through its membership of EAG, would like to assist with the production of the strategy to evaluate the impact of the White Paper policies.

(viii)   Table 5.1 of the Progress Report, giving a comparison of major European hub airports, is misleading in that it does not give information about proximity to urban areas and transport facilities that have been possible at those other airports because they are located more suitably than London Heathrow.

R2   That all official air travel by SASIG members and officers should only be undertaken when air travel can be shown to be the only reasonable option and the carbon offsetting costs should also be paid.

Introduction

1   The Future of Air Transport White Paper was published in late 2003 and looked ahead to 2030. The Government published the promised Progress Report in late December 2006, exactly as promised. The Introduction and overview are at Annex A. In essence they are saying that the White Paper remains robust and on target. The full report can be accessed at: http://tinyurl.com/ynzqsk

2   There has also been a flurry of other reports published in the final months of 2006 – many of which are covered in other agenda items

The Future of Air Transport Progress Report

3   The Progress Report summarises the White Paper as having rejected a "predict and provide" approach in favour of one in which aviation pays its environmental costs whilst at the same time bringing real economic and social benefits to people and the UK.

4   The Progress Report was never intended to review the 2003 White Paper policies but to do just what its title suggests – to report on progress. That is largely what it does do, although there are certainly some new attitudes apparent in the text. If anything, the support for the aviation industry and its importance to the UK economy is greater, as is the emphasis on Heathrow and, to a more limited extent, Stansted.

5   In advance of publication SASIG, and several other non-aviation industry organisations including the House of Commons Aviation Select Committee, called on the Government to commit itself in the Progress Report to an early review of the White Paper. No such commitment, or even a need for the point to be considered, is given.

6   The rest of this report comments on the chapters and appendices of the DfT Progress Report. Where it seems relevant, pointers are given *(in italics)* to a possible SASIG re-action.

7   Foreword. The key point made is that the Stern Review and the Eddington Report demonstrate that sustainable economic growth requires recognition of our environmental responsibilities. It is then claimed that the White Paper did just that in that the aviation sector was required to meet its environmental costs.

8   *SASIG comment on Foreword. The DfT should be asked to initiate a study of the full environmental (and indeed economic and social) costs of aviation so that the aviation industry has a target of compensation/mitigation to aim for. This work should mirror the updated study on the economic benefits of aviation undertaken by OEF for the aviation industry – and supported by DfT.*

9   Chapter 1: Introduction and overview. This chapter takes an overview of the later chapters.

10   *SASIG comment on Chapter 1. No comment as this chapter is a summary and overview of all that comes later.*

11   Chapter 2: The global challenge of climate change. This is said to be the biggest single issue and one which the Progress Report says the Government is committed to responding to effectively.

12   At an international level the Government commits itself to work with European and international partners to modernise the work of ICAO and to secure an emissions trading agreement within Europe. At a national level progress is reported on creating a clearer national policy framework; supporting work by the aviation industry to reduce emissions; and taking a lead in offsetting the impact of aviation emissions from air travel by central Government.

13   The Progress Report introduces the concept of undertaking an 'emissions cost assessment' to inform decisions on major increases in aviation capacity. The process to be used will be the subject of consultation in the first half of 2007, relying also on work from both the Stern Review and the Eddington Study.

14   SASIG comment on Chapter 2. It is possibly too easy to criticise the Government for not making faster progress on climate change issues. Certainly there is a lot of work being done by and with the aviation industry but it is generally recognised that the improvements are mostly offset by an increase in the number of passengers and air transport movements. The industry has a target to improve fuel efficiency of new aircraft by 50% per seat kilometre from 2000 to 2020. Whilst this is laudable it cannot be judged to be a target until an overall maximum amount of fuel used on a year-by-year basis to 2020 is specified.

15   The DfT should be asked to work with the aviation industry to set a 2020 target for fuel use of the UK fleet and then to monitor the gradual movement towards that figure.

16   Government ministers and civil servants now offset their emissions when travelling on official business. Various airlines are said to be making it easier for individual passengers to do the same. The aviation industry should be asked to put in place a mechanism for every flight bought, particularly over the Internet, to automatically offer the customer the opportunity to offset carbon emissions by an addition to the ticket price. There is no reason why this should be any more difficult than the current practice of adding a supplement for the use of a credit card when booking.

17   It is impossible to comment on any issues around the preparation of an emissions cost assessment in that it is a new concept and details will not emerge until the later consultation. Nevertheless the fact that it is being proposed should be welcomed in principle.

18   This chapter of the Progress Report finishes with an identification of steps to be taken over the coming years. They mostly follow from the points raised above, but two are of particular interest. The first is that the Government will publish revised emissions forecasts in 2007. It will be important that these to be set in the context of historical data and to be both with and without a policy constraint. The second point is that the industry are to be are being asked to report annually on the progress made on reaching the targets in their Sustainable Aviation Strategy. It should be pointed out to the DfT that there are very few targets in that Strategy.

19   There remains the issue of whether any official travel by SASIG members and officers should also only be undertaken on the basis of offsetting carbon emissions. There is currently no policy for this, nor any provision in the budget. The increased cost would be marginal providing air travel is only used when it is clearly the most sensible and appropriate method. The progress report suggests around £5 for a short-haul return flight and £10 for a transatlantic return flight.

20   Chapter 3: Local environmental challenges. This starts by identifying that the White Paper sought to strike a fair balance between local and national benefits that <u>can be gained</u> from airport expansion and the local costs that <u>might</u> be imposed (SASIG emphasis) on the people who live nearest to airports.

21   The 2003 White Paper sought to limit and where possible reduce the number of people significantly affected by aircraft noise; meet air quality and other environmental and safety standards; avoid where possible the loss of landscape and heritage; mitigate local impacts of surface access to airports.

22   The Progress Report identifies that the Civil Aviation Act 2006, the new night flying restrictions at Heathrow, Gatwick and Stansted and the production of airport master plans are the key achievements to achieving those objectives.

23   *SASIG comment on Chapter 3.* *The language of this chapter is symptomatic in giving a biased emphasis to the benefits of aviation and appearing to doubt the adverse impacts.*

24   *It remains difficult to understand how the Government feel that the impact of night flights is in any way reduced by their being no increase in the number. Equally any positive effects of the Civil Aviation Act 2006 have not yet been felt. What is however missing from the Progress Report is any reference to the much delayed study on public attitudes to aircraft noise (ANASE). It has proved more difficult than the consultants initially envisaged.*

25   *Also missing from this chapter of the Progress Report is reference to the Government's 2005 Framework for Sustainable Development which has two overarching goals, with three principles as illustrated below. The 2003 Aviation White Paper should have been specifically tested against those goals – indeed when the topic was discussed at EAG it was agreed by DfT that this would be done.*
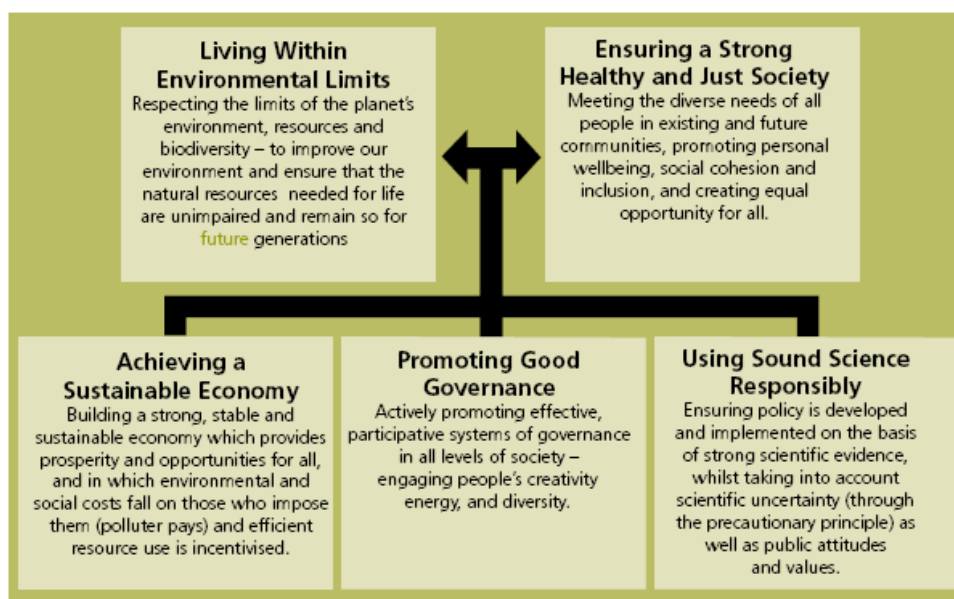
26   *The next steps that are identified are all important but relatively modest. In the main they relate to continuing the work on master plans, noise maps and blight schemes.*

27   Chapter 4: Economic benefits of air travel. This chapter starts with updating the demand forecasts for air travel, showing unconstrained demand growing from 228 million passengers in 2005 to 490 million passengers by 2030, despite the inclusion in the forecasts of additional costs linked to carbon emissions. This forecast is almost exactly in line with that used in White Paper. The main factors said to underline the forecasts are international competitiveness; trade and freight transport; aviation's direct contribution to economic development; and people's aspiration to travel.

28   Despite an unconstrained forecast of 490 million passengers by 2030, the Progress Report indicates that the additional airport development supported in the White Paper would only allow about 465 million passengers to be accommodated in 2030.

29   The financial regulation of Heathrow, Gatwick, Stansted and Manchester airports is often contentious and the Civil Aviation Authority has now suggested that Stansted and Manchester could be de-designated for the purposes of economic regulation. The DfT will be consulting on that during 2007.

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30   *SASIG comment on Chapter 4.* *SASIG has been critical for some time of the robustness of the forecasts largely because the percentage growth in six out of the last eight years has been substantially higher than was predicted in the earlier 1998 forecasts. If growth continues at the same percentage level as the last three years then there will be 490 million passengers almost 10 years earlier than the Government's current forecasts. There is nothing in the current Progress Report to suggest a real constraint on growth, indeed the public would not necessarily want their travel plans to be curtailed. It is thus first difficult to imagine how growth is going to be constrained to 465 million passengers in 2030 even though this is said to be the limits imposed by a capacity constraints in the White Paper proposals.*

31   *Paragraph 1.11 of the Introduction and overview (reproduced at Annex A) seems to identify that the DfT is convinced that investment in UK air capacity is falling behind that in other countries. It seems amazing that the DfT quote that range of examples as farsighted and visionary solutions, yet fail to even try to show any imagination in developing a long-term strategy for the UK.*

32   *One of the next steps mentioned is particularly interesting. It identifies that the DfT will "produce a strategy setting out how we will evaluate the impact the White Paper policies". It will be important for that work to not only evaluate the policies but to identify action that needs to be taken if the policies are failing.*

33   <u>Chapter 5: Progress since 2003.</u> There is a heavy concentration on the south east, particularly Stansted and Heathrow.

34   As far as <u>Stansted</u> is concerned there is a relatively factual commentary about the processes that have been followed to date, culminating in the suggestion that there could be a planning inquiry into the second runway in Spring 2008, concluding in 2010 and thus the operator does not expect a runway to the operational before 2015.

35   On <u>Heathrow</u>, it is pointed out that demand is now far in excess of runway capacity, such that passenger growth over the last five years was just 5% compared to 27% at UK airports overall. The Progress Report then identifies that increased capacity at Heathrow would have higher economic value than at any other UK airports but that such expansion must be weighed against environmental disadvantages. A table is provided to compare Heathrow's existing and future capacity with the Frankfurt, Paris Charles the Gaulle and Amsterdam Schipol. It then goes on to report that BAA interim master plan, which included the third runway and a sixth terminal, could enable the airport to support up to 720,000 movements a year (around 128 million passengers a year) but even at that level it would only be satisfying some 70% of its unconstrained demand forecast in 2030.

36   The next steps identified are the consultation on future development which will describe mixed mode and third runway proposals in detail, together with predicted impacts on noise and air quality. It identifies that policy conclusions could not be drawn until the end of 2007, following which BAA would have to prepare and submit planning applications.

37   The section dealing with development <u>regional airports</u> is particularly short. The progress report firstly explains the benefits of the growth of regional air services, both point to point and links to London airport's, and then reports in detail on progress at Edinburgh, where a new runway is unlikely to be needed before 2020 as in the White Paper and Birmingham where the White Paper suggested a new runway around 2016 but the operators now suggest 2020.

38 *SASIG comment on Chapter 5. On Stansted, it seems surprising that a runway could be operational from 2015 onwards with an anticipated public inquiry not concluding before 2010. It would seem more realistic to assume a Government decision in 2011 at the earliest with construction of the second runway and terminals taking five for six years such that it could be at least 2018 before the runway could become operational. Some commentators have suggested that this would allow the aviation industry to press for the third runway at Heathrow in advance of the second runway at Stansted.*

39 *On Heathrow, it needs to be noted that the capacity suggested for 2030 is higher than the 116 mppa that the Aviation White Paper suggested. The comparison with three other main European hub airports is as usual partial and concentrates only on the number of runways and their capacity. It says nothing about the location of those airports in relation to urban areas or transport facilities. The DfT should be asked to make sure that future comparisons are more complete.*

40 Annex A: Progress at UK airports. This identifies progress at each airport on the region by region basis. It identifies the approach taken in the master planning process for each airport and sets out information about passenger numbers and freight in 2003 and 2005, with the international destinations served.

41 *SASIG comment on Annex A. Interestingly, this analysis starts in the south east and finishes with Scotland, Wales and Northern Ireland whereas the White Paper started with Scotland and finished in the south-east.*

42 Annex B: Summary of progress. This summarises the progress made since 2003 on the main policies and issues covered in the Aviation White Paper. It sets out the information under the headings of climate change; noise; air quality; airport master plans (showing that 22 airports have consulted on master plans and 6 airports have higher level statements); blight; sustainable surface access; Heathrow airport; Stansted airport; other airports; managing air space; slot allocation; regional air services; land protection; safety; security; consumer protection; aircraft maintenance; and general aviation.

43 *SASIG comment on Annex B. This is an impressive list of action which has been taken to secure the implementation of the Aviation White Paper.*

44 Annex C: 2006 UK air travel forecasts. This explains the assumptions which had been used to develop the national demand forecasts. It explains that demand for air travel has temporary and longer term elements and that the forecasts are project that trend, but do not attempt to quantify temporary impacts such as international conflicts, terrorist incidents or pandemics.

45 *SASIG comment on Annex C. These are unconstrained forecasts and there is always a tendency within DfT to assume that infrastructure will constrain growth to a somewhat lower figure. That never seems to happen and the industry squeezes more passengers through any set amount of runways and terminals.*

46 *There were 228 million passengers in 2005, almost exactly as the 1988 forecasts predicting. If the DfT work to constrain capacity at airports to 465 million passengers in 2030, that would still represents a doubling of through ports over the next 25 years but at an annual percentage growth rate much slower than historically.*

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Extracts from The Future of Air Transport Progress Report 2006

Foreword

This progress report fulfils a commitment made in December 2003's *The Future of Air Transport White Paper*. That White Paper set out a sustainable long-term strategy for the development of air travel out to 2030 and demonstrated the essential role that aviation plays in our economy and continued prosperity.

Much has already been delivered since the publication of the White Paper.
- We are leading the debate within Europe, pressing for the inclusion of aviation in the EU Emissions Trading Scheme.
- The Civil Aviation Act 2006 has been passed, strengthening powers over the control of aircraft noise and local air quality.
- The aviation industry has made progress in reducing the noise of the airline fleet and in addressing local air quality issues.
- Improved passenger facilities have been delivered through terminal development and refurbishment across the country.
- Engagement with local communities over airport development has been improved through the publication, for the first time, of long-term proposals and environmental mitigation measures.
- Central Government Departments now offset emissions from official and Ministerial air travel.

Since *The Future of Air Transport* White Paper, the Stern Review and Eddington Study have been undertaken and were published in late 2006. Taken together, these authoritative reports demonstrate that sustainable economic growth requires recognition of our environmental responsibilities.

The 2003 White Paper placed aviation within this context. It argued that the aviation sector must fully meet its environmental costs. These recent reports have reinforced the logic of this approach.

This report demonstrates the progress we have made in delivering a sustainable future for aviation.

Rt Hon Douglas Alexander MP
Secretary of State for Transport
December 2006

Introduction and overview

1.1   In December 2003, the Government set out a sustainable long-term strategy for the development of air travel out to 2030. It balanced the growing aspirations we have to travel and the needs of our economy with the need to protect our environment. It rejected a 'predict and provide' approach and instead proposed a comprehensive strategy that:
- **committed the Government to ensuring that aviation reflects the full costs of its climate change emissions**, which will influence the amount of traffic growth that will occur. This is the same approach Sir Nicholas Stern recommended right across our economy;
- **put in place tough local environmental conditions for our most environmentally sensitive airport**, London Heathrow. Further expansion in flights would not be allowed unless limits on noise and air quality could be met;
- **recognised that aviation brings real** benefits to the lives of ordinary people and to business. It connects people and places in ways that many people value highly and is also critical for a successful economy. Since publication of *The Future of Air Transport* White Paper in 2003, the number of passengers using our airports has risen by 14 per cent;
- **rejected proposals for new capacity at several airports and at new greenfield locations, and instead promoted making much better use of existing airport capacity.** The strategy supported the development of regional airports mostly within existing capacity, as well as the construction of a further runway at Stansted and at Heathrow, and measures to make better use of existing runways at those airports.

1.2   The Government remains committed to the strategy set out in the White Paper: it strikes the right balance between economic, social and environmental goals. This document reports on progress on the policies and proposals set out in the White Paper.

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The global environmental challenge

1.3   Stern Review has stressed the need for an urgent and effective international response to the global problem of climate change. Aviation emissions contribute to climate change regardless of the country in which they are emitted.

1.4   Our national climate change strategy sets out our commitment to reduce climate change emissions right across our economy, including domestic aviation, by 60 per cent by 2050. We are strongly committed to achieving this goal, and aim to do so in the most effective way.

1.5   The Stern Review also recommended that the best way to tackle the complex pattern of carbon emissions is to ensure that each activity which consumes carbon is priced in the way that reflects its true cost to society, and to the environment. The Review thus supported the policy set out in the 2003 The Future of Air Transport White Paper which stated that the price of air travel should, over time, reflect its environmental and social impacts.

1.6   As a result:

- We continue to pursue the inclusion of aviation emissions in the European Union (EU) emissions trading scheme (ETS) as soon as practicable, and to do so for all flights departing from EU airports, whatever their destination. This trading scheme ensures that carbon emissions from all sectors of the economy that are included in the scheme are properly priced. Inclusion of aviation in the EU ETS is the most efficient and cost-effective way to ensure that the sector plays its part in tackling climate change. It avoids artificial targets for each sector which would distort economic decision-making.
- However, the Government has always recognised that its focus on EU ETS should not preclude examining other economic instruments to ensure that aviation reflects its environmental costs.
- We propose to consult on the development of a new emissions cost assessment to inform Ministers' decisions on major increases in aviation capacity. This assessment would consider whether the aviation sector is meeting its external climate change costs.
- We aim soon to bring forward proposals which will make it simpler for air passengers to offset the carbon emissions arising from the flights that they take by setting out a Government standard for how such schemes should operate. This will help people to take responsibility for tackling their contribution to climate change. Some airlines and travel agents have already begun to do this, as part of the aviation industry's concerted work to deliver a more sustainable model for their business.
- At the same time, Government is leading the way in taking responsibility for the carbon that we emit. We are offsetting officials' and Ministers' air travel through equivalent investment in renewable energy technologies and energy-saving projects. In the first year we estimate that we will contribute around £1 million towards these projects, which is equivalent to offsetting up to 100,000 tonnes of carbon. Some companies have also begun to follow the Government's lead in offsetting travel undertaken by their employees.
- The 2006 Pre-Budget Report announced that the rates of air passenger duty (APD) would double with effect from 1 February 2007.

1.7   Chapter 2 of this progress report deals in more detail with the central issue of the part aviation must play in the global challenge to reduce carbon emissions.

The local environmental challenge

1.8   The *Future of Air Transport* White Paper likewise provided a clear approach to the local environmental challenges of airport operation, in terms of air pollution, noise and the impact on the area in which airports operate. There are a number of important strands to this:

- Parliament has recently agreed the Civil Aviation Act 2006, which introduces measures to strengthen and clarify airports' powers to control noise and local air quality. This means that airports will be able to penalise the noisiest and most polluting aircraft.
- The aviation industry has itself made progress in addressing the noise of the airline fleet.
- We are pleased that most airport operators have chosen to promote their plans for airport development in consultation with the local community. Their master plans provide a basis for ensuring that measures to address noise, air quality, impacts on biodiversity and heritage, and issues of blight are properly considered, clearly set out and taken forward transparently.
- We welcome the leadership of those airport operators who are taking steps to improve local air quality. At Heathrow, reducing air pollution levels is vital before the airport can expand further. For other airports the focus is on developing public transport links to airports and promoting effective travel planning so as to increase the number of passengers taking public transport to and from airports.

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1.9 Chapter 3 of this report deals with these local environmental issues in more detail.

Economic benefits of air travel
1.10   The aviation industry makes an important contribution to the UK economy, supporting around 200,000 jobs directly and many more indirectly. The importance of aviation to the economy is rising as a result of broader economic trends:
*   growing global economic integration, which leads to increasing business travel and greater movement of international freight: about one-quarter of the UK's visible trade by value is carried by air;
*   rising disposable incomes in the UK, which enables more people than ever before to travel abroad for leisure;
*   increases in the number of foreign visitors and residents travelling to and from the UK;
*   the UK's success in acting as a hub for international air travel - 15 per cent of international air passengers are flying to or from a UK airport.

1.11   Other EU countries with major hub airports have already expanded capacity to cater for future demand. For example, airports in Amsterdam and Paris now operate five and four runways respectively, and a fourth runway is also planned for Frankfurt. Internationally, over the next five years, China plans to invest $17.5 billion on launching 71 airport expansion projects, relocating 11 airports and building 49 new airports.

Progress since the 2003 White Paper
1.12 Three years into the White Paper's thirty-year strategy, delivery on the ground is at an early stage.
*   The first priority is to make the most of the UK's existing airports through a process of improvement and modernisation. Growth and developments at regional airports, without the need for new runways, give people across the country improved access to air travel from modern airports. It is now clear that operators of Edinburgh and Birmingham airports, where new runways were supported, do not expect to build them until some time after 2020.
*   At Heathrow, where *The Future of Air Transport* White Paper indicated that delivery of a new runway could be in the period 2015 to 2020, expanding the airport is conditional on meeting the noise and air quality limits that we have set out. The Government has led work to consider whether the environmental impact of making more use of existing runways, or building a third runway, would be acceptable. We will be consulting in detail on these issues in 2007.
*   At Stansted, significant progress has been made on the location, layout and operation of a potential second runway. We expect BAA to submit its planning application in 2007. But there is a planning process to be gone through and a substantial amount of work still to be done.

1.13   Chapter 4 of this report updates the Government's forecasts of air passenger demand and covers changes in the aviation industry. Chapter 5 then reports progress on developments since 2003, and next steps.

1.14   Aviation has an important role to play in the future, in developing the UK economy, supporting leisure, and in further enhancing our global connectivity. There is a strong demand for air travel, but this must be delivered in a way that balances the need to manage aviation's environmental obligations. This report sets out the current progress towards achieving this.

1.15   The report also sets out specific next steps in delivering the Government's policy. We intend to report on progress again in three to five years' time. The exact timing will be aligned to the delivery of significant milestones on major policies in *The Future of Air Transport* White Paper.

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