

Airports Commission

# Proposals for making best use of existing capacity in the short and medium terms

## ***The Mayor of London's response***

*May 2013*

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### **1. Purpose of paper**

- 1.1. In February 2013, the Airports Commission produced its Guidance Document, setting out how evidence and proposals should be submitted to the Commission. This response addresses the call made in that document for submissions as to how to make the best use of existing capacity in the short and medium terms.
- 1.2. This paper considers both the options that the Commission could support in its Interim Report in December 2012 and the options that could be supported in its final report in 2015 when it will wish to announce both its final recommendations for Britain's aviation capacity provision and, presumably, a "road-map" of measures that will bridge the gap prior to delivery of the recommended solution.
- 1.3. The Mayor concludes that the Commission should use its Interim Report to call for enhancements to the West Anglia Main Line, which are justified on non-aviation grounds but would incidentally improve access to Stansted.
- 1.4. The Mayor believes that the Commission should in its Interim Report commit to a programme of work to look at how changes to the regulatory regime, the slot allocation process, fifth freedom rights, surface access and regional airports could contribute to bridging the gap until its recommended solution is implemented. He believes that for it to make firm recommendations on these matters in its Interim Report, the Commission would test the limits of its Terms of Reference.
- 1.5. The Mayor will not support any interim measure that breaches the current cap on air traffic movements at Heathrow.

### **2. Summary of key issues: We need to take a long term view**

- 2.1. The current aviation capacity crisis is the result of four decades of policy failure. It is therefore not likely that there is a politically, legally and environmentally acceptable "silver bullet" that can address it in a significant way in the short or medium term.
- 2.2. Seeking to slice the question into "short, medium and long term" solutions is not an appropriate approach to the problems at hand. This approach has been at the root of the failed "incrementalist" policy-decisions that have led us to the current problems.

Rather, decisions on short and medium term options should flow from a definitive decision on the long term solution and should lead coherently to its implementation. Otherwise, short and medium term options will be pursued which do not address the fundamental challenges and will likely serve as an excuse to postpone consideration of a long term solution until the next crisis arises, perpetuating the pattern of failed policy-making to date.

- 2.3. Our long term aim must be to meet the needs of the UK by developing a new hub airport which efficiently serves the country's economic motor in London and the South East, while being at the same time accessible to the rest of the UK and supportive of the growth of the national economy. We must not lapse into a policy of incremental expansion. It will fail to deliver the future hub capacity and therefore the connectivity that London and the UK need, with noise and poor air quality continuing to affect ever growing numbers of people, running from hundreds of thousands to millions.
- 2.4. Any decision on short or medium term options must be made using accurate information – including realistic timescales and cost-benefit analysis – and short or medium term options must be selected in line with the long term policy.
- 2.5. The most valuable short term activity will be to accelerate the journey toward a long term solution to our existing and future hub capacity shortage. The Airports Commission should ensure that a National Policy Statement can be produced as quickly as possible following their final report in 2015.

### **3. Heathrow**

- 3.1. The current capacity crisis is most apparent at Heathrow. Heathrow is constrained by a cap of 480,000 air traffic moments (ATMs) a year imposed by its planning consent. It operates just within this cap. Any proposal that Heathrow breach this cap would require a lengthy planning process to amend the planning consent. We envisage that, under current legislation, that process would involve either a major call-in public inquiry or a development consent order procedure under the Planning Act 2008, depending on the scale of the proposed increase in capacity. Either process, even assuming an absence of legal challenge by third parties, would take a minimum of 3–4 years to complete. **There are therefore no credible “short term” options for increasing capacity at Heathrow.**
- 3.2. Any solution, to be workable, needs to go with the commercial grain of the airline industry and of passenger demand. Suggestions that very large aircraft could, in the short term, replace smaller jets and so allow an increase in capacity imply that there would be a less frequent service to many important cities that passengers want to reach conveniently. As an example, consolidating existing demand for flights between Heathrow and Edinburgh away from the current fleet mix and into A380s would imply reducing the frequency of the service from 20 flights in each direction to 6 per day. Decreased travel flexibility is not what customers in London or Edinburgh want.

- 3.3. HM Government is currently consulting on the night flights regime at Heathrow. The Mayor is firmly opposed to any increase in night flights at Heathrow and believes that the regime should in some ways be tightened, particularly by recognising the acute harm caused by landing aircraft between 0600 and 0700, when the majority of local residents are sleeping. The Mayor's full views can be found in his response to the first stage of the consultation at [www.newairportforlondon.com](http://www.newairportforlondon.com). A relaxation of the night flight regime could not in any event breach the ATM cap at Heathrow without bringing into play the lengthy planning process described above. It is therefore not a short term option for increasing capacity.
- 3.4. Many of the options canvassed as short and medium term solutions for Heathrow are in fact major construction projects. For example, to realise the full benefits of Mixed Mode, not only would Heathrow's 480,000 annual movement cap have to be changed (involving a lengthy process described above), but Heathrow would also have to secure planning permission to construct new taxiways before planes could routinely take off from the northern runway to the east. Furthermore, Heathrow's flight paths are designed around the current "segregated" mode of operations. Redrawing arrival and departure routes at Heathrow would necessitate a full public consultation, and redrafting of the air traffic control rule-book. And of course constructing new taxiways on an airfield operating at 98.5% capacity would be neither easy nor cheap, causing significant disruption and inconvenience.
- 3.5. Moreover, the Commission's Terms of Reference are defective in not recognising that credible short term and medium term options can only be pursued in the context of a long term policy for delivering new hub capacity. This will ensure suitable policy coherence, and a role for short and medium term options in bridging the gap until that end goal can be delivered. Furthermore, certainty as to the UK's long term policy will allow for a better understanding of how wide that 'gap' actually is. We must establish that before we can carry out any credible analysis of which short and medium measures are appropriate to implement.
- 3.6. The Mayor would argue that a third runway at Heathrow does not meet this test, but in any event it is a myth to think that one new runway at an existing airport could be delivered much more quickly than a brand new airport. Both will be subject to broadly the same planning process and similar construction timescales. The Commission is right to recognise that any proposal for a new runway is neither a short term nor a medium term option.
- 3.7. Even at its current size and throughput, Heathrow is the worst offending airport in Europe on grounds of noise. And this effect is getting worse all of the time: by the Government's own figures, the number of people affected by noise from Heathrow above the EU-standard 55dB L<sub>den</sub> level has risen from 757,300 in 2003 to 766,100 today<sup>1</sup>. This constitutes nearly a third of all people impacted by aviation noise in

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<sup>1</sup> DfT, [Night flying restrictions at Heathrow, Gatwick and Stansted](#), January 2013

Europe<sup>2</sup>.

- 3.8. Construction of additional capacity at Heathrow would only make this problem worse. A third runway would likely push the number impacted to more than a million. An airport must be sited away from population centres to allow airlines to capitalise fully on operational flexibility and to minimise its harmful impacts. West London's suburbs do not meet these needs.
- 3.9. Aviation is a vital industry that facilitates our wider economic prosperity. But it brings with it undeniable environmental impacts, which are particularly pronounced at Heathrow. While considering how to make best use of capacity in the short and medium terms, we must not lose sight of the fact that the number of people affected by Heathrow's operations is many, many times greater than those affected by any other airport in Europe. There are some opportunities to reduce the impact Heathrow airport has on its surrounding communities. Measures such as a tightening of the local Low Emissions Zone (LEZ) should be explored in more detail.
- 3.10. Work is ongoing to improve surface access to Heathrow and when it opens towards the end of the decade, Crossrail will provide useful additional connectivity for destinations in London. The net increase in rail capacity for airport passengers will, however, be limited – and certainly insufficient to support any step-change in airport capacity implied by expansion.
- 3.11. We cannot afford economically to reduce the number of flights at Heathrow until a new hub airport is built elsewhere, but equally we cannot allow its impacts to worsen – either through increasing the number of movements, or relaxing the rules around when flights can arrive and depart.

#### **4. Other large airports in proximity to London**

- 4.1. Once there is clarity on what the UK's long term policy contains, a number of different options could be considered for helping to cover the period until that long term policy is delivered.
- 4.2. Gatwick, and even more so Stansted, suffer from the converse problem to Heathrow. They have spare capacity that they would like to see used (12% of runway slots available at Gatwick; 47% at Stansted). It would be an intellectually lazy response to say that the solution therefore is to "move" flights from Heathrow to one of these, without recognising the commercial reality that airlines and passengers both benefit from Heathrow's agglomerative hub effects and wish to use it if possible. That both airports have spare capacity when Heathrow is full reflect the market preference for the hub.
- 4.3. Moreover, the traffic distribution rules that would be required would be highly difficult to implement without infringing EU law and various bilateral aviation treaties.

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<sup>2</sup> CAA, [Insight Note 2: Aviation Policy for the Environment](#), December 2011

Similar attempts by Italy to redistribute traffic in the Milan airports system had to be reversed.

- 4.4. If, however, airlines and passengers can be persuaded to make use in the short term of non-hub London airports to serve a proportion of longhaul traffic, effectively ‘spillover’ routes and frequencies which cannot be accommodated at Heathrow, the Mayor would have no objection. Though sub-optimal and requiring the full co-operation of airlines, this could temporarily improve London’s connectivity until a new hub airport opened.
- 4.5. There is evidence of this on the margins, with Air China and Korean Air adding a few weekly frequencies at Gatwick to supplement their daily Heathrow services. However, such frequencies are vulnerable, with Korean Air’s service suspended in the Winter season. Vietnam Airlines sought slots at Heathrow for 10 years before settling for Gatwick; its frequencies remain lower than the service they operate to Paris CDG and Frankfurt, which are both served at least daily.
- 4.6. As such, this would not alter the need for an effective sustainable long-term solution in the form of a new hub airport: it is far more likely that routes and frequencies that cannot be accommodated at Heathrow will instead move to continental European hub airports such as Frankfurt, Amsterdam Schiphol and Paris CDG.
- 4.7. Certain surface access improvements that are justified on non-aviation grounds could be carried through with some marginal benefits to the attractiveness of these airports. For example, the Mayor supports on its own merits the enhancement of the West Anglia Main Line, including four-tracking between Coppermill Junction and Broxbourne Junction. This is recommended by Network Rail to be included in their improvement work through Control Periods 4 and 5 (to 2019). This scheme is necessary irrespective of airport policy, in order to support development along the London-Cambridge growth corridor, but will also improve the attractiveness of Stansted and allow the airport to make better use of its existing capacity. The Commission should support the early implementation of this scheme.
- 4.8. Other rail schemes that are not already in the pipeline are unlikely to constitute short or medium term solutions. The same can be said of road-building projects. It should be noted that the Mayor disagrees strongly with HM Government’s recent announcement that it will fund a new rail spur off the Great Western Main Line to allow direct access to Heathrow from the west. Clearly this decision should have awaited the conclusions of the Commission’s work.
- 4.9. Proposals are currently under discussion at the European level to enable more efficient slot allocation by increasing the utilisation threshold for airlines to retain slots. This would have a limited impact at Heathrow, where slot utilisation is already very high. But this would enable other airports – notably Gatwick – to free up several slots currently being used by seasonal charter flights to be switched to year-round longhaul scheduled services.

- 4.10. Fifth freedom rights, allowing an airline of another country to stop at a UK airport and collect passengers while en route to a third country, could be extended to the point-to-point airports serving London and the South East, particularly Gatwick and Stansted. This is in line with the Government's policy as set out in its Aviation Policy Framework and could attract foreign carriers to develop multiple routes between these London airports and third countries.
- 4.11. There is also a useful role to be played by UK regional airports, serving local markets and driving regional economic growth. However, they can never be a substitute for developing hub airport capacity in the southeast. They are unable to draw on the critical mass of demand or the economic profile that is needed to support the wide range of shorthaul and longhaul routes and frequencies a hub can provide.

## **5. The regulatory regime**

- 5.1 At present, incumbent airlines at Heathrow are incentivised to leverage their quasi-monopolistic position to limit competition. While a new hub airport is being constructed, regulatory reform could help airlines make use of spare capacity elsewhere in the southeast without incurring prohibitive market disadvantage. At present, for instance, airlines can object to airports carrying out certain types of investment because it can lead to an increase in what the airport can charge. This system can hinder airports' attempts to innovate and attract new airlines. Gatwick, for instance has found it difficult to invest in the infrastructure needed to accommodate aircraft such as the A380 – because few airlines currently serving the airport are interested in using it.
- 5.2 The Commission should also look at the current price capping regime at Heathrow. While it is the Civil Aviation Authority's responsibility to decide the rate of return merited by the airport's owners, the level of landing charge set as a result is almost certainly below what the market could bear – given Heathrow's capacity constraints and its status as a hub airport. A more market-led landing charge regime, provided the surplus were diverted to fund the construction of a new airport, would both help address the need to finance the new hub and encourage airlines to take fuller account of the price differentials with Gatwick, Stansted and other airports.

## **6. A long term view is needed**

- 6.1. The history of UK airport policy is one of short-termism and incremental expansion. Ever since the failure of plans to construct a new airport at Maplin Sands in the 1970s, the political challenge of developing new hub capacity has proven too great to overcome. We have now not built a full-length runway in London and the southeast for more than half a century. We have instead squeezed more and more out of existing and strained infrastructure, with passengers suffering the consequences.
- 6.2. The only way to deliver a well-planned, efficiently functioning system of airport capacity, which can meet the needs of London and the UK and enable us to compete

with our continental rivals, is to pursue a policy that will put us in a strong position for many decades into the future. We must look at what we will need in 2050 and beyond.

- 6.3. The UK will be strongest when it is home to a major hub airport. This would need to have at least four runways and be capable of rivalling the prominent continental hubs – something Heathrow will never be capable of doing. Hub airports provide the capacity and the quality of service that airlines and passengers want. The hub plays a unique role in providing important routes and frequencies that cannot be sustained at point-to-point or regional airports. The UK can only have one hub airport and it must serve London.
- 6.4. Incremental expansion at multiple sites is not an acceptable substitute. It will never be able to deliver the capacity and connectivity that we need. We are suffering from a very particular capacity problem – the lack of runway capacity that can facilitate hub operations. Airlines are willing to wait for years and pay tens of millions of pounds for slots at Heathrow, but Gatwick and Stansted still have room to spare. China Southern waited for eight years to finally get a slot at Heathrow last year<sup>3</sup>, rather than using another London airport. Heathrow is the only UK airport that resembles a hub. It has a significant amount of transfer traffic, which enhances its route network. However, it is an ailing airport, which falls short in many respects. The UK needs and deserves a hub airport that is so much bigger and better than Heathrow can ever become.
- 6.5. Only after a long term policy for delivering a new hub is in place will it be appropriate to look in detail at the short and medium term options available to help us bridge the gap until that end goal is delivered. Furthermore, certainty as to the UK's long term policy will allow for a better understanding of how wide that gap actually is. This must be established before we can carry out any credible analysis of which short and medium measures are appropriate to implement.

## **7. We must make decisions based on realistic information**

- 7.1. When assessing measures intended to cover the period until a long term policy can be implemented, it is crucial that accurate costs and timescales are understood for every proposal. If a project's negative consequences are deemed acceptable on the grounds that it is an "interim" measure (i.e. fast and relatively cheap to implement), it is pointless to initiate that project if closer inspection reveals that a preferable, long term solution could be delivered in a very similar timeframe and without spending scarce resources on a temporary fix.
- 7.2. A classic example is the third, short runway that was planned for Heathrow under the previous Government. We estimate that it would take at least 10 years for such a runway to become operational. This is comparable to the time necessary to build a new four runway hub airport and the associated surface access infrastructure,

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<sup>3</sup> Heathrow press release, 27 February 2012, <http://mediacentre.heathrowairport.com/Press-releases/Heathrow-welcomes-China-s-largest-airline-and-a-new-trade-route-to-Guangzhou-13d.aspx>

estimated at 10-15 years. And all the capacity a third runway might add would be used up on the day it opened, leaving no room for future growth and still not enabling efficient hub operations.

- 7.3. The same is true of Mixed Mode. It is often seen as a short term measure that could be implemented overnight, and with great effect. Setting aside the environmental concerns that arise from removing the significant respite period from tens of thousands of people, the delivery of Mixed Mode is a much more involved project than it initially seems, as explained above.

## **8. There is much that can be done now to expedite the delivery of a new hub**

- 8.1. We must establish a long term policy and stick to it. Cost-effective short and medium term measures which complement that end goal can then be selected. We must be careful not to commit significant investment and resources (both public and private) to schemes that will be obsolete once the long term solution to our hub capacity shortage has been realised.
- 8.2. The most effective short term measures will be those that help to reduce the time necessary to deliver a co-ordinated long term policy.
- 8.3. The fastest legislative processes for developing new infrastructure begin with the issuing of a National Policy Statement (NPS). The work of the Airports Commission, particularly its final report due to be published in 2015, should set the groundwork for an airport NPS to be developed as quickly as possible. This NPS must provide a clear steer on what and where any new capacity should be provided.