

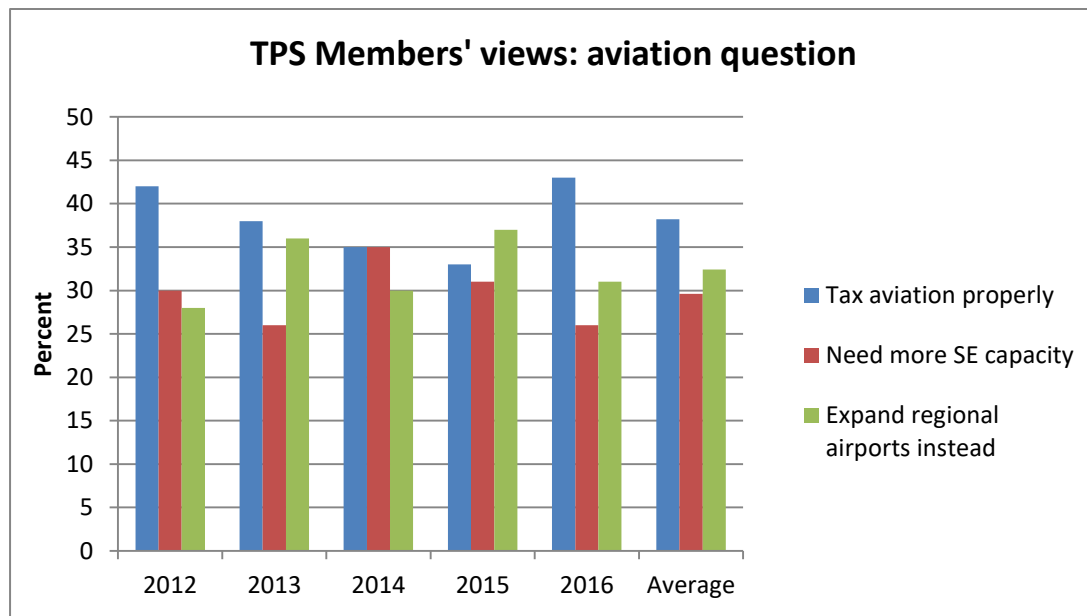
Transport Planning Society

TPS and the consultation on aviation strategy

Executive Summary

Context

TPS is the leading professional body for transport planners and has a continuing interest in national transport policy including international gateways. The Society made a submission to the Davies Commission and on the Heathrow National Policy Statement (NPS) and has actively engaged its members in aviation policy through its surveys and events. For example, in recent surveys members expressed reasonably consistent views, with a minority supporting SE airport expansion, a slightly larger minority supporting regional airport expansion, and the most popular minority view wanting to change the charging system for air travel and only then reviewing demand and any expansion plans. The summary chart is reproduced below.



The benefits and costs of air travel

There are clearly benefits from aviation and air travel, both in terms of generally being an outgoing nation socially and economically, of providing wider leisure opportunities than ever before, and in facilitating business travel including air freight. This requires the provision of infrastructure such as airports and, crucially, access to them. As with other modes of transport the relationships with land use planning and the third party costs (externalities) are hugely important. The unmet or partially met environmental, safety and health costs are very high relative to user costs (fares and taxes).

Further problems are that, while the benefits may be widespread, the adverse externalities fall inequitably upon a few (global climate change excepted). The presence of an accessible airport may be a strong benefit – but this argues for regional airport development rather than in the South East.

Such issues make either a full impact assessment, or a proper description of any expansion scheme, which includes all the ancillary infrastructure required to make it function, very difficult to achieve. However, these are critical to understanding whether investment will really achieve the social and economic benefits which are its aim.

For airports this is particularly complicated and needs to follow a clear process starting with a national framework which includes the issues of regional development and avoids special pleading. It needs to discuss rationally the economic pros and cons, for example outgoing tourism by air costs the economy, incoming tourism benefits it, at the moment there is a major negative balance. Some undoubtedly real but elusive benefits in terms of national or regional image through high route availability are hard to quantify in terms of balancing the equally undoubted disbenefits. However it is clear that there is an overall need to rationalise how air travel is taxed and charged for. Charges also have to properly address the significant (and well documented) externalities. These are almost certain to be unevenly distributed and not compensated for. Only when that is understood and made transparent can individual schemes be assessed and tested for their value for money.

Key issues raised by the recent draft NPS on SE airport capacity

The Society had hoped that the NPS would provide an opportunity for that framework to be put in place and a robust discussion held about how to charge for air travel and access to it, and how to balance provision across regions to support the economy. This is not easy but needs to be done. In that sense we welcome the current commitment to a national aviation strategy.

In developing a framework, the government needs to consider in which sectors of air travel growth should be encouraged (e.g. inward business travel) and in which further growth might be managed (if any, but possibly outward tourism) in the national interest. Interlining through a UK hub is a special sector to be considered. Consideration also needs to be given to the problems to be addressed – most notably, congestion at SE airports and the environmental impacts of airports and surface access. The government also needs to consider which policy drivers should be left to the market (e.g. air fares, landing fees, aircraft design) and in which areas the government has power to intervene. Most notably these are: APD, taxation, air traffic control, permissions or charges by aircraft characteristics, surface access (by road or rail), promotion of airport development schemes and the legislation to facilitate them. The government has substantial influence in such matters.

Once these matters have been considered, then a policy framework should emerge covering the desirable demand for air travel and the constraints to be imposed in achieving it. This piece of work has yet to be done, and a proper range of options evaluated in accordance with its objectives and constraints.

We do not repeat the detailed criticisms of the NPS here – they were covered in our submission which is also publicly available on our website. However, some of the key conclusions remain valid for this submission and we summarise these below:

- Management of demand should be an integral part of Government aviation strategy.
- The current NPS should be withdrawn pending the approval of that strategy.

- In the mean time the Government should further test and then introduce differential rates of air passenger duty (APD) in line with the levels explored in the HMRC study¹ with the specific aims of:
 - Supporting economic growth in the regions
 - Encouraging use of direct flights from regional airports as an alternative to hubbing to the South East
 - Addressing congestion at SE airports through regional airport development but also rationalisation
 - Raising funds to mitigate the impact of existing airports.
- In the longer term APD should be converted to a charge which is flight related not passenger related in order to improve efficient use of existing slots
- Surface access planning and the combined impact of aviation and surface pollution should be an integral part of airport planning. This should include
 - The local pollution impacts, in particular air quality and noise, in any appraisal of aviation expansion
 - Recognition of the climate change impacts as a “show stopper” in terms of aviation expansion and radical action, probably in concert with other international partners, is urgently required.
 - The negative economic impacts of aviation as well as the positive
 - Recognition of the true costs and impacts of surface access and the land use impact of drawing development from a city centre to an airport site – usually with a decrease in the use of sustainable modes.

Key conclusions

1 Without key elements such as those listed above the strategy will inevitably become one sided and fail to meet the key test set out in the consultation document that it should be evidence based.

2 Our recommendation in light of the content of this submission is that the “overarching principles” should be revised to include:

- *Regional development – ensuring that one region does not dominate investment in aviation infrastructure*
- *Protecting the environment – meeting our climate change obligations and reducing local pollution*
- *Managing demand – for example to address environmental and regional issues but also the real economic impacts of aviation including the aviation tourist trade imbalance.*

This last point needs care – simple national pricing is unlikely to strike the right balance in terms of social distribution and environmental protection.

3 We also repeat our willingness to meet with the Department to discuss both our concerns in this submission and how to progress such a debate.

¹ *Modelling the Effects of Price Differentials at UK Airports* HMRC, October 2012

This modelled a 50% increase in Heathrow APD and this caused a 22% decrease in APD paying passengers. It said that one result would be that “new routes can start up from alternative airports providing passengers with more options to travel”. The Davies Commission only modelled a 10% increase at congested airports (mainly Heathrow and Gatwick). This was completely inadequate.

Introduction

The Society

The Transport Planning Society is an independent institutional body in the UK, established to facilitate, develop and promote best practice in transport planning and to provide a focus for dialogue between practitioners and others interested in the field. It is supported by four long established professional institutions – ICE, CIHT, CILT and RTPI - all of whom have an interest in transport planning as well as their own core activities.

The Transport Planning Society administers its own Professional Development Scheme for transport planners, leading to award (jointly with CIHT) of the Transport Planning Professional (TPP) qualification which is the only professional qualification uniquely aimed at transport planners. The Society has over 1400 individual members and 30 corporate members who provide transport planning services in the UK and elsewhere.

Every year we undertake a survey of our members' views on a range of matters including policy, and this informs all our work in the policy field, including this submission.

TPS always seeks an evidence based approach to transport planning, but also one which connects transport with land use planning and with the impact of communications on the demand for travel. TPS is the leading UK professional body which links these disciplines together. We consider that there is a positive role for new infrastructure but our responses to policy development reflect the fact that in the UK traditional transport infrastructure is already extensive, that the idea that building more of it, whatever the context, will automatically bring benefits is misplaced, and that there must be proper appraisal and scrutiny of the policy framework and any major projects. Too often this is not the case.

Thus in regard to the balance between new, mostly publicly funded, infrastructure and what we already have, our approach can be summarised as prioritising three key elements. In relation to existing networks these are: infrastructure ***maintenance***, their efficient ***management*** (including demand management), and their ***modernisation***, rather than untargeted expansion. This approach is just as true for other public networks such as water or energy. There are, of course, exceptions, for example the need to create a genuinely fast and reliable broadband network. In many situations this is will be more cost effective in achieving transport aims than more traditional increases in the capacity to move goods or people, for example by reducing the need to travel and enabling new vehicle technology.

Finally it is the case that transport provision is accompanied by very high external costs such as carbon emissions, noise and local air quality. Of itself it influences land use and thus the need to travel. Finally its provision also influences behaviour – more of one type of infrastructure may well encourage more use of that type and in many cases a less efficient use.

Our position is that investment in new infrastructure should be considered within the wider context and not be automatically prioritised over revenue expenditure needed to maintain what we already have and to manage demand. In the case of aviation there are broader issues in terms of regional balance and where capacity should be provided, and in its impact, both positive and negative, on the economy. It is also the case that this major public/private project cannot succeed without the support of other major transport projects funded by the taxpayer.

Lack of a clear framework

This submission draws attention to the lack of a clear policy framework for either long distance transport within the UK, and longer distance transport between the UK and other countries. Clearly both are connected, for example through the onward travel of people and goods from international gateways to final destinations within the UK. Freight transport is often underrepresented in planning and appraisal, although the inclusion of Strategic Rail Freight Interchanges (SRFIs) in national planning guidance is a very clear (and welcome) exception. At this strategic level it is clear that the emphasis on the South East, and London in particular, in Government thinking has created an in built bias towards airport capacity in these areas and a lack of consideration of alternatives, either managing demand or regional airport development. This clearly applies to the work of the Davies Commission, and was pointed out by TPS when it was set up. This also means that there is no sensible discussion of how international hubs are developing, and how they will affect the pattern of use of UK airports. Airline ownership across national borders is already influencing choice of hub, for example the IAG group is already rationalising its hub operations between Heathrow and Madrid, Dubai is already partly a hub for Europe (and already bigger than Heathrow). These fundamental flaws need to be addressed if a new strategy is to have a real impact.

As part of this a new approach must be taken to environmental impacts and the realism of airport commitments to mitigate or avoid them. This includes a range of practical issues such as the realism of a night time restriction on international flights, whether the hours suit the actual patterns of most people's sleep, how any sustainable surface access infrastructure is to be funded and operated, and what demand management will be applied to surface access for passengers, employees, and freight. As part of the Heathrow submission TPS suggested the use of electric only HGVs to serve airport needs. This plays into the issue of how air quality can be improved from the current unacceptably damaging levels. Key to all of these is what will happen in the likely event that not all of the conditions, agreed actions, or financial contributions are met. For example, given that the existing night time restriction at Heathrow does not seem to be applied at the stated hours, this is a major concern. Who will monitor the situation and what financial or other penalties are planned? How would a properly guaranteed enforcement regime influence private sector investors and operators?

There is another issue which is relevant whichever viewpoint is taken. It is that there are some serious disagreements between technical advisers to the different candidates for expansion, including Gatwick, Stanstead, Luton, and possibly Birmingham as well as Heathrow. This applies across the board but is particularly concerning in relation to economic benefits. These are often related to spending which in the absence of one option being pursued would occur in the locality anyway (deadweight) or take place elsewhere (displacement). In addition, there are both benefits and disbenefits, for example outbound tourism is a major contributor to the balance of payments deficit. Counting inbound tourism as a benefit without taking this into account is clearly not correct. In relation to testing different rates of APD to balance demand across airports, the test undertaken By the Davies Commission was totally inadequate and ignored an earlier test (by HMRC see above) of more realistic variations in the level and application of APD.

These issues were not, in our view, dealt with in the work of the Davies Commission and need to be so. This should form part of a more inclusive way to formulate aviation policy which TPS would be happy to be involved with.

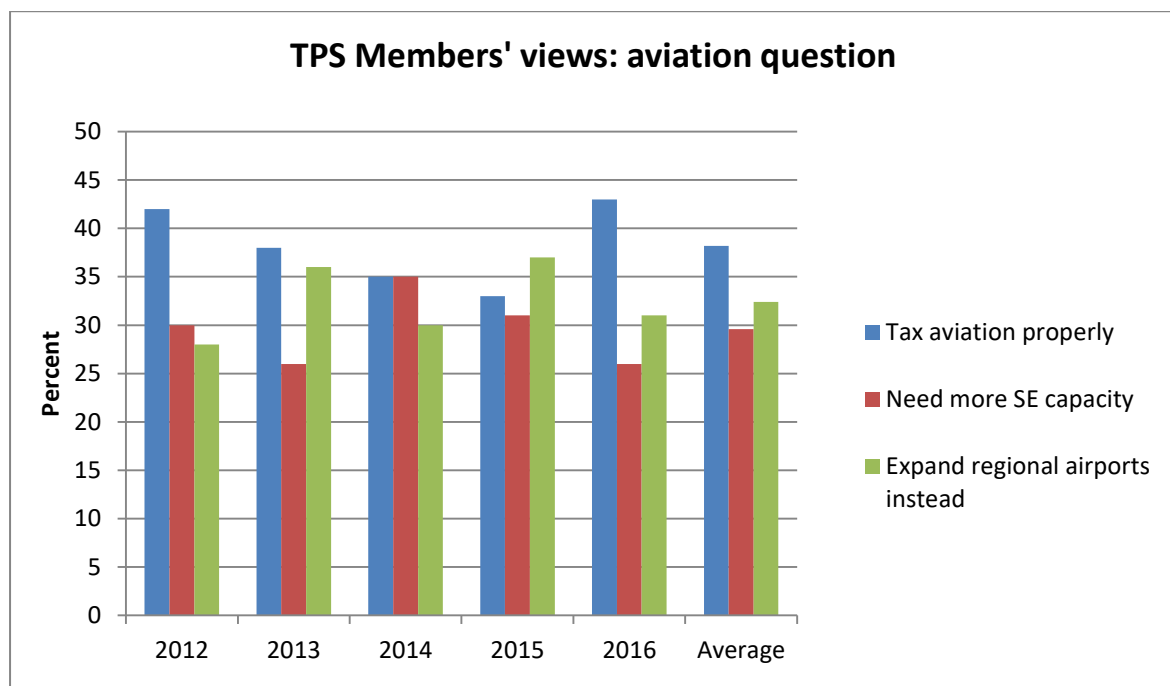
TPS Members' views

We reported the results of our annual member survey which contains a number of questions including one on aviation for the first time in 2012. This has been repeated in each year since. The question is:

“Aviation policy is a major focus for the UK Government. In this context, which of the following is closest to your view.

- *South East England airports are reaching capacity and must be expanded.*
- *Airport investment should focus in the regions to support growth there and not in the South East.*
- *If air travel were taxed at the same rate as other goods, or to fully reflect its environmental impacts, demand would fall and new capacity would not be needed.”*

The results since 2012 are set out below.



Note: respondents by year were: 202, 220, 215, 251, 228.

Overall this shows a division of opinion, with support for expansion, particularly in the regions, but no majority for expanding SE airport capacity. It should be noted that we did not ask our members about their preference for the location of new SE capacity.

However, a TPS event was held in September 2013 with representatives from all major options for airport expansion, and a proponent of demand management, and notes of that event are attached as Annex 2. It concluded:

“The competitive nature of the bids to be the London UK hub airport was very clear, to the extent that rivals are now taking the opportunity to attack each other’s cases. In this adversarial context there are some major demand questions which remain unclear.....The main rivals seem to share a belief that a single London-based hub is essential, but more analysis is needed to see whether a more diverse but integrated approach would be more equitable both in terms of the environment and regional balance within the economy.”

Key issues for aviation strategy

While we would have wished the original points we raised with the Commission to be covered in the NPS and the supporting documentation, this has not been done and we consider that these must be addressed in a new aviation policy framework. In particular the assertions on economic benefit are weak, most travel (80% according to the consultation document) is for leisure and this has a balance of payments deficit. The economic benefit methods employed by the Davies Commission were novel to say the least. We pointed to the adversarial developer led approach leading to a total lack of consensus among experts and it is a key role of Government and professional bodies to try to address this. This is not just to find the most cost effective ways of achieving social goals, it is to restore public confidence.

In developing a framework, the government needs to consider in which sectors of air travel growth should be encouraged (e.g. inward business travel) and in which further growth might be managed (if any, but possibly outward tourism) in the national interest. Interlining through a UK hub is a special sector to be considered. Consideration also needs to be given to the problems to be addressed – most notably, congestion at SE airports and the environmental impacts of airports and surface access. The government also needs to consider which policy drivers should be left to the market (e.g. air fares, landing fees, aircraft design) and in which areas the government has power to intervene. Most notably these are: APD, taxation, air traffic control, permissions or charges by aircraft characteristics, surface access (by road or rail), promotion of airport development schemes and the legislation to facilitate them. The government has substantial influence in such matters.

Once these matters have been considered, then a policy framework should emerge covering the desirable demand for air travel and the constraints to be imposed in achieving it. This piece of work has yet to be done, and a proper range of options evaluated in accordance with its objectives and constraints.

For this reason we suggest that a more open, less adversarial debate about aviation should take place in order to inform the policy framework. TPS is willing to participate in this, and we are sure other bodies would also do so. We would be happy to meet the Department to discuss both our concerns in this submission and how to progress such a debate.

Key elements to be considered in the new aviation strategy

In the mean time we suggest the following changes need to be reflected in the new strategy:

- Management of demand should be an integral part of Government aviation policy
- A proper NPS should be developed with an effective, national strategy for airports which would identify those regions and areas where expansion is judged to be needed (including the SE) and are acceptable in strategic planning terms. This should then attract the individual developers to promote one or more schemes.
- the Government should further test and then introduce differential rates of air passenger duty (APD) in line with the levels explored in the HMRC study² with the specific aims of:

² *Modelling the Effects of Price Differentials at UK Airports* HMRC, October 2012

This modelled a 50% increase in Heathrow APD and this caused a 22% decrease in APD paying passengers. The Davies Commission only modelled a 10% increase at congested airports (mainly Heathrow and Gatwick). This was completely inadequate.

- Supporting economic growth in the regions
- Encouraging use of direct flights from regional airports as an alternative to hubbing to the South East
- Addressing congestion at SE airports through regional development but also rationalisation
- Raising funds to mitigate the impact of existing airports especially Heathrow.
- In terms of choice and the consultation document's principle of customer focus, the HMRC study said that one result would be that *"new routes can start up from alternative airports providing passengers with more options to travel"*.
- In managing demand some adjustment would be needed to avoid a simple transfer to Birmingham and Stansted from Heathrow if these airports were to be advantaged compared to more Northern airports such as Manchester. This suggests a two tier approach with maximum APD at Heathrow, minimum at Manchester and other regional airports, and a mid range APD at alternatives to Heathrow such as Stansted and Birmingham. All of these options should be properly explored in the preparation of an evidence based aviation strategy.
- In the longer term APD should be converted to a charge which is flight related not passenger related in order to improve efficient use of existing slots.
- Surface access planning and the combined impact of aviation and surface pollution should be an integral part of airport planning. This should include
 - Inclusion of the local pollution impacts, in particular air quality and noise, in any appraisal of aviation expansion
 - Recognition of the climate change impacts as a "show stopper" in terms of aviation expansion
 - Inclusion of the negative economic impacts of aviation as well as the positive
- Recognition of the true costs and impacts of surface access and the land use impact of drawing development from a city centre to an airport site – usually with a decrease in the use of sustainable modes.
- Pending the agreement of the new aviation strategy the current NPS should be withdrawn.

Conclusions

1 Without key elements such as those listed above the strategy will inevitably become one sided and fail to meet the key test set out in the consultation document that it should be evidenced based. In paragraph 2.5 it says that *“The strategy will be guided by three overarching principles:”*

One of these is that it should be *“evidence led – it will target intervention on specific problems which government can address, avoiding activity that does not respond to a clear problem.”* We suggest that omitting key evidence, or downplaying it in the light of unevidenced assertions about economic benefits, means that this test cannot be met.

2 The other two overarching principles are:

- *consumer focused – it will put passengers and businesses at the centre of everything we do*
- *market driven – it will emphasise the role of government as an enabler, helping to make the market work effectively*

Our recommendation in light of the content of this submission is that these principles should be revised to include:

- *Regional development – ensuring that one region does not dominate investment in aviation infrastructure*
- *Protecting the environment – meeting our climate change obligations and reducing local pollution*
- *Managing demand – for example to address environmental and regional issues but also the real economic impacts of aviation including the aviation tourist trade imbalance.*

This last point needs care – simple national pricing is unlikely to strike the right balance in terms of social distribution and environmental protection.

3 We also repeat our willingness to meet with the Department to discuss both our concerns in this submission and how to progress such a debate.