

AOA AVIATION STRATEGY PAPER //

# SHAPING THE UK AVIATION STRATEGY FOR SUSTAINABLE AVIATION GROWTH



**AOA**  
THE VOICE OF UK AIRPORTS

[www.aa.org.uk](http://www.aa.org.uk)

# Introduction

**The AOA welcomes the Government's launch of a public discussion to create a new Aviation Strategy. The Strategy's principle aim of putting both passengers and businesses at the centre of the strategy is a crucial step for the industry and the UK as a whole. Aviation is crucial to the UK economy and a thriving aviation sector which boosts economic growth, connectivity and skills will be key to our future prosperity as we leave the European Union.**

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UK airports are a success story. For the most part, our airports are privately financed and operate in the private sector, in a highly competitive environment, competing for business and traffic in a liberalised market. Challenges remain however, and airports are seeking the longer-term policy certainty we need to continue supporting the UK economy, delivering the services passengers and businesses demand.

In this paper, we set out our vision for a strategy to deliver the connectivity the country needs for a flourishing economy, creating jobs and growth across the UK. Sitting alongside the Airports National Policy Statement, which sets out the need for expansion in the South East, UK airports are looking to Government to set out a clear long-term plan to truly unlock the potential of UK aviation, demonstrating the Government's commitment to maintaining the UK's position as an outward facing nation, providing the connectivity we need and placing the country's economy on a secure footing in the longer term.

The UK has the third largest aviation market in the world and while the aviation sector has been performing well, there are still many challenges which need to be addressed. For example, not all areas of the UK are well-connected to airports, meaning passengers have less choice as to where they travel from and airports miss out on opportunities for growth. A significant amount of current and future demand for aviation cannot be met by existing airport infrastructure, again meaning the UK loses out on opportunities for growth. There is also great scope to generate jobs and growth through investing in sustainable aviation technologies, such as renewable fuels.

That is where Government can step in, to ensure there is a positive framework for sustainable growth across the UK. It should enable aviation to unlock further economic and productivity growth across the UK, allowing aviation to help the Government deliver on its other priorities, such as the Industrial Strategy. To achieve this, the AOA believes the Aviation Strategy should include the following:

- The Aviation Strategy must set out the Government's vision for UK aviation to 2050 and beyond, giving airports the certainty to make long-term investment decisions and enable them to work with partners, such as local authorities and communities, to develop the specific plans that will deliver locally on the Government's over-arching strategic vision.
- The Aviation Strategy must include a road-map to creating better surface access to airports as the UK's global gateways, including how Government expects organisations like Network Rail, Highways England and devolved bodies where relevant to work with aviation stakeholders to improve access to airports across the UK, reduce journey times,

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ease congestion and provide sustainable transport options.

- It must enable sustainable growth to meet increasing demand for air travel. We welcome the Government's intention to support the better use of existing capacity and enable the lifting of local planning caps in dialogue with local communities. The Aviation Strategy should go one step further and set out how the Government will enable airports to plan for additional runway capacity as and when necessary, learning the lessons of the South-East capacity debate and ensuring that capacity decisions are taken in a timely manner and long before airports see demand outstrip their capacity to meet it.
- The Government should ensure the Aviation Strategy is aligned with the Government's wider programme of work, including regional growth initiatives and other important priorities. Aviation is an important vehicle to help deliver such strategies and Government should ensure that the Aviation Strategy enables that to happen, but also that the other priorities recognise the value of aviation in their planning and delivery.
- The Aviation Strategy should be an opportunity to work cross-government to put the passenger first. This includes addressing barriers to better connectivity, like the fact the UK charges the highest Air Passenger Duty in the world, and supporting Border Force to provide not only a secure UK border but also excellent customer services to travellers. The Aviation Strategy should set out a path to deliver on those important priorities.
- To ensure the Aviation Strategy meets all its key aims, the Government should give due consideration to the overall aviation eco-system, ensuring the Aviation Strategy reflects the reality that all elements of the aviation system need to succeed in order to deliver a thriving UK aviation sector. For example, greater growth and connectivity cannot be delivered at the top end of the market without the viability of smaller airports to train pilots, facilitate general and business aviation, and essential services such as air ambulance and the supply of the offshore energy industry.



**The airports sector and the aviation industry more widely stands ready to work closely with the Government to make sure the Aviation Strategy is not only a statement of intent but something that gives Government and aviation partners the tools to make the strategic vision a reality.**

# The economic case for aviation

Aviation 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 every week and this is made possible by the more than one million people working in and around the industry. We pay our way as well, with almost £10bn generated by aviation in tax revenues.

Aviation is not just important in its own right. As an industry, we are a crucial enabler for the UK economy. Domestic and international connectivity opens up markets for UK businesses. Aviation allows people the freedom and ability to travel for holidays, to study or to see friends and relatives. With nearly three-quarters of all visitors to the UK travelling by air, aviation makes tourism possible. In this way, aviation enables the creation of a further £500 million a week towards GDP and supports half a million jobs in the tourism sector.

## Airports make a valuable contribution to the UK economy

**DIRECT EFFECTS** – the impacts associated with the operation and management of activities at the airports including companies on-site at the airport and airport related businesses located near the airport e.g. airlines, ground handlers and airport security.

**JOBS:** 200,000  
**GROSS DOMESTIC PRODUCT** £13.9 billion

+

**INDIRECT EFFECTS** – impacts generated by down-stream industries that supply the airport e.g. oil refining activities for jet fuel and food manufacturing for airport catering.

**JOBS:** 100,000  
**GROSS DOMESTIC PRODUCT** £7.0 billion

+

**INDUCED EFFECTS** – activity generated by employees of firms directly or indirectly connected to the airport spending their income in the national economy e.g. groceries and leisure activities.

**JOBS:** 200,000  
**GROSS DOMESTIC PRODUCT** £10.4 billion

+

**CATALYTIC EFFECTS** – the airport facilitates the business of other sectors of the economy by increasing connectivity, for example through trade, investment, tourism and productivity improvements. These have the largest economic impact.

**JOBS:** 700,000  
**GROSS DOMESTIC PRODUCT** £38.3 billion

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**JOBS:** 1.2 million  
**GROSS DOMESTIC PRODUCT** £69.6 billion



## Economic impact of airports and associated aviation activities in the UK 2013

Sources: Capital Economics, InterVISTAS, Economic impact of European Airports (InterVISTAS, Bath), 2015



## A Fair Framework for Growth

**In the Government's draft Airports National Policy Statement, the conditions are laid out for the development of an additional runway at Heathrow Airport. It is vital that the Government now sets out a policy framework in the Aviation Strategy that allows all airports to grow, helping the country deliver, sustainably, the connectivity it requires in the future. The AOA recommends that there should be a presumption in favour of development at an airport provided sustainability principles are met.**

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Airport operators have invested time and money in building improved community relations in recent years and have been proactive in responding to local concerns, but while Aviation is an important enabler of economic activity, airport development is sometimes met with local opposition. Airport expansion is unique in terms of transport projects in that it is funded by the private sector. It requires companies to make significant investments of capital funding, but a responsible company can only do this where there is a realistic chance of the project moving ahead successfully. Therefore, the Government needs to set a clear framework and offer its support to work in the local and national interest, positively supporting the implementation of development proposals.

To become a truly global Britain and secure the UK's long-term competitiveness, to deliver on Government objectives such as its Industrial Strategy, and meet the national demand for air travel over the coming decade, the Government must develop a genuinely national policy. Current passenger growth trends suggest that airports will be filling up in the coming 15-20 years. When the time-lag involved in delivering infrastructure is also taken into account, it is clear consumer demand in the future will not be met unless Government takes action today. The Government must therefore set out how it is going to respond to the sector's demand for additional capacity to accommodate that growth.

## DEMAND FORECASTS

A framework should set out the approach that gives airports the certainty they need to invest in their businesses and the AOA is also calling on Government to commit to regular demand forecasts at appropriate, pre-determined intervals. The Airports Commission Final Report made clear that further work would be needed in future to assess the need for further new capacity covering the period up to 2050, recognising that continuing growth in demand will see existing constraints exacerbated.<sup>1</sup> The Government should now use the upcoming Aviation Strategy to establish a clear framework which takes account of this need. Such a policy should provide long term clarity on how the Government intends to address future capacity requirements and boost investor confidence in the Government's approach to planning and delivery of new infrastructure, including the need to safeguard both the land and airspace that would be required by any airport to enable future expansion.

The National Infrastructure Commission should also play a role in this next phase of assessment, setting a long-term strategy that extends beyond the five-year parliamentary cycle. This would provide more certainty for those making long term infrastructure decisions in both the public and private sector. The upcoming Aviation Strategy should therefore set out a clear vision for the kind of aviation network needed to deliver on the Government's wider economic objectives and certainty around the conditions airports will need to meet in order to expand. The Government should further set out how it intends to support this through a raft of policy measures. For example, the strategy should set out the complementary investment in strategic road and rail networks needed to exploit fully the growth potential of UK airports, and consequential benefits to the UK's airports, over both the short and longer term.

<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/440316/airports-commissionfinal-report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/440316/airports-commissionfinal-report.pdf)  
- 7.3, p135

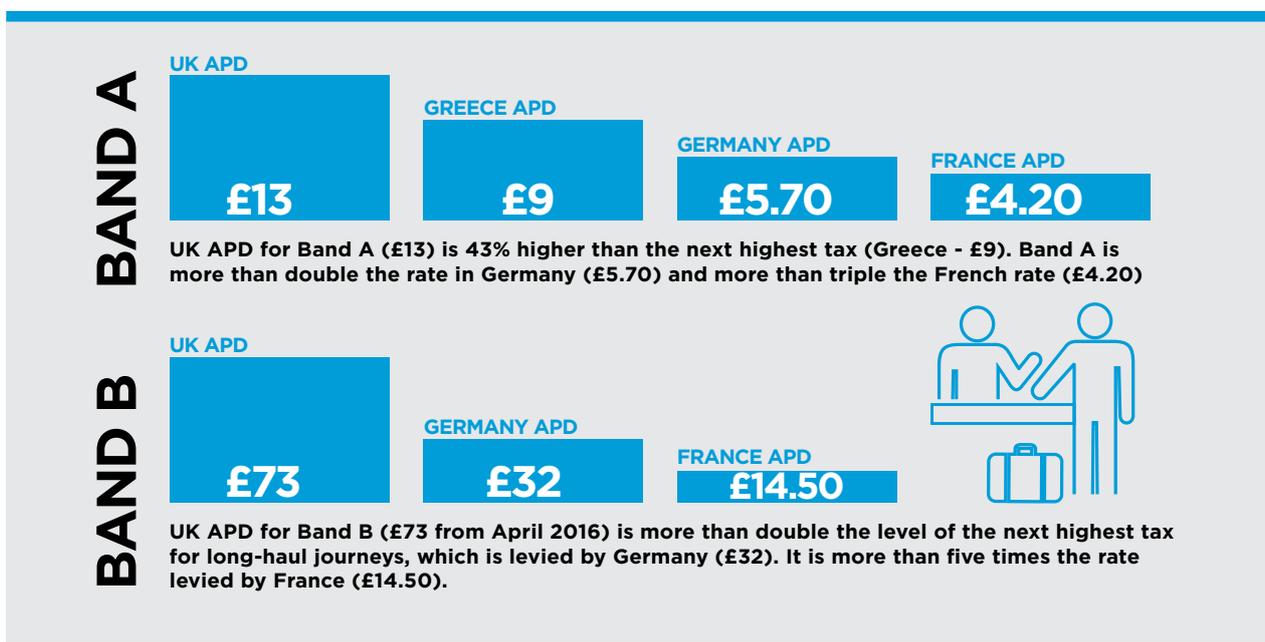


## AIR PASSENGER DUTY

APD is having an effect on UK growth and competitiveness. In addition to economic impacts, APD affects connectivity, the ability of passengers to travel more efficiently and the ability of airlines to invest in more efficient, lower noise and lower emission aircraft. This goes to the very heart of air travel in the UK and it is important that the Government fully understands these impacts.

As the UK leaves the EU, it will need a competitive aviation sector to ensure British business can take advantage of the opportunities Brexit brings, both in existing and emerging markets. Our uncompetitive levels of Air Passenger Duty (APD) make the economics of establishing new routes economically uninteresting for airlines. That is why the new Government should reduce APD by 50% to bring it in line with our competitors, ensuring that the global Britain remains competitive.

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

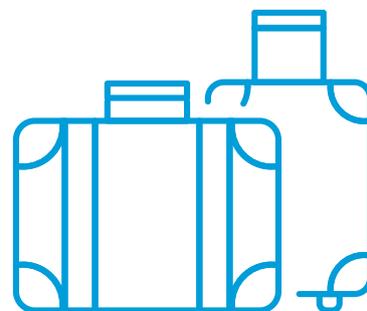


This has a major impact on the UK's global aviation competitiveness. Airlines carefully model the commercial case for establishing a new route or expanding an existing one. Because the fixed-cost of APD is substantially higher, the potential yield for an airline on a route needs to be several factors greater to overcome this, compared to flying to low-aviation tax rivals, such as Germany and France.

While we have a mature market for aviation, with our geographic location favouring travel by air, and passenger numbers are growing at a healthy pace, the UK is missing out on global connectivity opportunities in terms where those passengers are able to fly. As the AOA's European trade association ACI EUROPE's 2016 International Connectivity Report set out, UK connectivity has lagged our neighbours and according to Oxford Economics, in a study they did for IATA in 2011, in proportion to the size of its economy, the UK ranks only in 12th position on air connectivity.

That is why the British Chambers of Commerce has described it as a 'tax on global traders'. APD penalises British businessmen travelling abroad from UK airports seeking to develop new trade links, both by increasing their cost of travel as well as limiting their potential destinations. With the vast majority of air freight travelling in the bellyhold of passenger planes, limits on direct destinations make exports more expensive and more difficult.

**British Chambers of Commerce has described it as a 'tax on global traders'**



Reducing APD would allow the UK to be more competitive, boosting UK economic growth. By way of example, a PwC report<sup>2</sup> found that the abolition of APD could create almost 60,000 jobs between 2013 and 2020, and 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.

In Scotland, the Scottish Government has devolved power to set their own rate of APD and the new Scottish Government have recognised the burden of APD and is intending to cut their 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 passenger will seek to take advantage of the lower costs of flying from Scotland. The AOA calls on the 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.

## SKILLS AND JOBS

As UK aviation grows and capacity increases, the aviation sector will require more staff. The aviation sector already has a proud track record in providing high quality jobs that depend on Science, Technology, Engineering and Maths (STEM) skills. It invests heavily in apprenticeships and delivers highly skilled jobs across the country. Through employment schemes and skills academies our airports also have a strong record in providing sustainable employment opportunities for local and deprived communities. With the number of jobs in aviation predicted to increase significantly over the coming decades, the Government should support industry and work with it to ensure the sector continues to supply high quality jobs and skills across the country.

<sup>2</sup> 'The economic impact of Air Passenger Duty'

# Enabling all airports to make better use of existing capacity

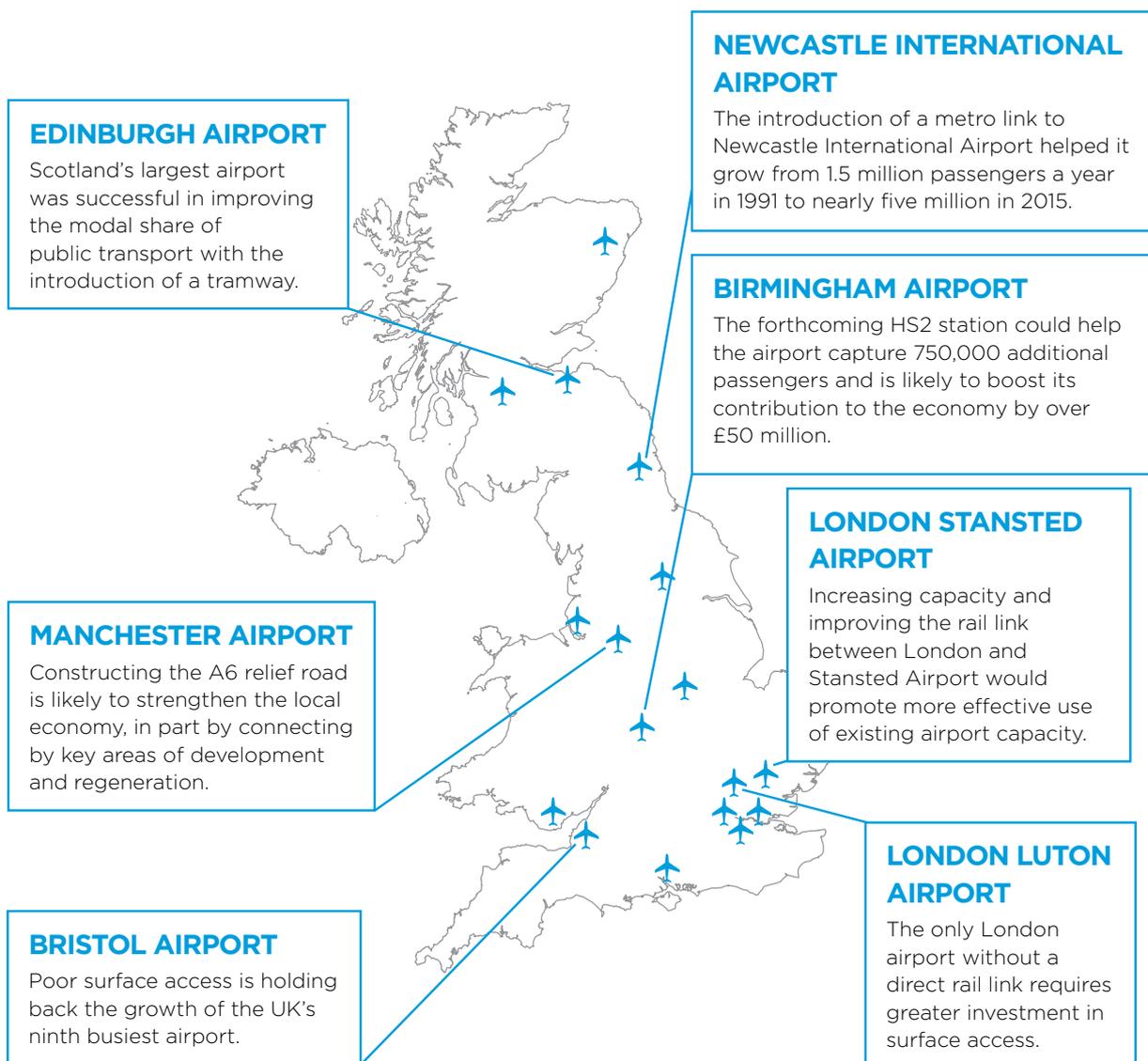
Beyond extra capacity, it is also critical for UK competitiveness that we progress on key infrastructure priorities. In so doing, we can stimulate growth, raise regional prosperity and deliver export benefits. It is therefore welcome that the Government's Strategy focus includes making best use of existing capacity, as this can accommodate significant growth in demand. The Government must set out how it will help airports achieve this. It will require, for example, investment in improved surface access to airports so that more businesses and consumers have fast access to domestic and international destinations.

With airports filling up in the next 15 to 20 years, the need for the development of new capacity is widely recognised. However, additional new capacity takes time to deliver and so this means making the best use of the capacity we already have until such time as an increase in future capacity can be delivered. By not realising the full potential of airports which are currently underutilised, consumers and the UK economy will suffer as a result of higher air fares and limits on international connectivity. With the right mix of policy support from Government, we can stimulate the take up of existing capacity across the UK, delivering significant benefit for consumers, business and to both local and the national economy.



## SURFACE ACCESS

Airports serve a wider economic region around them: they act as a focal hub of economic activity, catalysing economic growth and job creation in their surrounding areas – both as a result of direct airport and aviation related economic activity but also as a result of the international connectivity provided by an airport. To spread the economic benefits of an airport, good surface transport access is vital. The AOA is therefore calling for a clear, explicit connection in government policy between the needs of its aviation and surface transport policies, with each mode of transport serving the needs of the others as part of a truly integrated transport strategy. The Aviation Strategy must include a road-map to creating better surface access to airports as the UK's global gateways, including how Government expects organisations like Network Rail, Highways England and devolved bodies where relevant to work with aviation stakeholders to improve access to airports across the UK, reduce journey times, ease congestion and provide sustainable transport options.



Source: AOA - *Connecting The UK'S Economy* (2016)





In November 2016, the AOA published a report detailing analysis by Capital Economics that shows that a 5% improvement in average journey times to and from airports could deliver a 2.7% increase in passenger numbers, generating an additional £1.9 billion for the UK economy and supporting an additional 32,000 jobs. Around one third of these benefits are likely to accrue to the local economy surrounding an airport.

Airport development and surface access to airports should not be considered independently from each other and must instead form part of an integrated transport strategy. Where surface access to airports is suitably well developed, airports can be accessed in fast and convenient ways, contributing to the economy in their own right, and creating catalytic effects as well. These effects generate economic activity that would otherwise not occur, for example through tourism, international trade, productivity improvements and attracting foreign investment.

Growth across the UK is therefore contingent on good surface access. Improvements to transport links can improve transport efficiency, boost catchment areas, make new journeys viable and can prove instrumental in ensuring an airport's ability to service a greater number of destinations at higher frequencies. It is this kind of investment that will enable airports to deliver their full economic potential. Airports therefore call on Government to work with industry to explore the criteria for how surface access schemes are funded and what will be required of airports to access funding for important schemes. Government may also wish to explore how further private investment can be encouraged to finance private surface access schemes.

The ability to make best use of existing airport capacity is imperative for the UK economy. An inability to meet air travel demand has negative economic impacts through higher costs of international travel, reduced reliability of services and potentially reduced trading opportunities. The benefits from providing additional fixed infrastructure at airports, and therefore the capability to service a greater number of destinations at higher frequencies, depends on the extent to which there is adequate capacity on surface access links.

In addition, greater use of public transport also takes cars off the road, which eases congestion in the surrounding area and can contribute to shrinking the environmental impact of the airport. Some progress has already been made but further investment is needed.

What's more, a lack of availability of round-the-clock connections, particularly by rail, can be a barrier to a shift towards the use of public transport. Some airports have dealt with a lack of adequate rail access by encouraging coach services as a means of increasing public transport usage. However, it is likely in this case that any substantial increase in passenger numbers would need to be matched by upgrades in infrastructure to deal with additional vehicle congestion. The current Aviation Policy Framework (APF) rightly states that a greater use of low-carbon modes to access airports also has the potential to reduce CO<sup>2</sup> emissions, as well as leading to less congestion and improved air quality, and while most airports have good links when it comes to coaches and buses, there is a need to also work towards some modal shift as, ultimately, the cleaner the aviation sector can become, the more it will have permission to grow.

<sup>3</sup> <http://www.aoa.org.uk/wp-content/uploads/2016/11/AOA-Connecting-the-UK-Economy.pdf>

## PLANNING

In addition to providing for new capacity, planning also plays a crucial role in making best use of existing capacity, and the planning process impacts both within and outside an airport.

For airport operators to be able to plan for the future, develop the business case, raise finance and have a realistic chance of obtaining planning consent, more clarity is still required from government. Airports require the confidence to know what is required for there to be a presumption in the planning process in favour of airport development.

Similarly, airports currently have no control over developments on their periphery. For example, in recent years new housing has been developed within an airport's noise contours. Improved planning guidance and greater consistency from government on land-use would make an important difference in managing the number of people affected by noise. Part of this solution should include the safeguarding of both the land and airspace that would be required by any airport to enable future expansion.

## MODERNISED AIRSPACE



AIRLINES UK AOA @BARUK IATA NATS

**350m**

expected number of passengers per year by 2030

**9-14%**

reduction in aviation CO<sub>2</sub> emissions from airspace modernisation

**5dB**

noise reduction possible from quieter procedures enabled by airspace modernisation

**5,600,000**

passenger delay minutes every year by 2030, up from 90,000 minutes in 2015

**470**

new aircraft introduced into service by UK airlines since 2005, an investment of over \$49 billion

**£29bn**

benefit to UK GDP by 2035 from airspace modernisation across Europe

Airspace is the invisible infrastructure that is vital to the operation of the UK aviation industry, but has changed little in 50 years, meaning that it is absolutely crucial that this issue is dealt with now. Due to delays, we are behind schedule in taking advantage of some of the new technologies available. Airspace modernisation will benefit the economy, through faster journeys and dramatically reducing the risk of future delays as a result of increased capacity in the sky, and reduce aviation's impact on the environment and local communities. The lack of a clear framework for airspace change has constrained the sector's ability to deliver on this so far and so it is vital the Government moves ahead at pace on this.

The UK aviation industry has itself committed substantial resources to facilitate the modernisation of UK airspace. However, it cannot do it alone and Government has a crucial role to play in the process. The Government should work in partnership with industry to provide a clear policy framework to deliver change allowing industry to make changes to airspace to the benefit of passengers, the economy and local communities, while also ensuring that difficult decisions that affect certain communities can be taken based on robust evidence, a clear process and according to local circumstances.

Definite, long-term and stable criteria to guide airspace change decision-making is critical. Otherwise this leads to uncertainty for the aviation industry, local residents, communities and regulators. The current airspace change process tends to take a long time and the policy governing it can alter during the lifecycle. This makes it very difficult to reliably plan for changes and makes the delivery of change more uncertain for local residents and communities.

As an industry, we also recognise that in the past airspace has faltered because of challenges in communication and trust with communities. Efforts to restore confidence in the process would therefore not only be beneficial to communities affected by airspace change, but also to the hundreds of millions of passengers that use UK airspace every year and the aviation industry itself. To this end, the Government's strategic leadership must also extend to building an understanding and acceptance among local communities that even those flightpaths changes that reduce noise for most people will not always do so for all.

# Environment

The aviation sector has taken significant, proactive steps to address environmental issues, including changes to airline operating procedures, investment in cleaner and quieter aircraft, engine and fuel technology, and delivering on the tough ambitions set out by Sustainable Aviation in a series of Road-Maps. In 2014, the AOA published a report<sup>4</sup> which set out what measures airports have taken in recent years to deliver sustainable growth, particularly in terms of limiting carbon and noise impacts.

The report demonstrates how the UK airport sector is keeping to its side of the bargain on carbon emissions. Between 2010 and 2012, airports representing 95% of air travellers in the UK grew by more than 5% in terms of passenger numbers and almost 2% in terms of Air Traffic Movements, yet they reduced their carbon footprint by almost 3%. On noise, the report highlights a serious problem with UK policy-making. The current Aviation Policy Framework states that, “reflecting Government noise policy, [its] National Planning Policy Framework is quite clear that the planning system should prevent new development being put at unacceptable risk from, or being adversely affected by, unacceptable levels of noise pollution” and “within some noise contours around airports, the number of people has increased regardless of any change in noise.” the report found that between 2011 and 2014 over 5,700 homes were given planning permission or completed construction in areas where the Government expects some people will experience annoyance at aircraft noise. This serves as one example of where greater Government clarity and support is needed. While industry is moving ahead, working in areas that are within its control to reduce the environmental impact of aviation, there are areas where further Government support is needed. This will also ensure the UK remains at the forefront of sustainable aviation innovation, creating jobs and economic opportunities domestically and abroad.



<sup>4</sup> <http://www.aoa.org.uk/wp-content/uploads/2014/09/AOA-Sustainable-Airports-Report.pdf>



Firstly, to build on what is set out in the previous section, the environmental benefits of airspace modernisation are considerable. Changes to our airspace would allow for an improved utilisation of better operating procedures, which taken together with other better operating procedures, could lead to a 9-14% reduction in aviation CO<sup>2</sup> emissions and a 5db noise reduction. These reductions will play a very important role as part of a range of sustainability measures – from bio-fuels, investment in new fleets, to carbon trading – that the aviation industry will require to meet its ambitious goals of reducing global aviation carbon emissions by 50% by 2050. Simply put, the environmental rewards of airspace modernisation are that aircraft can fly quieter and more efficient routes. Without modernisation aircraft will continue to burn more carbon and create more noise than currently aircraft technology necessitates.

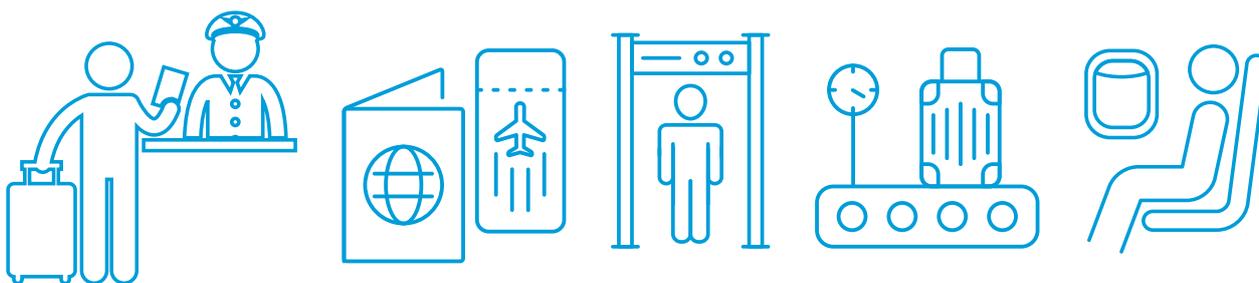
Airports also stand to gain significantly from greater investment in and uptake of renewable aviation fuels. To help the sector achieve greater carbon reductions, the Government needs to prioritise both the development of sustainable aviation fuels and continued commitment to international carbon reduction schemes, as well as supporting the greater uptake of ultra-low emissions vehicles (ULEV) at airports.

The AOA is greatly encouraged by recent Government proposals to reward renewable aviation fuels under the Renewable Transport Fuel Obligation (RTFO) and that while there would not be an obligation to supply a certain level of fuel, suppliers would be able to claim Renewable Transport Fuel Certificates (RTFCs) for eligible fuel. The introduction of incentives for fuel producers to produce sustainable aviation fuels should drive investment and innovation in the delivery of sustainable aviation fuels.



# Providing a first-rate passenger experience

Providing a first-rate passenger experience is a key focus for UK airports and we have invested heavily to deliver a quality experience for our customers. However, airports still face significant and costly regulatory burden in many areas of the airport operation and there are areas of the operation which are simply outside our control, all of which hamper the service offered to passengers.

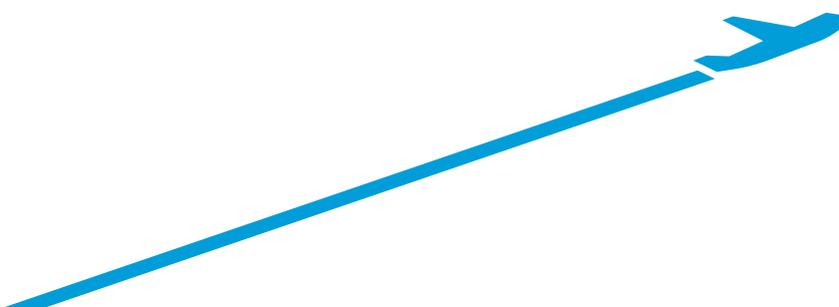


## BORDER CONTROL

Border Force resources have decreased as passenger numbers have increased and this has led to a deterioration in the passenger experience at the border. This will continue to have a number of negative impacts, including a negative impact on the wider economy. In a post-Brexit world, it will potentially make it less attractive for companies to do business in the UK.

The greater use of e-gates is welcome and can bring benefits to airports and passengers, but the AOA is concerned that technology is often utilised as a replacement of existing staff rather than an enhancement of the Border Force service offering. Greater uptake of e-gates can only work when sufficient Border Force agents are on hand to deal with peak-time rushes, passengers unable to use the gates, and passengers who are directed by the e-gate to a manned desk.

Therefore, an urgent review by Border Force and the Home Office is needed to put together a long-term plan for resourcing the Border to provide a service that meets passenger expectations. That should include a review of waiting time targets (i.e. SLAs), a comprehensive response to expected passenger growth at UK airports and a better and transparent analysis and management of Border Force performance.



## **IMPACT OF BREXIT**

Furthermore, with Britain exiting the EU, we urge the Government to carefully consider impacts at the Border. The Government should either maintain the same system for EU nationals after Brexit or boost airports' capacity to meet the growing demand. Border resources are already insufficient as passenger numbers continue to rise. Despite the increase in passenger numbers from 220.6 million in 2012 to 251.5 million in 2015, budgetary allocation for Border Force dropped from £617 million in 2012/13 to £558.1 million in 2016/17. Currently, the Government's target waiting time for EU nationals is 25 minutes, while for non-EU passengers it's 45 minutes, but Border Force are already increasingly going beyond these targets. Instead of meeting the waiting time targets 95 per cent of the time, increasing passenger numbers have made it increasingly difficult for Border Force to cope.

## **GROUND-HANDLING**

Whilst investment has been made across the aviation industry in the UK, an overwhelming challenge in the pursuit of improving the passenger experience relates to the delivery of services by third party providers that the airport operator has little or no ability to hold to account. The provision of ground handling services by ground handling agents (GHAs) at UK airports is sometimes extremely poor, driven by a market dynamic that is fundamentally broken.

Much of the passenger journey is determined by GHA service provision and AOA is calling on the Government to give consideration to formal regulation of GHAs. This might include the development of robust service KPIs and safety standards to be agreed with airlines and agents regarding performance standards. Monitoring and enforcement of such standards needs to be open and transparent and should be reflected in the GH Licence Agreement, with clear consequences for non-compliance.

Whilst the EU Directive on ground handling is explicit about a competitive market, the AOA is concerned that the current commercial environment is not currently functioning in the interest of consumers, with the viability of commercial agreements and service standards too often compromised due to negative market forces.

## **AVIATION SECURITY**

Similar challenges can be found with aviation security. We live in an increasingly volatile world and securing the safety of our passengers, aircraft and airport infrastructure can be the only real consideration which matters. However, it is important that Government, the CAA, and industry work together to deliver a security regime that works for all, and delivers a pleasant experience for passengers. As an industry which pays its own way, constantly evolving security screening requirements have stretched capabilities and there is a serious concern as to how airports can continue to pay its way and provide a favourable passenger experience given that, despite significant CapEx and OpEx outlays, new screening equipment and requirements can often become obsolete long before the end of its investment life cycle. This is particularly the case with smaller airports, with lower passenger numbers to spread cost across and limited ability to claw back some of these imposed costs from airline customers.

## **PRM SERVICES**

Airports are also continuing to invest heavily in the provision of improved PRM services and we are striving to improve on the already high passenger satisfaction ratings as outlined in the CAA PRM Airport Performance Report. UK airports wish to maintain their position as a global leader in the provision of PRM services and we are keen to work closely with Government to achieve this. However, again the cost burden for the smaller airports in particular, associated with meeting this increasing demand, and the handling of increasingly larger and complex mobility aids also needs to be taken into account.

# The challenges faced by smaller airports

Smaller airports are a key part of the aviation eco-system and perform a multitude of social and economic roles - not just connecting the regions to the capital, and to themselves, but also enabling air ambulance, helicopter search and rescue and oil and gas field support services, aircrew, flight and engineering training, aircraft maintenance and a whole host of other activities - providing valuable skilled and unskilled employment opportunities. However, while the key role of smaller airports is recognised, there is a growing concern that due to economies of scale, some regulatory impacts are being felt disproportionately at some smaller regional airports.

Regional airports are vital to the UK economy, facilitating inward investment to regions and connectivity which is the life blood for regional economies. Given the strength of low cost carriers, there is a frustration that policy tends to be designed so that airports are used as a means of collecting revenue. However, with lower turnovers and higher fixed costs relative to the size of the operation, smaller airports often experience an inability to pass on these costs to carriers.

The AOA is keen to work with Government and the CAA to reduce the regulatory burden on all airports and move towards a more risk based regulatory regime, while working to better understand the particular and unique challenges faced by smaller regional airports.



# Emerging technology

The AOA embraces the opportunities for the UK brought by new technology and encourages the UK. For example, the further development and use of Remote Towers could have a significant positive impact for smaller airports as well as improving resilience at larger airports, while some regional airports have the infrastructure in place to play a leading role in facilitating the development and usage of new space craft technology.

Of course, the greatest recent development in the use of technology, has been the significant growth of the drone market and there is an opportunity for the UK to forge itself as a centre of excellence for drones on the global stage. But, in order to embrace these opportunities, the Government must also help address the challenges. Safeguarding flight safety must be the key, overriding priority and so the Government's work will require the safe integration of drones with manned aviation. Different elements must work together for an effective drone safety management system - such as airport safeguarding, drone registration, electronic identification, education of drone users and licensing. This will be expensive and with the aviation industry unlikely to benefit from the development of drone technology in the near term, costs should not be borne solely by the current contributors to the CAA's statutory charges.

The AOA also sees opportunity in government leadership to promote technologies which will allow our sector to meet the needs for air transport whilst minimising its environmental impacts. The Sustainable Aviation CO<sup>2</sup> and Noise Road-Maps for UK aviation show that this can be achieved without a substantial increase in absolute CO<sup>2</sup> emissions and with net CO<sup>2</sup> emissions and noise output reducing, but we believe success will depend in part on Government support for innovation, such as in sustainable aviation fuels.



# Judging the Aviation Strategy

**While aviation continues to play a significant role to the UK Economy, it is clear the 2013 Aviation Policy Framework is in urgent need of updating, taking into account the significantly changed domestic and global environment that UK aviation operates in. These changes range from the Government's announcement that a third runway at Heathrow was 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.**

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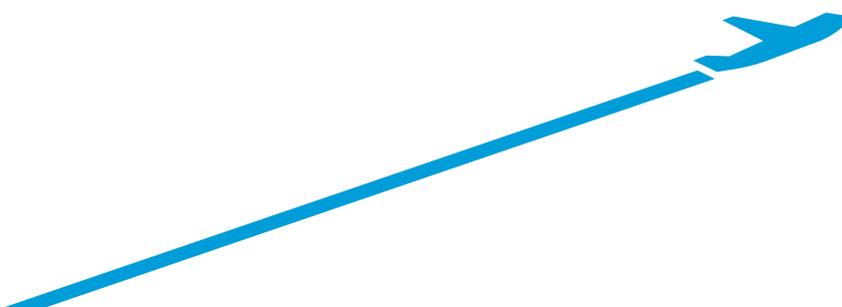
The Aviation Policy Framework (APF) in 2013 was a positive document for the industry, recognising the economic benefits aviation brings to the UK and recognising the need for sustainable growth. And while there were a number of positive outputs from the APF, the Aviation Strategy needs to go much further. Reaching beyond a general presumption in favour of growth for the industry, we expect the Strategy to set out a clear long-term path to growth, providing a clear mandate for airports to meet their full potential with robust support and guidance. Only by setting a clear framework for airports that wish to grow and providing clear policy proposals to further unlock the potential of existing capacity, can aviation fulfil its potential and match our global vision.

The Aviation Strategy should be objective focused, focusing on the policies needed to deliver a network of vibrant point-to-point airports and world class hub capacity to link to existing and emerging markets. It must also set out clearly how the aviation industry can best meet the Government's wider objectives for national and regional economic growth, inward investment and trade.

It must be an integrated policy, which recognises that just as aviation is an enabler for the economy, aviation policy should be seen as a delivery mechanism for wider Government priorities, such as the Industrial Strategy. It should shape priorities for road and rail investment, supporting airspace change and innovation to grow sustainably. Policy should be specific and commit Government to specific policy actions, within a set time period, to achieve ambitious objectives for the sector.

The strategy should also help answer key strategic questions like: What role does aviation need to play in rebalancing the economy?, What sort of connectivity do the UK's regions need?, What role does aviation play in supporting the UK economy post-Brexit? Answering these questions will ensure the linkages are clear and understood across Government.

By ensuring there is a fair framework for sustainable growth across the UK and creating a policy environment to unlock economic and productivity growth across the UK, the Government will put UK aviation in a strong position to deliver an outward facing economy and build a truly global Britain.





AOA AVIATION STRATEGY PAPER //

# SHAPING THE UK AVIATION STRATEGY FOR SUSTAINABLE AVIATION GROWTH

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The Airport Operators Association (AOA) is the trade association that represents the interests of UK airports.