



STRATEGIC AVIATION SPECIAL INTEREST GROUP  
of the Local Government Association

## **Airports Commission secretariat seminar chaired by Professor Ricky Burdett**

Monday 17 March

**Professor Burdett** (Airports Commission) opened the seminar with an introduction about the Commission and Commissioners. He spoke briefly about the format of the day, and introduced the first speaker.

**David Elvy** (Airports Commission Secretariat) spoke about why there was no immediate connectivity crisis in the UK. He said that there was little evidence that the UK or London was underperforming against its global competitors. He highlighted that in most metrics:

- The UK are usually 1<sup>st</sup> or 2<sup>nd</sup> but occasionally 3<sup>rd</sup>;
- London are usually 1<sup>st</sup> or 2<sup>nd</sup> but occasionally 3<sup>rd</sup>;
- Heathrow Airport is usually 1<sup>st</sup> or 2<sup>nd</sup> but occasionally 3<sup>rd</sup>; and there is
- Little evidence of a significant downward trend in UK/London connectivity.

Mr Elvy concluded his presentation by stating that there will be connectivity challenges in the UK in the future and particularly in the South East of England. This, he said, was the basis for the recommendations by the Commission.

**Oliver Mulvey** (Airports Commission Secretariat) began his presentation by saying that whatever options would be recommended by the Commission would take a long time to implement. Consequently he added that a strategy was needed to deliver more capacity in the short and medium terms. He spoke about the Commission's call for suggestions to meet these challenges, which ended on February 20.

Mr Mulvey said that there was 'no magic bullet solution' for solving any capacity crisis using existing infrastructure, suggesting that UK airspace and airports were already very efficient compared to its international competitors. He added that the Commission were constrained in what they could do to introduce new capacity into the system, citing Government levers to redistribute traffic as 'weaker than are generally understood', but he said, the Government can invest in surface transport.

Mr Mulvey focussed on suggestions that were made to redistribute air traffic from busier airports to less busier airports using levies and taxation, particularly what he referred to as an 'APD congestion charge'. He said that the Commission had rejected this proposal stating that while there might be some short term benefits at regional airports, the cost of new markets at busier airports would be affected. He further suggested that in a global market it would be difficult for one country to effect change on this scale.

Mr Mulvey went on to talk about the issue of surface access, suggesting that this is one area where the Government can effect change, particularly in adding capacity and changing passenger behaviour. A discussion started on the issue of surface access and 'differential APD'.



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**Jean Leston** (WWF) asked whether modal shift from aviation to rail (particularly HS2) had been factored in to the Commission's forecasts. Mr. Mulvey said that it had and the Commission were also considering whether HS2 might link up to Heathrow Airport, and also further capacity which might be added through Crossrail. **Phillip Graham** (Airports Commission Secretariat) added that he felt 'modal shift was not a solution' to any future UK aviation capacity crisis.

**Brian Ross** (Stop Stansted Expansion) asked why the Commission had dismissed the issue of a 'differential APD'. Mr Mulvey responded by saying that the Commission felt a differential APD would 'skew the market too much'. He added that new routes were set up by airline operators on a marginal basis and it was therefore more desirable to fly into popular airports - he said that the Commission felt a differential APD might therefore potentially act as a deterrent to business.

**Dale Keller** (Airline Operators Association) said that the airline operators were against the policy of differential APD due to potential implications for anti-competitiveness. Phillip Graham added that this highlighted the significant objections to a differential APD in terms of market distortions - he reiterated that the Commission felt there would be some new flights from some airports but overall it would not be enough to address the changes needed.

**Jagoda Egelund** (Airports Commission Secretariat) gave the next presentation on Airline Business models, stating that forecasting the need for future aviation capacity was difficult, adding that there was 'no crystal ball' for the purpose. She went on to discuss the differences between 'legacy carriers' and 'low-cost carriers'.

Ms. Egelund said that the three major alliances held over 50 per cent of world wide airline seating but it was low-cost carriers that had driven recent change in air travel. She further discussed which of these models would drive future trends, citing the development by 'low-cost carrier' Norwegian Air to attempt to compete with 'legacy carriers' in the long-haul market. As a result of this difficulty in assessing trends the Commission had considered a range of models when trying to make forecasts about future capacity.

**Charlie Allen** (DHL) asked why considerations about the aviation freight market had not been more apparent in the Interim Report. Ms Egelund responded that it had been considered quite considerably in the development of the models but was not more prominent in writing of the final report. She stated that this might be because the Interim Report concentrated on the South East of England where she felt freight considerations were less prominent. Phillip Graham added that it was definitely in the Commission's thinking.

**Dale Keller** added a point of clarity, that 'belly hold freight' was only prominent in 'legacy carriers' and not 'low-cost carriers', although some 'low-cost carriers' were starting to experiment with carrying belly hold freight.

**Brian Ross** asked whether the Commission had looked at airline 'order books' in an attempt to understand how they might be operating in the future. This could potential give a good indication of potential trends. Ms Egelund said that the Commission had done this and some of this intelligence had been used to model the current forecasts - for example she cited the growth in A-380 being purchased by American and European 'legacy carriers'. It had been suggested that this was to access destinations and markets in the Far East.



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**Katy Grundy** (Airports Commission Secretariat) gave the next presentation summarising the Airports Commission recommendation of one new runway by 2030 and another by 2050. The focus of her presentation was on the forecast of the second runway by 2050. She posed the question that if it was recommended another runway was needed then shouldn't the Commission recommend it was build now along with the first. She said that there were three uncertainties why this was not the case.

1. Economic forecasting - Modelling became more unstable the longer the time scale and there was no idea what the business case would be in 40 years time.
2. Carbon and Climate change - It was uncertain what regulatory framework would be in operation in the coming years.
3. Airline and aircraft design - Uncertainties existed around the development of future aviation business and technology.

Because of these uncertainties Ms Grundy suggested that it 'made sense' to monitor the need for any further runways on an ongoing basis. She went on to outline the process of Phase 2 of the Commission's work.

**Jean Leston** said that the Committee on Climate Change (CCC) stated that further future runways 'could not happen' due to the UK's Carbon emissions responsibilities. Ms Grundy said that she would follow this up but this was not a conversation that she was aware the CCC had had with the Commission.

**Eirik Pitkethley** (Airports Commission Secretariat) gave the final presentation speaking about the process which the Commission had undertaken to get to this point, and the rationale behind their recommendations. He talked about the Commission having received 'fifty eight templates for the first sift', with a number of 'differences in methodology' and level of detail between proposals.

He then spoke about the future sift between the proposals on the Commission's short-list, and how they had to be measured against a pre-determined level of analysis. To do this the Commission would be applying a consistent Appraisal Framework, which they had consulted on and were refining as a result of the 80 submissions they had received. Mr Pitkethley said that the Commission would be publishing the revised Appraisal Framework by the end of March 2014. After which time the Commission wanted stakeholders to respond as to whether they had 'missed anything'.

The Appraisal Framework would be made up of '14 modules' in five categories (see slides for full details). The Commission would measure each of the short-listed proposals against the modules. They would create a single business case and an 'appraisal of sustainability' for each option; this would include the potential risks for each.

Mr Pitkethley then gave an example of what constituted one module - Noise. He explained that there were many different models for measuring aviation noise, and promoters had used different models. The Commission had decided that it would be using INM to model the noise impacts of each of the short-listed proposals. This was an example of how the assessments of the proposals would be standardised.

A discussion ensued about the Commission's approach for Phase 2.



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**Marcus Corry** (Infrastructure Commission) asked whether there would be a recommendation for future planning policy. Mr Pitkethley explained that any issues concerned with planning would be assessed under the 'Delivery' module, but he did not foresee any distinct recommendations for planning policy. However he did say that there would be a parallel assessment which 'readies for deliverability'.

**Brendon Sewill** (GACC) asked how rural communities would be represented in any further consultation. Mr Pitkethley responded that the Commission were currently considering their future engagement priorities. He said that they had discussed setting up meetings with locally elected officials in the Heathrow and Gatwick areas, and then with the representatives of the airports. Phillip Graham said that the Commission would be embarking on a 'programme of engagement' over the coming months.

**Jean Leston** said that there was research to suggest that people experienced noise in different ways and a full assessment was needed in order to understand this better. Mr Pitkethley said that 'a qualitative assessment would aim to get under the skin of the noise impact debate'. He went on to say that the Commission's desired outcome was a range of scenarios whereby 'if you maximise for respite it looks like this and if you maximise for other variables it looks like this'. He said that variables will be 'monetised under current Government guidelines'. After being pressed he admitted that any noise assessment would not be able to 'filter out' the different kinds of noise impact in the proposal areas.

**Sarah Clayton** (Airport Watch) said that the Commission were setting up a 'one-sided argument' by only providing an economic assessment of the benefits of the proposals. She said that the negative impacts should also be monetised. Phillip Graham responded by saying that the Commission would be monetising what they could to provide a thorough economic assessment, and this meant that only a relatively small number of impacts could not be factored into the assessment. Ms Clayton followed this up by saying that she was unsure of the proportionate impact of those variables which could not be measured and any assessment should come with caveats to reflect this.

**John Godfrey** (UKACC) asked how the overall cost of the proposals would be compared. Mr Pitkethley said that each proposer would be required to explain the total costs of their proposal. They would be allowed to express a range of funding scenarios, but would also be required to describe what each scenario meant for issues such as ticketing and airport charges.

**David Begg** (Transport Times) asked whether the Commission would be considering compensation and mitigation in the Appraisal Framework. Mr Pitkethley responded by saying that any issues of compensation would be looked at in the 'Delivery' module.

**Professor Burdett** finished with a summary of the next steps for the Commission (see slide for full details). He said that the updated schemes were required by the deadline of May 9. They would then be assessed over the summer and this evidence base of assessment would be available in September. Winter would be a period of consultation and the final recommendations would be made in the following summer (2015). Professor Burdett thanked everyone for their attendance and contributions.