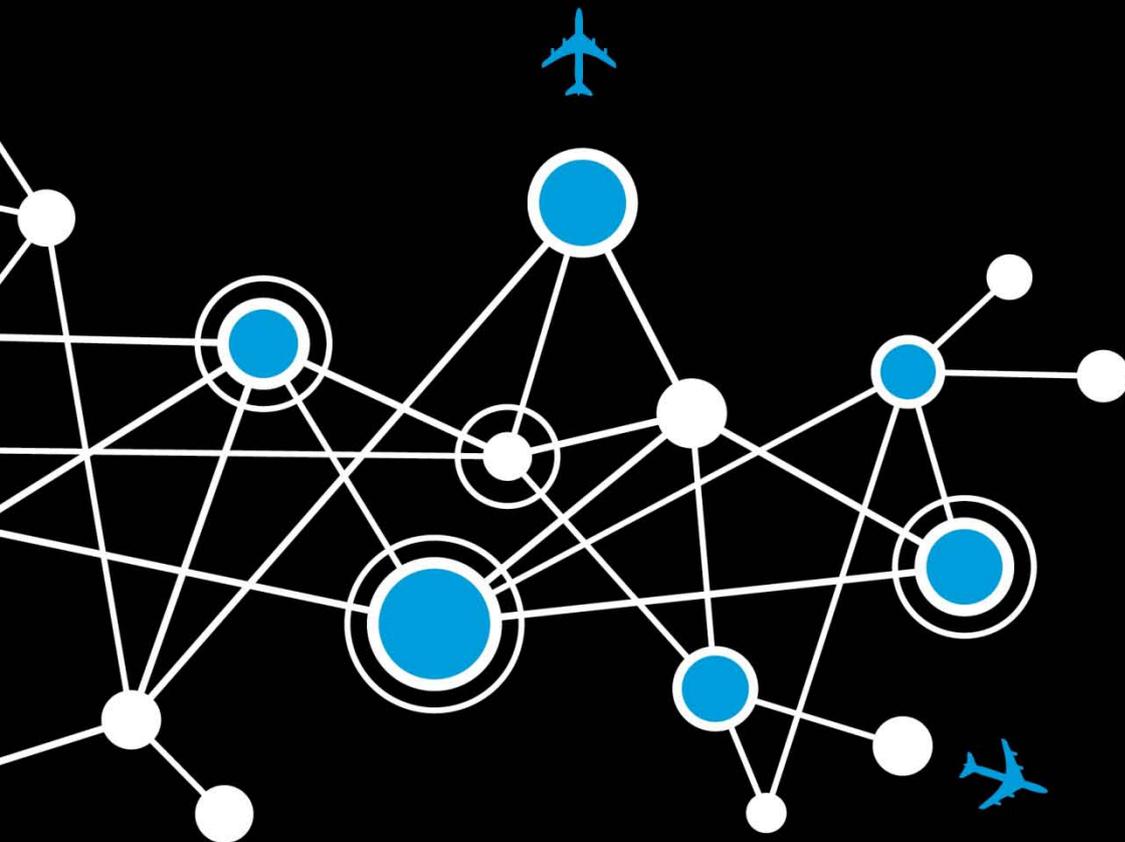


WHAT NEXT FOR AVIATION POLICY?

AIRPORT OPERATORS ASSOCIATION
POLICY RECOMMENDATIONS FOR 2014/5



What next for aviation policy?

Airport Operators Association policy recommendations for 2014/5

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1. Foreword



Airports are part of a thriving UK success story; their economic health drives the country's economic prosperity. Aviation enables around 1 million jobs, £50 billion to the economy and £8 billion in tax revenues. And it supports a whole range of economic activity in the wider UK economy to flourish, including tourism, manufacturing, exports, services, and much more besides.¹

In this paper, the Airport Operators Association (AOA), the trade body for UK airports, updates previous analysis on what we believe policy should be to support 'Sustainable Airports, for a Stronger Economy'. It assesses the current state of play for aviation policy, and it reviews the 25 policy recommendations we made in 2012, ahead of the publication of the Government's Aviation Policy Framework (APF) in 2013.

We assess recent political developments and their impact on airports; and we rationalise our analysis to six key policy recommendations. We believe that with a general election looming in May 2015, the political parties should start committing now to these six policies in their manifestos, to help aviation grow sustainably in the future, so that national and local economies and communities can enjoy the benefits airports offer.

In 2010, Government policy was simply a slogan, entitled "Better not Bigger". In 2014, there is a positive APF, and we also now have an independent Airports Commission which calls for expansion in airport capacity. Taken together with the Chancellor's announcement in the 2014 Budget that from 2015 long haul Air Passenger Duty would be cut, it is clear that policy makers and influencers are now realising the benefits a thriving airports sector and aviation industry brings to the whole UK economy. In future, we can be both "Bigger and Better".

The UK needs both vibrant point-to-point airports and sufficient world class hub capacity if it is to provide the connectivity we need to link to established and emerging markets now and in the future. The analysis and recommendations in this paper further set out the policy which is required to deliver just that.



Ed Anderson
AOA Chairman



Darren Caplan
AOA Chief Executive

¹ *Economic Benefits from Air Transport in the UK*, Oxford Economics, 2011

2. Policies to Boost Aviation: Priorities

Six policies the political parties should include in their general election manifestos to boost aviation.

1. Support sectoral growth: promote UK airports' growth, through the Aviation Policy Framework and the Airports Commission

The political parties should commit to: implementing the Aviation Policy Framework (March 2013); and to supporting and acting on both the short and medium term measures announced in the Airports Commission Interim Report (December 2013) and the recommendations made in the Final Report (Summer 2015), on maintaining the UK's hub status to 2050.

2. Review and cut Air Passenger Duty

APD should be cut to give an immediate boost to the aviation industry, making flying more affordable and increasing the UK's connectivity to established and emerging markets as more airlines to choose to fly more routes and more regularly to and from UK destinations.

3. Incentivise sustainable aviation fuels

A key plank to reducing carbon emissions from aviation is the adoption of Sustainable Biofuels. To scale-up and roll out sustainable aviation fuel production capacity, more proactive Government policy and targeted financial support is needed. Grants, loans and loan guarantees will be instrumental and need to be made available; the UK Green Investment Bank is well placed to play a role, and could unlock private sector sources of capital.

4. Improve surface access through a single national transport strategy

A more integrated transport policy is necessary to deliver better surface access – rail and road connectivity – to UK airports for passengers, airport workers and freight. The Department for Transport (DfT) should assess public transport infrastructure connecting UK airports, identify where there are gaps in present and future demand, and should be tasked with proactively assisting in filling those gaps. Such gaps must take account of future connectivity needs and consumer choice and value. They should also take account of, in the case of freight, opportunities to reduce production and delivery costs to industry.

The DfT assessment should feed into a single national transport strategy for a well-connected economy and ensure all departments work towards a shared goal.

5. Speed up planning by setting clear land-use policies in noise contours

It is clear that noise is a key issue in enabling sectoral growth. Local authorities should play a key role in curtailing the building of housing and other noise sensitive buildings in noise footprints around airports, so that fewer people in future live in areas where there is aircraft noise. Future noise contour forecasts should also be considered as part of this process.

Local Plans drawn up by local authorities should determine the types of buildings that can be developed under flight paths; and local authorities should use the same noise metrics included in the Aviation Policy Framework, with national planning guidance directing them to do so.

6. Align UK security requirements with the nature of threats

The Government should move away from a prescriptive approach to security regulation, towards an outcome focused risk-based approach (OFRB). This approach would give airports the flexibility to manage security in a way that delivers a better response to threats and a better experience for passengers. The DfT should clarify its position on OFRB and demonstrate how current changes in security will work towards it.

3. UK Aviation Policy in 2014: Analysis

Development of an Aviation Policy Framework

In 2012 the AOA published *An Integrated Policy Framework for UK Aviation* which set out what we believe a bold and integrated aviation policy should look like. It took a cross-Government-Departmental view on what is needed for UK aviation to continue to boost UK jobs and growth, and set out 25 deliverable policy recommendations the Government should take to support aviation.

The Government's *Aviation Policy Framework* (APF), published in March 2013, sets the policy context for airports and determines their role within and contribution to the UK's economic infrastructure. The AOA responded to the policy in October 2013 with our report, *The AOA Review of the Government's Aviation Policy Framework*. We found that the APF makes some progress against our own policy recommendations from 2012.²

In this update paper we do not repeat that analysis but assess further changes since October 2013, including the Interim Report Published by the Airports Commission in December 2013 and the Budget in March 2014.

The Airports Commission and its Interim Report – what does this mean for national policy?

In December 2013, the Airports Commission published its Interim Report. In this report, Sir Howard Davies concludes that “there is a clear case for one net additional runway in London and the South East, to come into operation by 2030”³ and the three definite options shortlisted for the site of a runway are at Gatwick and Heathrow airports.⁴ There is also a Thames Estuary option which is being considered at the time of writing – whether it will be included for full assessment will be known by autumn 2014.

Longer term, the Report says that Birmingham and Stansted airports “may merit reconsideration as part of any future assessment of options for a second new runway” to be in operation by 2050.⁵

Beyond the shortlisted sites, the report also includes recommendations about short to medium term solutions and other initiatives which the Commission believes will improve the services provided by the sector. **This will have an impact on all UK airports.** If the Government chooses to take the Commission's recommendations forward, then the Interim Report could be changing today the environment in which airports will operate tomorrow.

Amongst the Commission's immediate recommendations are an ‘Optimisation Strategy’ and a package of surface transport improvements, to make it easier for people to get to airports. The Optimisation Strategy includes operational changes to improve the efficiency of aviation services, including, for example, changes to the structure of airspace to enable closer spaced departures.⁶ The surface transport improvements recommended include enhancing rail services to specific airports and smart ticketing at airport stations.

² In our report we compare the APF to the 25 policy recommendations in our earlier publication *An Integrated Policy Framework for UK Aviation*, AOA, October 2012. See <http://www.aoa.org.uk/publications/>

³ Airports Commission: Interim Report, p.13. Available here: <https://www.gov.uk/government/publications/airports-commission-interim-report>

⁴ Airports Commission: Interim Report, p.196.

⁵ Airports Commission: Interim Report, p.195.

⁶ Full details of the Optimisation Strategy are in the Airports Commission's Interim Report, pp.143-148.

It is clear that the Commission is working beyond a ‘runways shortlist’ agenda – for example, influencing the Treasury’s 2013 National Infrastructure Plan (NIP).⁷ The NIP includes funding for surface access measures that had been directly recommended by the Airports Commission,⁸ showing the Commission’s ability to influence national infrastructure and the much-needed integration of different transport systems. But surface access is still site-specific – it is still a case of identifying which airports need support in their planning and development, and encouraging the Government to provide that support. **More relevant to the national picture are some of the new policy analyses and recommendations in the Interim Report.**

There are three elements of the Interim Report in which all airports are likely to take an interest. These are: the Commission’s assessment of the economic and environmental impact of airports; its recommendation for dealing with noise; and its views for the future beyond 2050. Below we summarise each of these and consider the impact it could have.

1. Economic analysis and environmental impact

The Airports Commission Interim Report states that “the UK appears to be reaching the limits of what can be achieved within its existing airport infrastructure,”⁹ providing an impartial message to Government that airport infrastructure needs to grow. **The Commission predicts that the costs of failing to address the demand for growth could amount, over a 60 year time period, to £18-20 billion of costs to users and providers of airport infrastructure and £30-45 billion of costs to the wider economy.**¹⁰ Further, by 2030 aviation capacity constraints could depress GDP by between 0.03% and 0.05%.¹¹

The Commission’s figures make it clear that airport growth is essential to the UK’s economy. It is significant that the Commission did not use the Department for Transport’s (DfT) aviation forecasting method but critiqued it and with their new model, produced four potential forecasts.¹² The DfT only offers two, ‘constrained’ and ‘unconstrained’, forecasts. Both are based upon the assumption that the sector will use carbon trading and the ‘constraint’ aspect refers to whether existing constraints on UK airport capacity persist. The two new forecasts offered by the Commission apply similar assumptions but model carbon capping instead of carbon trading. For example, the ‘carbon capped, capacity unconstrained’ forecast represents the level of aviation demand consistent with the Committee on Climate Change’s (CCC) current assessment¹³ of how UK climate targets can be met. It includes a higher modelled carbon price, which ensures that forecast emissions return to 2005 levels by 2050, but assumes no constraints on airport capacity. The ‘carbon capped, capacity constrained’ forecast assumes both a higher modelled carbon price, and the continuation of existing constraints on UK airport capacity, so that the Commission can estimate how existing airport

⁷ HM Treasury, National Infrastructure Plan, 2013, can be seen at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263159/national_infrastructure_plan_2013.pdf

⁸ £50 million is dedicated to rail improvements at Gatwick and there was also funding for research into rail and road improvements at Heathrow and Stansted. The Airports Commission welcomed the funding: <https://www.gov.uk/government/news/airports-commission-welcomes-surface-transport-improvements>. In addition the Government will “monitor the active investment programme” relating to Birmingham’s runway extension and the A6 Manchester Airport relief road.

⁹ Airports Commission: Interim Report, p.12.

¹⁰ Airports Commission: Interim Report, p.12.

¹¹ Airports Commission: Interim Report, p.101.

¹² Airports Commission: Interim Report, pp.108-0. The details behind the forecasts were published separately and are available here: <https://www.gov.uk/government/publications/airports-commission-airport-level-passenger-forecasts-2011-to-2050>

¹³ It is broadly equivalent to the CCC’s ‘likely’ scenario, set out in its 2009 report *Meeting the UK aviation target – options for reducing emissions to 2050*.

capacity would be used if further policies were introduced to return aviation emissions to 2005 levels by 2050.

Whether a carbon capped or a carbon traded approach is adopted, **one of the most significant findings of the Commission is that airport growth is compatible with environmental concerns.** Even after proposing the four different growth forecasts they conclude that “aviation demand is likely to increase significantly between now and 2050, even when 2050 carbon emissions are capped at a level which is consistent with the UK meeting its legislated climate commitments.”¹⁴

The Commission also states that the CCC’s recommended target constraining CO₂ emissions from UK aviation to 2005 levels by 2050, which it believes is consistent with current plans to meet the economy-wide climate target, is the most appropriate basis for planning future airport capacity.¹⁵

There is therefore a clear message from the Commission’s report that airports can grow and reduce carbon emissions at the same time – a positive development from the Government’s message in the APF that growth is possible if environmental concerns, including carbon emissions, are managed.

2. Independent Aviation Noise Authority

The Commission’s report repeats some of the messages in the APF. In particular it refers to the fact that “the economic imperative” of airport growth and the need to manage climate change and “local environmental impacts, notably the nuisance and health implications of noise, must be weighed in the balance.”¹⁶

In an effort to manage the implications of noise, the Commission recommends “The creation of an Independent Aviation Noise Authority to provide expert and impartial advice about the noise impacts of aviation and facilitate the delivery of future improvements to airspace operations.”¹⁷

The introduction of such a body could change the framework in which airports work with local communities.

An independent assessment of noise could prove helpful in assuring local people of the objectivity of evidence about noise levels, and could help to reduce annoyance. But the powers of any Authority – should this go ahead – would need to be well-used and not dictate solutions which airports could reach collaboratively with their communities, locally. The AOA, as part of the Sustainable Aviation (SA) initiative, agrees with SA that there is merit in some of the principles of the proposal and we recommend a review of existing statutory requirements on noise to identify gaps between current and best practice. This review should identify where improvements in the operation of existing mechanisms could address any shortfall in performance; and, following this, if an Authority is required to deliver best practice, it should share independent advice when requested by planning authorities, communities and industry bodies in any local area.

But above all, the AOA argues that further regulation is not necessary and would not be welcomed by airports. The CAA and a range of Government departments already regulate airports, as we explain in Section Four below. To add to this burden and dictate a one-size-fits-all approach to a complex local issue would be inappropriate.¹⁸

¹⁴ Airports Commission: Interim Report, p.129.

¹⁵ Airports Commission: Interim Report, p.117.

¹⁶ Airports Commission: Interim Report, Chair’s foreword, p.6. Bold AOA’s own.

¹⁷ Airports Commission: Interim Report, p.15.

¹⁸ At the time of writing this report, the noise authority proposal is still being discussed by Government, industry and a range of other groups.

3. Recommendations beyond 2050

The message from the Airports Commission is clear that whether a ‘carbon capped’ or ‘carbon traded’ framework is adopted, aviation will still grow and new airport capacity will be needed. **However the Commission will also examine the relationship between carbon, the environment and the economy in the future to advise on airport growth up to and beyond 2050.** This will include analysis “as to when, how and by whom the case for a second net additional runway might most appropriately be considered.”¹⁹

The Commission anticipates that it will also have to consider: how UK and international economic forecasts may develop, and the implications for long-term aviation demand; progress in agreeing measures to reduce carbon emissions from aviation; the long-term development of the aviation industry and related technologies; and the implications for any future capacity expansion of each of the new runway options shortlisted for detailed consideration.²⁰

All this means that the sector has to prove *today* that airports can manage carbon in order to help ensure their growth in the *future*. In other words, the potential longevity of the Commission’s recommendations requires proof of the longevity of airport’s environmental work. To help ensure an effective policy framework is in place to support airport growth, the Commission should also make recommendations to Government on the best way to ensure that future airport development is safeguarded as critical strategic national infrastructure.

How did the 2014 Budget support aviation?

In the Budget in March 2014 the Government reformed Air Passenger Duty (APD), cutting its tax income by over £200 million to support the growth of aviation. This is a clear sign that the Government expects the growth of aviation to deliver economic benefits for the UK. APD will be reformed down to two bands, short haul and long haul: with Band B being the new highest long-haul rate rather than the previous Band D. It means that in 2014-15 passengers to Band A will pay £13 in reduced rate (economy class) APD and to Band B £69.²¹

This will affect around 9% of passengers (based on 2012 calendar year), or 8.8 million passengers (out of a total of 97.6m passengers who depart the UK each year). The reform of APD cuts tax for passengers travelling to China, India, Brazil and many other emerging markets, with flights to South Asia and the Caribbean taxed at a lower rate than today.

A Regional Air Connectivity Fund was also announced in the Budget. The policy builds on European Union state aid guidelines, extending and clarifying the support Governments can give to airports.²² **£20 million of funding a year will be made available to airports with fewer than 3 million annual passengers, to start new routes which will benefit the regional economy (some airports with 3-5 million passengers will also qualify if they meet certain criteria).** The details of this policy will be presented for informal consultation later in 2014. Together with the reduction in long haul APD, this means the Budget is supporting airports to work with partners and develop more affordable, useful routes for leisure and business travellers which should help to boost the UK’s economy. However, more needs to be done to support aviation further. Cutting all APD rates would go further to support sectoral growth.

¹⁹ Airports Commission: Interim Report, pp.129-130.

²⁰ Airports Commission: Interim Report, pp.129-130.

²¹ In 2015 the Band B rate will rise to £71.

²² For the EU rules, see Section 5.2 of this document

http://ec.europa.eu/competition/consultations/2013_aviation_guidelines/aviation_guidelines_en.pdf

The economics which determine viable routes are complex, but APD is a high proportion of every flight leaving the UK. So the Treasury should also review the impact APD has on the economy, including an evaluation of both the reforms to long haul bands that will apply from 2015 and the annual incremental inflation increases, which have been levied in effect every year since 2010 and which are set to continue beyond 2015. The degree to which savings are passed on to the consumer will be fundamental, as it is the consumer saving that is most likely to encourage passenger growth.

The Budget was negative with regards to Business Aviation (BA), with business jet APD increasing to six times the level of rates applying to economy class. Putting more burden on non-scheduled, on-demand, aviation seems inconsistent at a time when the Government is seeking to portray the UK as being open for business, and will hurt the ability of UK business people who use BA to unlock the very highest value global economic opportunities.

In our third and final section below, we reflect on the recommendations the AOA made in 2012 to review what the Government has done in the last two years and whether it is working towards an aviation sector that can thrive even more than it does today. This section should be read in conjunction with *The AOA Review of the UK Government's Aviation Policy Framework* of October 2013.²³ **A star (*) indicates a change in our previous rating, signalling change in the Government's performance against our earlier recommendations.**

²³ *The AOA Review of the Government's Aviation Policy Framework*, AOA, October 2013.

4. AOA Policy Position: Update

Air Passenger Duty	
What's the issue?	Air Passenger Duty (APD) is the tax that is charged on all passengers departing a UK airport. Introduced in 1994, it was originally levied at £5 per person for short-haul flights, and £10 elsewhere. Since then, successive governments have increased APD, so that passengers can now pay up to £188 on some long-haul flights. ²⁴ Its cost has resulted in the loss of certain flight routes out the UK. The World Economic Forum's recent tourism competitiveness report ranked the UK 139th out of 140 countries for air ticket taxes and airport charges, being beaten only by Chad to last place.
What did we recommend?	1 Consider urgently conducting macro-modelling work on APD's effects on the whole UK economy.
	2* Refrain from any further increases in APD, with immediate effect.
Where are we now?	<p>The Aviation Policy Framework (APF) was dismissive of the impact APD has on our economy. The Airports Commission's Interim Report states that they did consider the potential to vary APD on a revenue-neutral basis according to levels of congestion at airports – an APD congestion charge. They decided against this measure, claiming that devolving APD would do little to incentivise better use of existing capacity.²⁵</p> <p>The Autumn Statement of December 2013 saw the Treasury implement increases in APD, to come into effect in April 2014. However, the Budget of March 2014 included reforms to APD for 2015. The Red Book says: "To help British businesses strengthen links with high growth markets, and to go further to make the UK an attractive option for business visitors and tourists, Budget 2014 announces that the government will reform air passenger duty (APD) by abolishing bands C and D from 1 April 2015. This will eliminate the two highest rates of APD charged on flights to countries over 4,000 miles from Britain, cutting tax for millions of passengers travelling to China, India, Brazil and many other emerging markets." Support for new routes from regional airports was also announced.</p> <p>This reform of APD is a welcome step from the Treasury. But whilst this is a positive first step, we hope the outcome of these reforms will be productive and encourage the Government to undertake further reforms of APD in future. With no work underway to understand the impact of current APD levels on the UK economy, evaluation of the reforms will be useful.</p>
What next?	<p>Review and cut APD</p> <p>The International Air Transport Association (IATA) estimates that, at an international level, airlines will only make a net profit of about \$5.94 per passenger (£3.56) in 2014.²⁶ The economics which determine viable routes are complex, but APD is a high proportion of every flight leaving the UK. Cutting the remaining APD bands would give an immediate boost to the industry. The Treasury should review the impact APD has on the economy, including an evaluation of the reforms to long haul bands that will apply from 2015 and annual incremental increases, and assess the impact of the reforms to airline profitability, customer choice, and route development.</p>

²⁴ *The Economic Impact of Air Passenger Duty*, PriceWaterhouse Coopers LLP, 2013

²⁵ Airports Commission, Interim Report, p.121.

²⁶ IATA Airline Financial Outlook, December 2013

Red Tape	
What's the issue?	<p>The Government's Red Tape Challenge²⁷ is a central initiative, operated by the Better Regulation Executive (BRE). As well as hosting a website inviting ideas from the public, BRE specialist teams work for short periods to scrutinise all regulations in individual Government departments. They then decide whether regulations should be removed or kept.</p> <p>Airports are subject to the full range of regulation that applies to most businesses. Additionally, they have specialist regulatory regimes on aviation safety²⁸ and security,²⁹ as well as a range of regulations stemming from their role as public places. Airports also experience Red Tape in the planning process, when operators are looking to develop their sites. Airport operators throughout the UK need to be able to plan for the future, develop the business case, raise finance and have a realistic chance of obtaining planning consent.</p>
What did we recommend?	<p>3</p> <p>Track regulatory "ins" and "outs" for key economic infrastructure sectors like aviation.</p>
	<p>4</p> <p>Create a Joint Task Force, focused on cutting unnecessary regulation, to work in partnership with the aviation sector.</p>
Where are we now?	<p>The Red Tape Challenge has led to some improvements in the aviation sector³⁰ including a review of the Air Navigation Order and changes to the CAA through the Civil Aviation Act 2012. The General Aviation (GA) Red Tape Challenge resulted in a range of actions including a renewed commitment to work proactively with European bodies such as the European Aviation Safety Agency (EASA) to look for ways in which unnecessary regulatory burdens on the GA sector can be reduced and a commitment from CAA to delivering a programme of culture change, deregulation and self-regulation. A specialist GA Unit was also set up to find further ways to reduce red tape.</p> <p>There has also been progress between the AOA and Government departments. Our regular Roundtable with the Department for Business, Innovation and Skills has been a useful forum to discuss red tape and for airports to show evidence of the impact it has on their business and customer services (see further details of this work in the Making Aviation Sustainable section below). The AOA also has a joint Roundtable with the CAA, which will oversee three Working Groups on Better Regulation, Security Reform and Passenger Experience and Information. These will be used to develop a joint approach to revising regulations which are unnecessary or disproportionate.</p>
What next?	<p>Continue the Red Tape Challenge and drive culture change too</p> <p>The initiatives to reduce Red Tape should continue and the Government should monitor their effectiveness. But often the delays and duplications of effort – particularly in the planning system – are a result of culture over and above policy. Local authority planning teams and central Government teams with regulatory responsibility should continue to work towards more effective processes and working relationships with stakeholders.</p>

²⁷ For details of the Challenge see <http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/>

²⁸ CAA, List of Flight Operations Publications: <http://www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=list&type=subcat&id=9>.

²⁹ Regulation EC No 300/2008: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:097:0072:0084:EN:PDF>. And supplementing legislation: http://ec.europa.eu/transport/modes/air/security/legislation_en.htm.

³⁰ For a full list of Red Tape Challenge results related to aviation, see <http://www.redtapechallenge.cabinetoffice.gov.uk/themehome/aviation/>

A Framework for Airport Growth

<p>What's the issue?</p>	<p>There are many areas of aviation policy that are connected with other Government departments. For example: security is delivered by the Department for Transport (DfT) and the CAA; borders, by the Home Office; tourism, promoted by the Department for Culture Media and Sport (DCMS); climate change, by the Department of Energy & Climate Change (DECC); planning, by the Department for Communities and Local Government (DCLG); and, as afore-mentioned, APD set by the Treasury.</p> <p>The Aviation Policy Framework (APF) needs to be reflected in other departments' policies for the Government to deliver its strategy growth comprehensively, without internal contradictions. There AOA therefore made a series of recommendations that would align Government policy, suggesting the DfT should be a driving force for aviation initiatives across Government to deliver real and lasting improvements.</p>	
<p>What did we recommend?</p>	<p>5</p>	<p>Revise the APF to signal clearly support for sustainable airport development.</p>
	<p>6</p>	<p>Incentivise Local Enterprise Partnerships to carry out high quality analysis of future aviation needs.</p>
	<p>7</p>	<p>Ensure Local Authorities integrate Airport Master Plans in their Local Plans.</p>
	<p>8</p>	<p>Ensure the Sir Howard Davies Independent Commission on the UK's hub status considers all options thoroughly; takes wide advice from experts throughout the country in industry, business and academia; gives clear direction in its 2013 Interim Report; and presents a clear way ahead by its final deadline of 2015.</p>
	<p>9</p>	<p>Commit to acting on the Independent Commission's advice.</p>
	<p>10</p>	<p>Enhance the benefits of Enterprise Zones centred on airports.</p>
	<p>11</p>	<p>Allow greater scope to offset the Community Infrastructure Levy (CIL) for existing buildings.</p>
	<p>12*</p>	<p>Accelerate implementation of the recommendations of the Penfold and Killian Pretty Reviews, to speed up and reduce the regulatory burden on planning applications. (The Penfold Review examined the impact of non-planning consents and the Killian Pretty Review examined the planning application process.)</p>
	<p>13</p>	<p>Freeze planning fees.</p>
	<p>14</p>	<p>Implement financial incentives for Local Authorities to approve applications efficiently.</p>
	<p>15*</p>	<p>Provide model guidance in the APF on safeguarding land for future development, noise and land use planning (so that new housing developments are not built too close to airports).</p>
	<p>16*</p>	<p>Put in place a low-cost arbitration for planning application validation disagreements.</p>
	<p>17</p>	<p>Raise the trigger threshold for Environmental Impact Assessments (EIAs).</p>
	<p>18</p>	<p>Extend its review of rail access to airports, covering information, ticketing, and rail franchises.</p>
<p>Where are we now?</p>	<p>Progress</p> <p>There has been good progress on some of our recommendations. The Government's APF, published in March 2013, rightly summarises the benefits of aviation, including</p>	

	<p>aviation's £28bn turnover generating £10bn of economic output and 120,000 direct jobs in the UK³¹ and that UK airports provided air travel to over 50 million business passengers in 2011 and provided direct access to over 360 international destinations.³² There is evidence that the APF understates the benefits of aviation to UK plc; Oxford Economics says that aviation supports 921,000 jobs and contributes £49.6 billion to the economy (3.6% of UK GDP) and £8 billion tax revenues.³³ However, it is welcome that the APF supports the growth of aviation whilst urging a balance is maintained between the benefits of aviation and what the Government terms its costs (particularly its contribution to climate change and noise).³⁴</p> <p>As of spring 2014 the Airports Commission has run to schedule, with its Interim Report published in December 2013 as planned and its Appraisal Framework published for consultation. It is welcome that the Commission keeps to its timetable and that its Final Report is published no later than summer 2015.</p> <p>Amongst several changes to the planning system are changes to Judicial Review that will hopefully speed up the development process for airports. These include a new planning fast track and the creation of a Planning Court within the High Court.</p> <p>Future priorities</p> <p>Despite some progress, other actions the AOA wanted the Government to take to support airports and the aviation sector have not moved forward. Thus far the Airports Commission's recommendations for surface access have been acted on, but the Government's response to the Commission's Interim Report will provide further detail. Further in the future, all political parties should support the Commission and recognise the need to act upon its recommendations for airport expansion. Although the decisions made by political parties are outside the Government's control we hope both parties in the Coalition promise to act upon the Commission's final recommendations, and support the APF to deliver sectoral growth.</p> <p>Surface access to airports not included in the Commission's recommendations is decided regionally by Network Rail and the Highways Agency. Transport infrastructure is a long-term development with national implications: a national strategy and plan, kicked-off by an assessment of gaps and opportunities, is still necessary to make the UK's transport policy more integrated.</p>
<p>What next?</p>	<p>Improve surface access through a single national transport strategy</p> <p>A more integrated transport policy is necessary to deliver better surface access – rail and road connectivity – to UK airports for passengers, airport workers and freight. The DfT should assess public transport infrastructure connecting UK airports and identify where there are gaps in present and future demand and should be tasked with helping to fill those gaps. This should feed into a single national transport strategy for a well-connected economy and to ensure all departments work towards a shared goal.</p>

³¹ Turnover, economic output (GVA) and employment figures are from Annual Business Survey, ONS, 2011 (provisional), Section H: Transport and Storage, adding SIC 51 (air transport) and SIC 52.23 (service activities incidental to air transportation), p.16.

³² *Aviation Policy Framework*, Department for Transport, 2013, p.27.

³³ *Economic Benefits from Air Transport in the UK*, Oxford Economics, 2011

³⁴ *Aviation Policy Framework*, Department for Transport, 2013, Paragraph 5, p.9.

Making Aviation Sustainable

<p>What's the issue?</p>	<p>Aviation's climate change impact is small, but will grow relatively to increases in air traffic. It is responsible for about 1.6% of global greenhouse emissions and some 6% of the UK's total CO₂ emissions. As emerging economies like China and India grow, the best way for the UK to influence CO₂ emissions from aviation is internationally, not restrictions on aviation at home. Aviation also has other impacts, which are being assessed.</p> <p>Airports, airlines, aircraft and engine manufacturers, and air traffic management providers, work together through the Sustainable Aviation (SA) initiative, a long-term strategy aimed at ensuring a sustainable future for the aviation sector. To implement the strategy SA has published a series of Road-Maps including:</p> <ul style="list-style-type: none"> • A Carbon Emissions Road-Map which sets out how UK aviation can accommodate significant growth to 2050 without a substantial increase in absolute CO₂ emissions, and the potential reduction of net CO₂ emissions through carbon trading. • A Noise Road-Map which sets out how noise from UK aviation will not increase with greater flights over the next 40 years. 	
<p>What did we recommend?</p>	<p>19</p>	<p>Increase efforts to secure a global carbon-trading scheme and reject unilateral UK targets.</p>
	<p>20</p>	<p>Incentivise the scale up of aviation sustainable fuels.</p>
	<p>21</p>	<p>Incentivise better aircraft technology.</p>
	<p>22</p>	<p>Ensure Local Planning Authorities take a long-term approach to land use planning near airports.</p>
<p>Where are we now?</p>	<p>The <i>Aviation Policy Framework</i> (APF) sets objectives which include ensuring “the aviation sector makes a significant and cost-effective contribution towards reducing global emissions” and working to “limit and where possible reduce the number of people in the UK significantly affected by aircraft noise.”³⁵ Reducing carbon emissions and the number of people within noise contours therefore remain the priorities.</p> <p>Regarding carbon emissions, the Airports Commission has found that airport growth is compatible with environmental concerns, with the Interim Report stating that “aviation demand is likely to increase significantly between now and 2050, even when 2050 carbon emissions are capped at a level which is consistent with the UK meeting its legislated climate commitments.”³⁶ This is important in supporting the growth of the aviation sector, but the Government and industry still need to work together to meet carbon commitments.</p> <p>In 2012 the UK Government deferred its decision about whether to include international aviation emissions within the UK's net carbon account, due to uncertainty over the international framework for reducing aviation emissions, including the EU Emissions Trading System.³⁷ The APF clarifies this approach, stating that the UK will not have a national emissions target until there is greater certainty over the EU ETS and the outcome of the ICAO negotiations towards a global deal on aviation emissions.³⁸</p> <p>SA estimates that by 2050 sustainable fuels will offer between a 15% and 24% reduction in CO₂ emissions attributable to UK aviation. However, whilst SA can identify the demand and potential for sustainable aviation fuels, aviation is not responsible for</p>	

³⁵ *Aviation Policy Framework*, p.56.

³⁶ Airports Commission: Interim Report, p.129.

³⁷ DECC, *UK Carbon budgets and the 2050 target: international aviation and shipping emissions*, 2012.

³⁸ *Aviation Policy Framework*, p.47.

	<p>creating and supplying them – and the sustainable fuels market needs to grow to be able to meet these demands by 2050.</p> <p>The APF does not provide the incentives to scale up sustainable aviation fuels. The outcome of the ongoing EU Commission on Indirect Land Use Change (ILUC)³⁹ could determine what is defined as a sustainable fuels feed stock.⁴⁰ However, this should not be a cause for inaction: the industry continues to develop, and the Government should support its approach to sustainable fuels and better technology. Government investment for a new Aerospace Technology Institute, to develop new technology for the next generation of aircraft that will be used globally, is welcome in this respect.</p> <p>Regarding noise, there is a lack of consistency in Government policy, namely between the DfT’s APF and the Department for Communities and Local Government’s (DCLG) planning guidance. The APF provides some noise metrics and measures relating to development but does not fully identify the role of local authorities in their land use planning. The AOA met DCLG and other departments to discuss the role of metrics in planning guidance, with the aim of providing clarity about what types of development should happen on land within noise contours. As a result, online planning guidance was amended by the DCLG so that the noise guidance for local authorities refers to the APF.⁴¹ Further work will include developing the noise metrics in the APF to reflect the noise exposure hierarchy in planning guidance, working with the DfT. However, until these policies are aligned, housing, schools and other noise sensitive buildings will continue to be built close to airports and within levels of aircraft noise that the APF deems to be annoying for people.</p> <p>In an effort to manage the implications of noise, in its Interim Report the Airports Commission recommends the creation of an Independent Aviation Noise Authority.⁴² Many details about the proposal remain unclear; regulation would be unwelcome as a one-size-fits-all approach to a complex local issue would be inappropriate.</p>
What next?	<p>Incentivise sustainable aviation fuels</p> <p>A more proactive Government policy and targeted financial support is needed for the scaling-up and rollout of sustainable aviation fuel production capacity. Grants, loans and loan guarantees will be instruments; the UK Green Investment Bank is well placed to play a role, and could unlock private sector sources of capital.</p> <p>Speed up planning by setting clear land-use policies in noise contours</p> <p>Local Plans should determine the types of buildings that can be developed under flight paths, within the noise contours around airports. The APF includes metrics for levels of noise and the airport’s role – local authorities should use the same metrics, and national planning guidance should encourage them to do so.</p>

³⁹ On 17 October 2012, the Commission published a proposal to limit global land conversion for biofuel production, and raise the climate benefits of biofuels used in the EU. For further details of the work, see http://ec.europa.eu/energy/renewables/biofuels/land_use_change_en.htm

⁴⁰ *Aviation Policy Framework*, p.51. See also *UK Bioenergy Strategy*, Department of Energy and Climate Change, 2012, <https://www.gov.uk/government/publications/uk-bioenergy-strategy>

⁴¹ See the updated guidance here: <http://planningguidance.planningportal.gov.uk/blog/guidance/noise/noise-guidance/>

⁴² Airports Commission: Interim Report, p.15.

Improving Passenger Experience	
What's the issue?	<p>Improving the passenger experience is a constant focus for airport operators. Assuring an excellent passenger experience needs both investment in facilities and a focus on customer service, and is essential in a commercially competitive sector like aviation.</p> <p>While airports work to drive improvements, the Government and its agencies also have a key role. Though less obvious, some areas of policy have major effects on passengers' experiences of airports. For outbound passengers, the detailed rules the Department for Transport sets on security bear directly on the quality of passengers' journeys. At arrivals, it is the Home Office's Border Force that creates first impressions. Without a strong customer focus in these areas too, the effectiveness of airports' own efforts are undermined. There is more the Government can do.</p>
What did we recommend?	<p>23</p> <p>Task the UK Border Force (UKBF) to produce a clear vision and long-term strategy for its activities at airports and provide the resources to deliver it. This should include a more ambitious approach to maximum waiting times to clear immigration.</p>
	<p>24</p> <p>Develop a clear plan to move towards outcomes focused airport security and provide the resources to implement it.</p>
	<p>25*</p> <p>Review thoroughly UK-only security measures with the aim of harmonising them as far as possible with other EU countries.</p>
Where are we now?	<p>UKBF has announced intentions to become the best in the world and recognise need for national prosperity as well as national security. This is welcome, providing UKBF has the resources to deliver its service agreements without further costs passed to airports.</p> <p>The DfT's <i>Better Regulation for Aviation Security</i> report of 2012⁴³ sets out its vision as to how outcome focused risk-based approach (OFRB) should be managed. It suggests OFRB is adopted through the progressive introduction of a Security Management System (SeMS),⁴⁴ developed by each organisation building on international risk management best practice. The essence of an OFRB regime is for the Government to move away from a prescriptive approach to security regulation, towards one that sets security "outcomes" to be achieved by the aviation industry. This in turn would give industry greater flexibility and responsibility in determining which security measures are used to mitigate the threat. The Government has done little to show how security regulation will progress to OFRB, as the APF fails to set policy direction on security.</p> <p>The CAA has taken over some security responsibilities previously held within the DfT. The AOA has a Roundtable with the CAA, which includes a joint work programme on Security Regulation. Amongst other things this work will: identify priorities among More Stringent Measures⁴⁵ for review or repeal, and support airports in developing SeMS, and helping to lay the foundations for a future move towards OFRB regulation.</p>
What next?	<p>Align UK security requirements with the nature of threats</p> <p>The Government should move away from a prescriptive approach to security regulation, towards OFRB. This approach would give airports the flexibility to manage security in a way that delivers a better response to threats and a better experience for passengers. The DfT should clarify their position on OFRB and demonstrate how current changes in security will work towards it.</p>

⁴³ DfT, *Better regulation for aviation security: Summary of responses to the consultation and Next Steps*, 2012

⁴⁴ A SeMS is an organised, systematic approach to managing security. It provides the necessary organisational structure, accountabilities, policies and procedures; it requires security management to be embedded into the day-to-day activities of the organisation.

⁴⁵ The UK Government's More Stringent Measures are security measures put in place to mitigate the risk from the higher threat level that exists in the UK.

5. Conclusion

Policy developments since 2010 have shown that the Government has become increasingly supportive of the growth of aviation generally and, more specifically, of the UK's gateways to its regions and to the world – airports. The AOA's analysis shows that some real progress has been made – with 11 of our 25 recommendations now rated green, an improvement on eight in our previous review. However, more positive policy commitments are needed, not just from the Government but from all political parties developing their manifestos.

We hope that this review proves useful to policy makers, policy influencers and interested stakeholders; and that our six recommendations will be taken forward to help us deliver 'Sustainable Airports for a Stronger Economy'.

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WHAT NEXT FOR AVIATION POLICY?

AIRPORT OPERATORS ASSOCIATION
POLICY RECOMMENDATIONS FOR 2014/5

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