

**Committee:** Stansted Airport Advisory Panel

**Agenda Item**

**Date:** 6<sup>th</sup> June 2013

**5**

**Title:** Aviation capacity in the UK – short, medium and long term options update

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Key decision: **No**

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## **SUMMARY**

1. This report is firstly about the recommendations of the House of Commons Transport Committee (HoCTC) following its aviation inquiry which was launched in September of last year. Secondly, the report looks at the recent submissions to the Airports Commission by the London Assembly Transport Committee (LATC) and London First (LF) on short and medium term capacity options.

## **RECOMMENDATIONS**

2. That the Panel notes the report and continues to support the Council's efforts to improve the rail service for all West Anglia rail users through its membership of the London Stansted Corridor Consortium and the West Anglia Routes Group.

## **FINANCIAL IMPLICATIONS**

3. There are no financial implications associated with this report and its recommendation.

## **BACKGROUND PAPERS**

4. None

## **IMPACT**

- 5.

Communication/Consultation	The HoCTC heard evidence from witnesses in seven separate sessions from
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	<p>November 2012 – February 2013, and also took into account written evidence that it received. The Airports Commission is currently engaging extensively with all interested parties via its series of discussion papers. Further consultation will take place as long term options emerge.</p> <p>The LATC held two roundtable discussions in public earlier this year and also took into account the written evidence that it received, including from this Council.</p> <p>The LF held wide ranging discussions with London businesses and stakeholders, and was informed by a Steering Group of business leaders.</p>
Community Safety	None.
Equalities	None.
Health and Safety	None
Human Rights/Legal Implications	None.
Sustainability	None.
Ward-specific impacts	Proposals to expand Stansted Airport could have implications for all parts of the district.
Workforce/Workplace	Officer and Member time in preparing the responses to the Commission’s discussion papers and the submissions made to it.

**HoCTC “Aviation Strategy” report, May 2013**

6. The inquiry was set up to look at four main questions:
  - i) what should be the objectives of Government policy on aviation?
  - ii) how should the best use be made of existing aviation capacity?
  - iii) what constraints are there on increasing UK aviation capacity, and
  - iv) is a step-change needed in UK aviation capacity and why?
  
7. The HoCTC says that it is imperative that the UK retains its status as an international hub. Heathrow has been short of runway capacity for a decade

and is currently full, although there is some spare terminal capacity. It is not feasible to shift flights to other airports or to relocate demand because airlines locate flights for commercial reasons and most flights are a mix of business / leisure and bellyhold cargo. The HoCTC does not consider that, on their own, new runways distributed across a number of airports will provide a long-term solution to the specific problem of capacity at the UK hub airport.

8. The headline findings of the HoCTC are that Heathrow runway 3 is long overdue, and that a new hub airport in the Thames Estuary is not favoured. There are a number of reasons for the latter, which include:

- i) challenges such as designing within crowded airspace, mitigating birdstrike, potential future sea level rises and flood risk,
- ii) impacts on wildlife habitats,
- iii) unclear how many people would be affected by noise,
- iv) lack of commercial viability without significant public investment (especially funding transport links), and
- v) closure of Heathrow would be unacceptable due to the adverse impact on the local economy.

The HoCTC also rejects the concept of split hubs (“Heathwick” or Heathrow / Northolt) as airside transfer times for passengers would be highly uncompetitive compared to using other European hubs such as Schiphol, Frankfurt or Charles De Gaulle.

9. Notably, the HoCTC suggests that the Heathrow “displaced 4-runway” option that is being promoted by the Policy Exchange and Centre Forum has merit because it could reduce noise for West London residents. The Airports Commission is recommended to look at the feasibility of this option as part of its long-term options consideration.

10. The HoCTC is concerned about air noise, and asks that the Airports Commission assesses realistic conditions that could be applied to mitigate noise pollution should Heathrow runway 3 be granted planning permission. The Government and the aviation industry are asked to develop a comprehensive nationwide approach to noise compensation, which should be carried out in parallel with the Commission’s work so that it is clearly defined by the time the Commission publishes its final report in 2015.

11. The HoCTC encourages Gatwick’s owners to develop a robust case for a second runway, but without actively supporting it. It also calls on the Airports Commission to assess the impact of introducing an unrestricted open skies policy outside the SE to help regional airports secure new direct services. The Government should also investigate whether there is a case for ring-fencing some slots at Heathrow for feeder services from poorly served regions. It is also felt likely that that the construction of HS2 could increase the attractiveness of Birmingham and East Midlands Airports for some passengers

with origins or destinations in the South East. HS2 should be extended to Heathrow to serve any future new runways.

12. The HoCTC asks that HM Treasury carries out a study of the impact of Air Passenger Duty (APD) on the UK economy. If a negative impact is identified, APD should either be reduced or abolished. Differential rates of APD could be considered for different airports, and there should be a 12-month trial of an APD holiday for new services operating outside the South East.

13. Other general recommendation made by the HoCTC are:

- i) any future plans for increasing aviation capacity should take into account progress on global initiative to reduce emissions,
- ii) NATS should carry out modelling work to identify the extent to which stacking might be reduced if Heathrow runway 3 goes ahead, and this should be reported to the Airports Commission,
- iii) airport operators should develop action plans to reduce air pollution from vehicles travelling within airport boundaries,
- iv) manufacturers should continue to develop quieter aircraft,
- v) airports should encourage airlines to take older, noisier aircraft out of service at the earliest opportunity, and
- vi) the CAA should immediately review existing flightpaths and landing angles.

14. Perhaps of more immediate significance for Stansted Airport, the HoCTC asks the Government to develop a coherent surface access policy for UK airports. Both Gatwick and Stansted should be served by dedicated express rail services, and the service requirements of major UK airports should be incorporated into future rail franchise agreements with rail operators.

15. Finally, it is worth quoting from the HoCTC's concluding remarks about Government aviation policy in general and the work of the Aviation Commission:

*"It is immensely disappointing that a decade after the publication of the 2003 White Paper and the then Government's decision to support a third runway at Heathrow, the UK is still faced with the unresolved problem of aviation capacity. Following decades of policy papers, inquiries, taskforces and commissions, it is the lack of a long-term cross-party political strategy for aviation that is principally to blame for the very real danger that the UK could lose its status as an international hub for aviation".*

*"It is less than ideal that the Airports Commission is working to a protracted timetable, with a final report not to be produced until after the 2015 General Election. We could complain that this is yet another example of important decisions on aviation being kicked into the long grass, but instead we challenge the Commission to use this opportunity to, once and for all, provide a robust and independent evidence base for future decisions. It is our hope that the Commission will produce an evidence base that is widely accepted across the political spectrum, and clear recommendations for action. The challenge for the post-2015 Government will be to quickly get to grips with the recommendations of the Airports Commission and not seek excuses for further delay".*

## LATC “Airport Capacity in London” report, May 2013

16. The first point to make is that the London Mayor is not bound by the views of the LATC, which is a backbench committee. The Mayor has previously said that he favours the construction of an airport in the Thames Estuary, which he feels could co-exist with Heathrow. Alternatively, expansion of Stansted Airport would be feasible. Study work that the Mayor has commissioned continues.
17. The LATC’s consideration has focussed on three areas, i) the debate about increasing airport capacity, ii) the use of existing airport capacity, and iii) different options for addressing the issue of airport capacity.

### The debate about airport capacity

18. The LATC says that this is a complex debate, but a key issue is local demand for air travel which is central to how airlines use any airport capacity. Study work carried out by York Aviation on behalf of the LATC shows that each London airport serves a geographically distinct local market, which has a major influence on airlines’ provision of flights to different destinations. The LATC concludes that it is local demand rather than lack of capacity that constrains flights to emerging markets. In market share terms, Stansted’s catchment area extends north eastwards from Central London with low market shares to the south and west. Conversely, Heathrow has a high market share to the west (especially the M4 corridor) with much lower shares to the east.
19. The LATC disputes the extent to which Heathrow operates as a hub. In 2010 70% of Heathrow passengers were leisure, not business travellers with most travellers making short-haul rather than long-haul trips. In July 2012, 75% of flights at Heathrow were short-haul to Western European and UK destinations. The LATC also comments that between 2005 and 2012 the number of Western European and UK destinations served by Heathrow fell by 10, but these were replaced by more USA destinations rather than by destinations to emerging economies. By using these figures, the LATC is disputing the perceived economic importance of providing more airport capacity.
20. The LATC considers that the potential for providing for more air travel without incurring adverse environmental effects remains to be proven. It also considers that the extent to which demand for air travel is set to rise, and whether London’s airports will be full by 2030, are both uncertain. These concerns reflect the divergence of the low, medium and high level growth scenarios contained in the DfT’s 2013 UK aviation forecasts.

### The use of existing airport capacity

21. There is scope to use all London's airports differently. Heathrow has spare terminal capacity (up to 20mppa if larger aircraft are used), but no spare runway capacity. Gatwick has particular scope to increase slot utilisation in winter, and at Stansted only 53% of available runway slots were used in summer 2012. The key is to encourage airlines to move their flights, requiring alterations in the current nature of demand for air travel, but this appears to contradict what the HoCTC is saying (see paragraph 7 of this report). Enhancements to surface access to airports are identified as one way of trying to encourage passengers and airlines to change their usual behaviour.

### Different options for addressing the issue of airport capacity

22. The LATC's headline statement is that there should be no expansion at Heathrow because of the adverse environmental effect it would have. It comments that London remains the best connected European city across the 23 fastest growing economies. Often, businesses are attracted to London as it is a destination in its own right (rather than just having beneficial agglomeration effects as a hub).
23. The majority of the LATC members believe that building a new hub airport in the Thames Estuary would not be viable. There are doubts over whether passengers would switch to the new hub if existing airports stayed open, although the LATC believes that Heathrow would have to close if a new Estuary hub was built. Notably, there are likely to be significant airspace implications for any new Estuary airport. NATS has identified that more aircraft would have to fly over Central London, with many aircraft flying lower than at present in order to avoid existing traffic from other London airports. The closeness of Schiphol and Brussels Airports would mean that climb and descent profiles of aircraft would be affected, which would require international negotiation for changes in the use of airspace.
24. The LATC says that it has different views on other proposals such as:
- i) no expansion at any London airport whilst making better use of existing capacity, and
  - ii) Gatwick's proposal for a second runway post-2019 "with further capacity being added to Stansted at a later date".

### **LF "Flight Path to Growth" May 2013**

25. LF is a business membership organisation "with the mission to make London the best city in the world in which to do business". Its short report makes six recommendations to the Airports Commission. The first four are specific to

Heathrow, and relate to proposals to increase the ATM cap, which would be supported by the LF. Significantly, the LF supports mixed mode and more night flights not only to increase capacity itself, but also to build in more headroom against delays. The LF also suggests that Heathrow's noise envelope should be reviewed in the context of a higher cap with a revised penalties regime to "ratchet down the impact of noise within it". The LF also recommends that an independent noise regulator be created by Parliament, independent of the industry and the CAA to enforce the noise envelope. The regulator would have the power to direct Heathrow to introduce additional measures to reduce noise should the envelope be breached, with compensation payable where appropriate.

26. The LF says that increasing the ATM cap at Heathrow is not a substitute for extra long-term runway capacity.

27. The LF's final two recommendations affect Stansted:

- i) that Gatwick and Stansted be allowed to compete more effectively, with the CAA being called upon to apply the back-stop and price monitoring powers it already has without imposing an economic licence, and
- ii) that the Government and Network Rail should deliver a step-change improvement in the capacity and quality of rail services to Gatwick and Stansted, strengthening these airports' ability to attract airlines and passengers.

28. The Panel is informed that the CAA is currently consulting on the new economic regulatory framework for Stansted after April 2014. The CAA seems to be favouring a price monitoring and transparency regime. This would not set an upfront price cap but would allow the CAA to monitor STAL's pricing behaviour with the threat of investigation. The onus would be on STAL to self-regulate and to ensure that it does not abuse its market power. This is, in effect, a halfway house between full regulation and full liberalisation. The CAA's current concern is that STAL does still have significant market power because its operations are dominated by two main low fares carriers who have significant infrastructure at the airport. This concern might disappear if the airport grows into a more all-round mix of carriers and destinations.

29. In relation to rail improvements, the LF supports the cutting of the Stansted Express journey time in the longer term. In the shorter term, there should be an extension of early morning services to better meet the needs of the first wave of passenger departures. New punctuality targets are also favoured to match the national average, with the means to meet them.

### **Officers' conclusions**

30. As expected, there are diverging views on what should be done to increase airport capacity in the short, medium and longer terms. One common theme that is emerging, though, is the need for improvements to Stansted's rail service. The Council is pressing for a package of investment measures to benefit all West Anglia rail users through its membership of the London Stansted Corridor Consortium and the West Anglia Routes Group.

Risk	Likelihood	Impact	Mitigating actions
None	None	None	None

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.