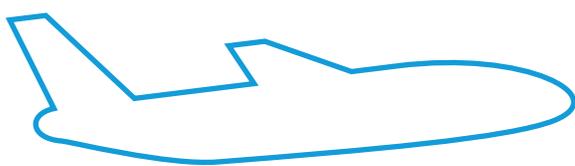


AIRPORT
OPERATORS
ASSOCIATION
**A MANIFESTO
FOR UK
AIRPORTS**





The UK has the largest aviation market in the EU and the third largest aviation market in the world, after the USA and China



A manifesto for UK airports

A viation is one of the UK's success stories: the UK has the largest aviation market in the EU and the third largest aviation market in the world, after the USA and China. Last year alone, more than 268 million passengers travelled through UK airports – a record number.

As a sector, aviation makes its own distinct contribution to employment and growth across the UK. £1 billion a week is generated towards UK GDP by aviation and this is made possible by the nearly one million people working in and around the industry. This generates almost £10 billion in tax revenues.

The aviation sector is also a crucial enabler for the rest of the UK economy, providing the domestic and international connectivity that links UK businesses to their customers, and helps governments deliver on their priorities. Take the tourism sector, for example. With nearly three-quarters of all visitors to the UK travelling by air, aviation helps in-bound tourism to flourish. This creates a further £20bn a year towards GDP and supports half a million jobs across the country.

Or take exports: nearly 40% of the UK's exports by value use aviation to reach their destinations. Those are high-value goods like jewellery and machine parts, as well as products that need to arrive to the customer quickly, like Scottish salmon or medicines.

But we believe we can do better still: not all areas in the UK are well-connected to airports and, as a result, opportunities for growth are lost; a significant amount of current and future demand

for aviation cannot be met by existing airport infrastructure, limiting our country's growth potential; and there is great scope to generate jobs and growth through investing in sustainable aviation technologies, like renewable fuels, where the UK could be a world leader.

Government has a crucial role to play to help UK aviation deliver this. Most crucially, Government must provide a clear and fair strategy for sustainable growth across the country. This should enable the best use to be made of existing capacity and set out how the industry can create further capacity in the future, not least to take up the opportunities offered by the UK's exit from the EU. This manifesto sets out more detail on how a new Government should support the aviation industry to deliver a positive future for an outward-looking UK.

The new Government must also play a role in reducing future risks. This includes making sure UK businesses and residents continue to enjoy the benefits of a thriving aviation sector that is closely linked to a wider European industry by providing certainty as early as possible on future UK-EU aviation relations.

This manifesto sets out an ambitious agenda for the next Government and we look forward to working with Ministers and officials to deliver on this, enabling aviation to play its full part in helping to secure the UK's future prosperity.

KAREN DEE
Chief Executive

The next Government should:

1. CREATE AN AVIATION STRATEGY THAT SUPPORTS SUSTAINABLE AIRPORT GROWTH ACROSS THE COUNTRY

In addition to the Airports National Policy Statement setting out the need for expansion in the South East – with the Government’s preferred option a third runway at Heathrow Airport – it is important that a new Government also sets out in an Aviation Strategy a fair framework for growth for all airports, helping to deliver, sustainably, the connectivity the country needs for a flourishing economy across the UK.



2. PRIORITISE A NEW LEGAL FRAMEWORK FOR THE UK’S AVIATION CONNECTIVITY AFTER BREXIT

Excellent connectivity will be a precondition of making a success of Brexit. Aviation currently relies on the legal framework provided by EU-level air services agreements for flights to over forty countries. Many airlines plan their routes 12-18 months in advance, meaning early certainty on the new agreements that will replace existing EU ones is crucial. A new Government should prioritise these as well as transitional agreements to provide certainty in the interim, allowing businesses and passengers to make decisions with confidence.





3. SET OUT A VISION AND POLICY FRAMEWORK TO MODERNISE AIRSPACE

The UK's airspace is our invisible infrastructure in the sky, vital to the success of aviation and the wider economy. It has a finite capacity and has changed little since its creation in the 1960s. Unless modernised, it will not handle expected levels of traffic without increased delays and cancellations. This will also help to reduce the environmental impact of aviation.



4. REVIEW AND CUT AIR PASSENGER DUTY TO BOOST THE UK'S INTERNATIONAL COMPETITIVENESS

We will need a competitive aviation sector to ensure British business can take advantage of the opportunities of Brexit. Our uncompetitive levels of Air Passenger Duty (APD) make the economics of establishing new routes economically difficult for airlines. A new Government should bring APD in line with our nearest competitors by reducing it by 50%, ensuring that the UK is 'Brexit ready'.



5. ENSURE THAT THE UK'S BORDER REGIME IS SECURE BUT WELCOMING

It is right that the UK has a secure but welcome border that makes legitimate travel easy and hassle-free. It is in the national interest to have a well-resourced Border Force that can cope with increased passenger flows and which administers a border regime that demonstrates to visitors that the UK is welcoming and open for business.



The Government needs to set out a clear vision for a successful aviation sector that supports jobs and growth across a globally connected UK

Priority 1:

A new Aviation Strategy for the UK

The Government needs to set out a clear vision for a successful aviation sector that supports jobs and growth across a globally connected UK in a new Aviation Strategy, reflecting the significantly changed domestic and global environment. These changes range from the Government's announcement that a third runway at Heathrow is its preferred scheme for addressing the UK's capacity needs in south-east England to the EU referendum vote and the International Civil Aviation Organisation agreement for a global market-based measure to reduce aviation emissions.

The Department for Transport has taken the first steps towards developing such an Aviation Strategy. The AOA welcomes this work and calls on the next Government not to delay this vital work. Specifically, we would welcome the inclusion in a future Aviation Strategy of:

A FAIR STRATEGY FOR GROWTH FOR ALL UK AIRPORTS:

The most recent forecasts see passenger numbers double by 2050 compared to 2015 and see airports across the country reaching capacity in the coming 10-15 years. That is why the Government needs to set out how it will respond to the sector's need for additional capacity to accommodate that growing public demand for aviation. It should set out an approach that gives airports the certainty they need to invest in their businesses and removes barriers to sustainable development.

A BOLD AGENDA TO SUPPORT THE BETTER USE OF EXISTING CAPACITY:

Addressing the country's need for better surface access – rail and road connectivity – to UK airports for passengers, airport workers and freight is an important way to make best use of existing capacity. It will help consumers reach their destinations more easily and ensure airports are a vital part of a wider integrated transport system. The AOA estimates that a

5% improvement in average journey times to and from airports could generate an additional £1.9 billion for the UK economy and support an additional 32,000 jobs, not least by encouraging airlines to open new routes and invest further in existing ones.

A PLAN TO ENABLE AVIATION TO BECOME MORE SUSTAINABLE:

While industry is moving ahead to reduce the environmental impact of aviation in areas that are within its control, there are areas where Government support is needed. Such support would ensure that the UK remains at the forefront of sustainable aviation innovation, creating jobs and economic opportunities domestically and abroad. Three areas stand out as requiring inclusion in the Aviation Strategy:

- UK aviation urgently needs a support mechanism enabling the commercialisation and scaling-up of sustainable aviation fuels;
- Government support for airspace modernisation, which will bring clear environmental benefits;
- Support for the decarbonisation of airside vehicles to mirror support currently given to road vehicles.

A STRATEGY TO SUPPORT SMALLER AIRPORTS:

The Regional Air Connectivity Fund enabled airlines to start up some important new routes, connecting smaller airports domestically and internationally. The new Government should seek to build on the success of the Fund with a further round of investment in start-up aid, while also creating clear provisions on how the start-up funding can be transferred to another airline should the original airline be unable to fly the proposed route. It should also examine how to reduce the disproportionately large regulatory burden that smaller airports currently bear.

A ground crew member in a high-visibility orange jacket is seen from the side, holding a red baton aloft to signal a large commercial airplane on a wet runway. The scene is set at sunset or sunrise, with a bright, hazy sky and wet pavement reflecting the light. The airplane is positioned in the center-right of the frame, facing the viewer. The overall mood is professional and focused.

To get the most out of leaving the EU, the UK will need excellent connectivity to new and existing markets

Priority 2:

The UK's exit from the European Union

International connectivity is a cornerstone of a global trading nation. Aviation is one of the principal ways such connectivity is facilitated – it provides the infrastructure that allows goods and services to flow freely and is a pre-condition for the success of trade agreements.

However, aviation does not itself form part of the World Trade Organisation system. Instead, countries negotiate bilateral or multilateral air services agreements to provide airlines with the legal rights to fly to certain places. These can be very restrictive (e.g. one flight a week to a specific airport only) or very liberal (anywhere at any time).

The UK currently has agreements with 155 countries. Of these, 44 countries have air services agreements with the UK through the UK's membership of the EU and they account for around 85% of UK aviation traffic.

THE ABILITY TO FLY ANYWHERE AT ANY TIME

In the past, air transport was a heavily regulated industry, dominated by national flag carriers. The UK was a leader in the drive to liberalise this market, with success: the creation of the EU Single Aviation Market in the 1990s removed all commercial restrictions for airlines flying within the EU, such as restrictions on the routes, the number of flights or the setting of fares.

As a result, all EU airlines may operate air services on any route within the EU, including domestically within an EU country. The UK also has access to the EU's external aviation agreements, most importantly the 2008 EU-US Open Skies Agreement that enables any EU or US airline to fly any transatlantic route, which especially benefitted connectivity from the UK.

This liberalisation spurred the creation of many new routes as well as the rise of low-cost carriers. As a result, passengers can now fly to more destinations than ever, for lower fares.

THE FUTURE OF UK AVIATION AFTER BREXIT

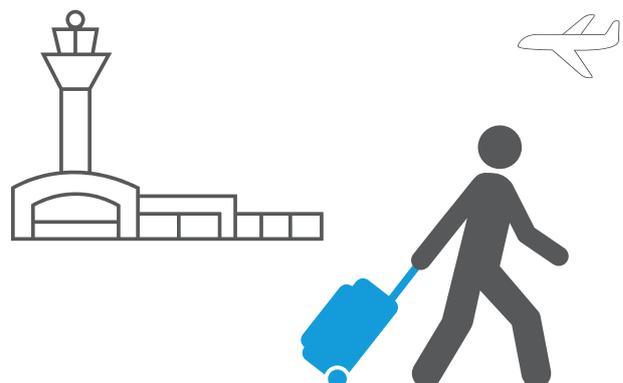
After the UK leaves the EU, new agreements will be needed to ensure that there continues to be a legal framework that allows airlines to fly to all these destinations from the UK. If there are no such agreements by the time the UK leaves the EU, the UK's connectivity will be undermined and its ability to trade will be made significantly more difficult.

A new Government should:

- Prioritise early certainty for the industry through transitional agreements and securing new air services agreements as part of the exit negotiations. We will work with Government to secure the best deal possible.
- Seek to replicate, as far as possible, the benefits that UK and EU consumers currently derive from the close integration of our respective aviation markets.

OPPORTUNITIES ON LEAVING THE EU

Leaving the EU would present an opportunity to review EU aviation regulations to identify if there are areas where changes in regulation could deliver better results for the UK and passengers. This could include state aid rules in relation to Public Service Obligation routes, leaving the UK more freedom to better connect regional airports. Another example would be the removal of the double Air Passenger Duty paid on both UK domestic outbound and return flights as well as a return of Duty Free for passengers travelling to the EU.



Unless modernised, our
airspace will not handle
the forecast levels of traffic
without increased delays



Priority 3:

Airspace modernisation

The UK's airspace is our invisible infrastructure in the sky, vital to the success of aviation and the wider UK economy. It has a finite capacity and has changed little since its creation in the 1960s. Unless modernised, it will not handle the forecast levels of traffic without delays and cancellations.

Since its inception, aircraft technology has continued to develop, yet the current route network has not adapted to match the advances in aircraft technology or the significantly increased demand. It is still designed for aircraft that have long since retired, which flew lower and were slower and noisier. It is essential to modernise our airspace to match the capability of today's aircraft.

The need for change is realised globally: the world is moving towards Performance Based Navigation. This reduces complexity, improves safety, increases capacity and enables the industry to operate to a single aligned plan. Importantly, it allows routes to be designed flexibly without being constrained by the position of ground-based navigation beacons, improving aircraft climb and descent profiles. It also provides greater certainty on the location of aircraft and greater predictability for local communities.

The UK needs to move ahead with implementing this in our own airspace to realise the environmental and economic opportunities of modernisation and to mitigate the risks of not doing so:

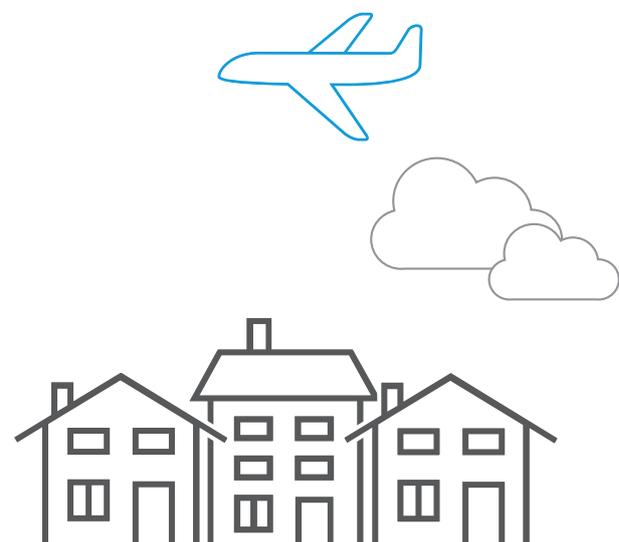
- Research by the International Air Transport Association (IATA) shows that modernisation across Europe will deliver over £29 billion to UK GDP and 116,000 jobs between 2014 and 2035 through improved connectivity, reduced journey times and lower airline costs.
- Airspace modernisation will bring clear environmental benefits, including a potential CO₂ saving of 9%-14% through reduced fuel

burn; more ways to avoid noise-sensitive communities, such as curved approaches and steeper climbs and descents; and lower emissions, which will have a positive impact on air quality.

- Without modernisation air traffic delays could increase exponentially by 2030, resulting in more than one in three flights from all UK airports departing over half an hour late.

A new Government should:

- Complete the consultation on UK airspace and deliver a stable long-term noise and airspace policy which sets out a vision for a modernised UK airspace that provides clear guidance on the balance of priorities in airspace design.
- Prioritise and support industry efforts to deliver airspace modernisation, as set out in the existing Future Airspace Strategy.
- Include airspace in the remit of the National Infrastructure Commission, recognising that it is a critical part of the UK's national infrastructure which requires long-term strategic decision making.





| APD is a 'tax on global traders'

Priority 4:

A more globally competitive Air Passenger Duty

As the UK leaves the EU, it will need a competitive aviation sector to ensure that British business can take advantage of the opportunities Brexit brings, both in existing and emerging markets. UK Air Passenger Duty (APD) is among the highest in the world. This poses a problem for UK airports, as airlines have a choice where they put new routes or expand existing ones. UK airports compete to attract airlines against airports in neighbouring countries with no or much lower taxes, putting the UK at a disadvantage

APD is the highest aviation tax levied on passengers in the EU. Just six other EU countries levy a similar tax, all at substantially lower rates:

- UK short-haul APD (£13) is 43% higher than the next highest tax (Greece - £9). Band A is more than double the rate in Germany (£5.70) and more than triple the French rate (£4.20).
- UK long-haul APD for (£75) is more than double the level of the next highest tax for long-haul journeys, which is levied by Germany (£32). It is more than five times the rate levied by France (£14.50).

This harms the UK's competitiveness and helps to explain why the UK has less connectivity to China, Brazil and South Korea than Germany or France have. While we have a mature market for aviation, with our geographic location favouring travel by air, and while passenger numbers are growing at a healthy pace, high APD holds the UK back in terms of the number of destinations to which passengers can fly. According to Oxford Economics, in proportion to the size of its economy, the UK ranks in 12th position on air connectivity - despite being the third-largest aviation market in the world. This is underlined by a 2016 international connectivity report by ACI Europe, the AOA's European trade association.

That is why the British Chambers of Commerce has described APD as a 'tax on global traders'.

APD penalises British business people travelling abroad from UK airports seeking to develop new trade links, both by increasing their cost of travel and by limiting their potential destinations. With most of air freight travelling in the belly of passenger planes, limits on direct destinations make exports more expensive and more difficult.

A new Government should:

- Reduce APD by 50% to bring it into line with our competitors, ensuring that the UK is 'Brexit ready'.

Reducing APD would allow the UK to be more competitive, boosting UK economic growth. A PwC report, *'The economic impact of Air Passenger Duty'* found that the abolition of APD could create almost 60,000 jobs. It could also provide an initial short-term boost to the level of UK GDP of around 0.45 per cent in the first 12 months, off-setting the cost of lower APD revenues.

THE SCOTTISH GOVERNMENT'S INTENTION TO CUT APD

The Scottish Government has recognised the burden of APD and is intending to cut its new Air Departure Tax by 50%, compared to APD. This will have a very detrimental impact on airports in the north of England, as airlines and passengers will seek to take advantage of the lower costs of flying from Scotland. The AOA calls on the new Government to ensure that a cut in APD anywhere in the UK is matched immediately and fully in the rest of the UK, to prevent regional economic distortions.



Priority 5:

A secure but welcoming UK border regime

Airports have invested in their terminals and staff to deal with pressures on airport infrastructure and to accommodate the record growth in passengers. These pressures have also been felt at the border, where Border Force are responsible for managing the intake.

As 73% of visitors to the UK arrive by air, providing a safe, secure and seamless journey through immigration is vital for UK competitiveness. Airports have done what they can to improve facilities at the border. There has been significant investment to adapt border halls to manage queues better, to provide the infrastructure necessary for e-passport gates and to purchase additional e-passport gates beyond what the Government is able to provide.

However, despite this investment by airports, queue lengths at passport control have grown over the past few years. Airports have seen longer queues at peak times, going beyond the target waiting times of 25 minutes for EU/EEA/Swiss citizens and 45 minutes for citizens from all other countries. This is often hidden in official statistics because these peak queues are averaged out by the quiet times. Passengers have, however, felt the impact as complaint logs at airports and media coverage of queues at the border has shown.

It is right that the UK has a secure but welcoming border. It is in the national interest to have a well-resourced Border Force that can cope with increased passenger flows and the changing nature of the security threat to the UK. At the same time, it is in the country's strategic interest to have a smooth and short transition through the border for passengers, demonstrating the UK is open for business.

That is why the new Government should:

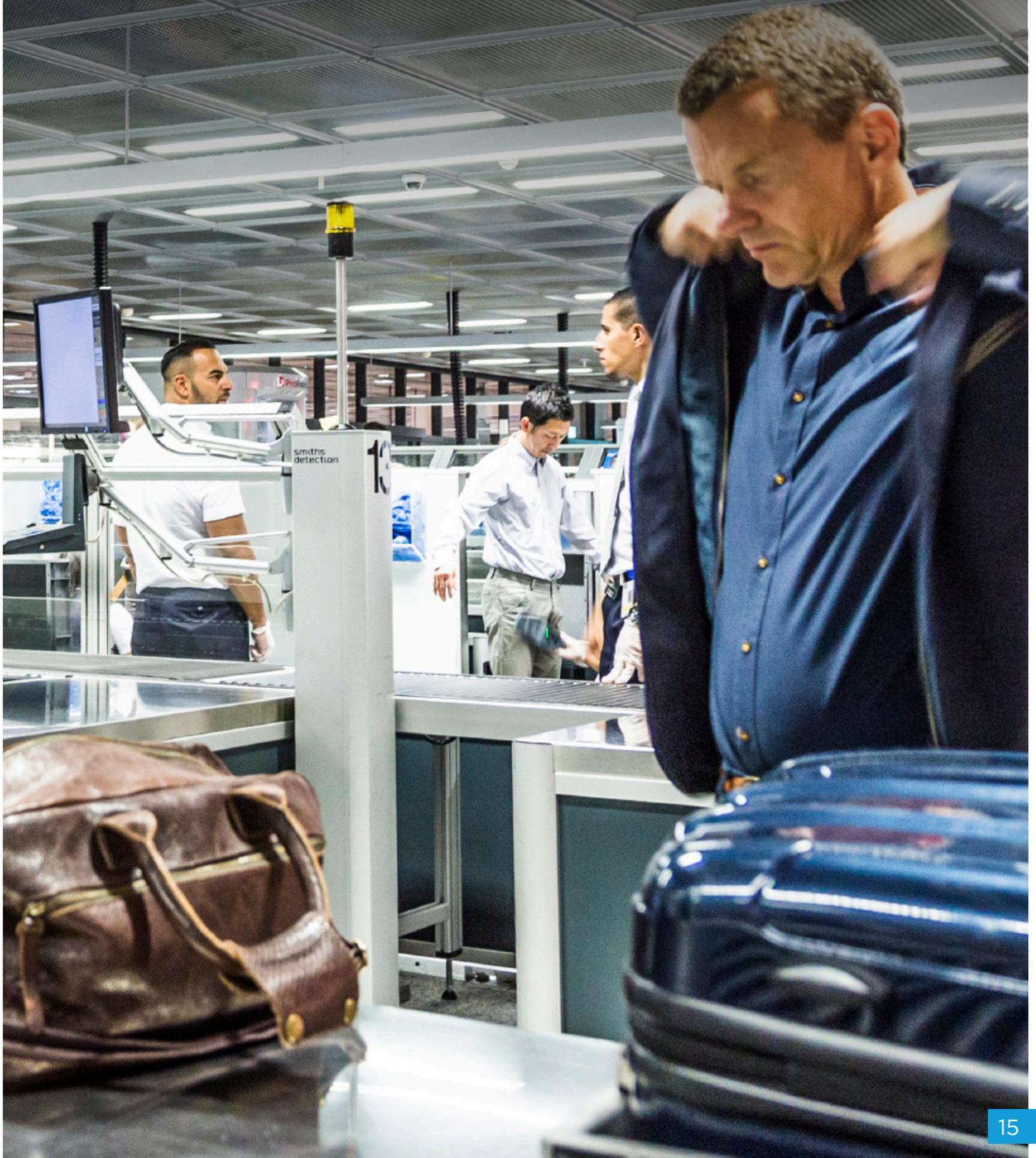
- Provide additional resources to Border Force to ensure that it is better equipped to deal with

increased passenger numbers, particularly at peak travel times.

- Work together with industry to set out a five-year assessment of need that takes account of continued passenger growth and collaborate on the necessary smart solutions at the border, taking advantage of Border Force's planned digital transformation.
- Work with industry to adapt current performance measurement to better reflect passenger experience at the border, ensuring that the border is perceived as secure but welcoming. This should focus on changing current Key Performance Indicators away from long-term averages to better reflect the reality of the border experience at peak times.
- Work with industry to adapt the border regime appropriately following Brexit, ensuring that EU passengers can continue to benefit from short queueing and facilitating the UK's new relationship with the European Union.



It is in the national interest to have a secure but welcoming border staffed by a well-resourced Border Force





ABOUT THE AOA

The Airport Operators Association (AOA) is the trade association that represents UK airports. Its mission is to see UK airports grow sustainably. The AOA represents the views of UK airports to Government, Parliament and regulators to secure policy outcomes that help deliver its mission. It represents more than 50 UK airports in the UK.

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