

Airports Commission Final Report, 1 July 2015

Report Summary

Foreword

Dear AOA colleague

As you know, today saw the Airports Commission publish its Final Report. The AOA's line on this is clear. We believe that in order for the UK to compete in both established and emerging markets, we need excellent aviation connectivity right across the country, ensuring the UK has both vibrant point to point airports and world class hub capacity. We support all airports that wish to grow; and we believe in making best use of existing capacity at UK airports.

We welcome the completion of the Airports Commission's work and support the assertion made in its Interim Report regarding the need for both airport expansion and making better use out of existing capacity; and now the Commission has published its Final Report, we urge the Government to respond swiftly to maintain momentum, remove uncertainty and ensure the UK gets the additional capacity it so vitally needs as soon as possible.

Today's report recommends expanding Heathrow's capacity through its North West runway scheme subject to conditions, refers to Gatwick and Heathrow Hub as credible options, reiterates the Commission's Interim Report measures to make better use of existing capacity at airports around the UK, and states that there would likely be sufficient demand to justify a second additional runway by 2050 or, in some scenarios, earlier, citing Gatwick, Stansted, Birmingham and Manchester airports as potential options.

The briefing paper here produced by AOA Policy Manager Peter O'Broin is to aid members who haven't got the time to read through all 342 pages of the Commission's report. It is a factual condensing of the various chapters. Accompanying the briefing is a paper including the statements made in the House of Commons in response to the Report by Conservative Transport Secretary Patrick McLoughlin and Labour Shadow Transport Secretary Michael Dugher, and the subsequent parliamentary debate. We have produced this briefing as an informational service to colleagues, and hope it is of use, though do let us know if you require any clarifications or further information, we'd be happy to help.

With best wishes
Darren

Darren Caplan
Chief Executive

The Airports Commission Final Report - briefing

The Airport Commission published its Final Report on 1 July 2015 and concluded that the proposal for a new North West Runway at Heathrow Airport, in combination with a significant package of measures to address its environmental and community impacts, presents the strongest case.

The Airports Commission short-listed three options for new capacity. Each of the three schemes shortlisted was considered a credible option for expansion, capable of delivering valuable enhancements to the UK's aviation capacity and connectivity. Each would also have environmental impacts, which would need to be carefully managed.

Below is a concise summary of the findings from the Airport Commission's Final Report, published today. The headings are largely based on the chapter headings from the main report, but do not directly correspond.

a. Global Aviation Context

- The UK airport sector has responded well to accommodate long-term growth in demand for air travel driven by evolving economic, regulatory and aviation industry developments but it is very clear that the demand for landing slots in London and the South East of England will continue to grow.

b. Aviation and climate change

- Any change to the UK's aviation capacity has to be considered in the context of global climate change and the UK's policy obligations in this area.
- The UK Climate Change Act 2008 sets a legally binding target to reduce overall UK emissions by 80% below 1990 levels by 2050. The Committee on Climate Change has specified a planning assumption for the aviation sector and the Commission has integrated the CCC's planning assumption into its approach to forecasting aviation demand. It has developed two sets of forecasts, one which assumes that carbon-trading will enable emissions reductions where they are most desirable or efficient across the global economy, and one with a firm aviation emissions cap of 37.5MtCO₂ in place in 2050.

c. Appraisal and consultation process

- To inform its assessment of the shortlisted schemes, the Commission designed and consulted on an *Appraisal Framework*, based on sixteen appraisal modules, covering a broad range of environmental, social and economic impacts, as well as assessments of operational and commercial viability and of deliverability.
- The Commission created five scenarios for how the aviation sector and broader global economy might develop and incorporated these into its carbon-capped and carbon-traded forecasts of future aviation demand.

d. Capacity and connectivity

- The capital as a whole has not been able to develop the links to new long-haul destinations, including in emerging markets, that might be expected given the scale of the London market and the changing orientations of UK trade and investment flows.
- Heathrow Airport provides more than 70% of the UK's long-haul flights, and carries more freight by value than all the UK's other airports combined. Capacity constraints have reduced its ability to accommodate new routes, has led to high prices for slots at the airport and significant barriers to entry, and has seen the number of links to domestic destinations decline.
- Some long-haul services are available from other London airports, mainly at Gatwick, which have tended to focus on leisure destinations or routes already served from Heathrow.
- New runway capacity at Heathrow would enable passengers and freight users to benefit from additional routes and increasing frequencies delivered by the network carriers and the major airline alliances currently based there. By creating a large number of new slots for the first time in several decades, it would create opportunities for other airlines, including low-cost carriers, to enter the market at Heathrow for the first time, enhancing competition and driving down fares.
- The Commission's forecasts show that increasing capacity at Heathrow would drive significant connectivity benefits, delivering a much stronger long-haul network than would be seen at an expanded Gatwick and would enhance access to this network from the rest of the UK by providing new slots for flights from domestic destinations such as Scotland and Northern Ireland. At the national level, the total number of long-haul seats in 2040 would be 7-16 million higher compared to the baseline, depending on the treatment of aviation's carbon emissions.
- Expanding Gatwick would also increase the UK's aviation capacity and would deliver valuable improvements in connectivity, particularly in the short-haul European market. Over the longer-term, increasing numbers of long-haul services would also be established from Gatwick, but they would be focused mainly on the thickest routes and the number of destinations served would remain smaller than at Heathrow.
- For Gatwick expansion to deliver connectivity benefits closer in scale to those from Heathrow, substantial changes would need to be seen, such as an airline alliance moving to the airport, low-cost carriers making significant incursions into the long-haul sector or the structured use of low-cost networks as 'feeder' services for long-haul carriers.

e. Local and national transport connections

- Heathrow's rail links to other regions are not as strong at present, but will be strengthened by a combination of the planned Western Rail Link to Reading and the connection to HS2 at Old Oak Common. Gatwick has convenient rail connections into Victoria and to London Bridge and St Pancras International but its broader rail connections are not as strong.
- In respect of the strategic road network, Heathrow's position close to the M25, M4 and M40 makes it well-located for access from much of the country, which contrasts with Gatwick's less convenient location to the south of London and its reliance on the M23.

- The competition benefits from expanding at Heathrow would be stronger than at Gatwick, reflecting the higher level of unmet demand at Heathrow and the greater scope to deliver cost reductions through low-cost competition.
- Heathrow is by some distance the most important freight airport in the country, its freight operations are around 17 times larger in terms of tonnage and more than 170 times larger in terms of value when compared to Gatwick. Again, Gatwick's position to the south of London limits its effectiveness in this regard.
- Heathrow Airport is situated in an area of West London in which unemployment is relatively high. Expansion at Heathrow would drive an increase in employment. The number of jobs resulting from a second runway at Gatwick would be smaller and the rate of growth slower.
- In addition, for nations and regions where domestic air connections to London remain crucial, such as Scotland and Northern Ireland, expansion will create space at the airport for increased frequencies and new links. Public Service Obligations could be used to support a wide network of domestic routes at Heathrow.

f. Protecting the local environment and communities

- Over the coming decades the noise impacts of Heathrow are forecast to reduce significantly, as new and quieter aircraft come into service and as flight paths are redesigned and improved. With expansion, the overall number of flights would grow, but a new approach and departure paths could enable the noise impacts to be dispersed more widely, limiting the impacts on any individual community.
- To ensure those results are delivered on the ground, a 'noise envelope' for the airport should be established which reflects local priorities and incentivises effective measures to mitigate noise impacts. The expanded airport should also provide a level of funding for compensation and noise insulation significantly higher than has been the case historically.
- Although an expanded Gatwick would see more people affected by noise than today, its overall noise impacts would still be much less significant than those around Heathrow.
- Air quality in the UK has improved significantly over recent decades and these improvements are forecast to continue. Even with additional runway capacity in place, none of the air quality receptors around Heathrow which would have implications for human health, such as at schools or residential buildings, are forecast to exceed air quality limits in 2030.
- Any new capacity should only be released when it is clear that air quality around the airport will not delay compliance with EU limits. Effective mitigation and compensation will be required to address the impacts of expansion on local villages and communities.
- The number of homes lost for Heathrow would be higher than required for a second runway at Gatwick and both would have impacts on community facilities and heritage assets, as well as presenting other environmental challenges.

- The Commission’s conclusion is that the environmental impacts of expansion at Heathrow, once effective mitigations and generous provision for compensation are in place, do not outweigh its very significant national and local benefits.

g. Commercial viability and resilience

- The Commission’s commercial analysis and discussions with investors have suggested that all three short-listed schemes are considered to be commercially viable
- Commercial challenges for the two Heathrow schemes relate principally to the scale of investment required, whereas for the Gatwick scheme they relate more to demand risk.
- All three schemes would be operationally viable and likely to deliver enhanced resilience at the expanded airport, but the Heathrow proposals would provide greater flexibility.
- Resilience is also an issue in relation to surface access links. Gatwick is not as susceptible to future road congestion issues, but because it is heavily reliant on a single road and rail route, more significant incidents can have severe consequences.

h. Respecting the needs of local communities at an expanded Heathrow

Expansion at Heathrow Airport would provide a unique opportunity to change the way the airport operates and it should be taken forward as part of a broader package that addresses environmental, social and economic impacts. *The package of measures that the Commission recommends is as follows:*

- A clear ‘**noise envelope**’ should be agreed and Heathrow Airport must be legally bound to stay within these limits.
- Following construction of a third runway at Heathrow there should be a **ban on all scheduled night flights between 11:30pm and 06:00am.**
- A third runway would allow periods of **predictable respite to be more reliably maintained**
- Heathrow Airport Ltd (HAL) has offered to compensate those who would lose their homes at **full unblighted market value plus an additional 25% and reasonable costs.** It should make this offer available as soon as possible.
- HAL should be held to its commitment to spend **more than £1 billion on community compensation**, Support for **schools** should be a priority.
- The Government should introduce a **noise charge or levy at major UK airports** to ensure that airport users pay more to compensate local communities.
- HAL should work with local authorities and schools to provide **apprenticeships and training**
- HAL should build on existing plans to commit more than £100 million to local areas through Community Infrastructure Levy payments and Section 106 agreements to **support sustainable development of communities over several years.**
- HAL must be held to performance targets to **increase the percentage of employees and passengers accessing the airport by public transport**, reducing pressure on local roads and air quality. The introduction of a **congestion or access charge scheme** should be considered.
- A new **Community Engagement Board** with real influence over spending on compensation and community support and over the airport’s operations should be set up under an independent chair.
- An **independent aviation noise authority** should be established with a statutory right to be consulted on flight paths and other operating procedures. The authority should be given statutory consultee status and a formal role in monitoring and quality assuring all processes

and functions which have an impact on aircraft noise, and in advising central and local Government and the CAA on such issues.

- HAL should be **legally bound** to deliver on the promises that it makes to local Communities. There should be clear **independent monitoring of performance against commitments** and appropriate means of redress.
- **Additional operations at an expanded Heathrow must be contingent on acceptable performance on air quality.**
- Government should make a firm commitment in Parliament to **rule out any fourth runway at Heathrow**, for which there is no operational or environmental case.

It is crucial to ensure that expansion at Heathrow delivers benefits for all of the nations and regions of the UK. More can be done to facilitate connections from the airport to an increased number of domestic destinations. To secure this, the Commission recommends that:

- The Government should alter its guidance to allow **the introduction of Public Service Obligations on an airport-to-airport basis.**
- HAL should implement additional measures to enhance domestic connectivity, including **reduced charges and start-up funding for regional services.**

i. The Future - A second additional runway

- Even with a third runway at Heathrow, there would be likely to be sufficient demand to justify a second additional runway by 2050 or, in some scenarios, earlier.
- That does not necessarily mean, however, that a second new runway would be justified on economic or environmental grounds. It will be crucial for Government and the aviation industry to drive technological improvement and deliver progress in agreeing an international framework to tackle emissions, if further expansion is not to materially affect the UK's ability to meet current and future climate obligations.
- The process for a future assessment of the case and options for increasing airport capacity should begin early, but no decisions should be taken until the impacts of the new runway at Heathrow and the wider policy and industry context can be evaluated.
- If new capacity was found to be necessary and feasible, a wide range of options should be considered.
- The Commission urges the Government to take an early decision to ensure that new capacity is put in place as soon as possible and the UK's position as Europe's most important aviation hub is secured.

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