

The UK Airport Commission's Interim Report on UK airport capacity: the big loser remains UK competitiveness

The long awaited Interim Report into airport capacity and connectivity in the UK was published by the Airports (or Davies) Commission on 17-Dec-2013. The final report is due in 2015, at or around the time of the next (fixed) scheduled General Election and there are rumours that it might be published a little earlier than first thought.

It would be no understatement to describe the attempts to resolve the conundrum over UK airport infrastructure as a saga. The Commission alone has been debating it for two years but previous attempts to find a solution date back as far as the 1960s when the airports serving London hosted a mere handful of passengers compared to the present day.

Even now all we have to go on is the Interim Report, which has created a 'shortlist' of where additional airport capacity (i.e. runways, not terminals) might be situated. In itself the interim report tends to stray a little from the brief that the Commission's Head, the economist Sir Howard Davies and his four-man (later reduced to three) Commission, together with their panel of 'expert advisers' were working to.

There was no compulsion on the Commission to recommend that any new runways should be built, anywhere. Indeed there are several lobby groups, including the influential London Assembly, supported indirectly by the CEO of easyJet, which have put forward arguments in favour of retaining the status quo and insisted that the way to go is to improve surface transport to the existing airports rather than build new runways (Assembly) or that the hub model is passé and the market should dictate which point-to-point O&D passenger-handling airports should succeed and which shouldn't (easyJet).

It would have been political dynamite not to favour some capacity addition

But make no mistake about it; it would have been political dynamite for Davies not to have made some positive noises about new runway capacity. He may not be a politician but as the one-time Head of the (now disbanded) Financial Services Authority he knows how politicians think. And what they were thinking is that if the issue was to be kicked into the long grass yet again there would be hell to pay with big business in what is now the early stages of the run up to the next election.

There were two other factors that would have imposed on his thinking. Firstly, in all the government-sponsored reports on UK airport capacity that have been published since the White Paper 'The Future of Air Transport', the last government statement on the subject, in 2003, (and there have been many) the authors have gone out of their way to stress that any new runway must pass the most severe environmental tests, in terms of both noise (which is what really gets residents in a lather) and emissions (which is increasingly the preserve of organised national pressure groups). As, indeed, did the White Paper itself.

Secondly – and this is still widely ignored by the mainstream media – Davies' brief was not to decide on whether there is a need for additional runways in southeast England and if so, where; but rather to decide on a policy for the entire country. In other words, if there really is an absolute need for a 'national hub airport', where should it be with regard to the nation as a whole, not just the bit down in the bottom right hand corner. Furthermore, while he would be more concerned with technical matters in the various submissions he would be expected, whether he liked it or not, to keep in mind the need to 're-balance the economy' in the UK, a country that has got so far out of joint that while eating out at a restaurant several times a week is considered *de rigueur* in London, in some regions more people who are officially classed as being 'in poverty' (13 million in total) are actually in work rather than on welfare. The arguments put forward by regional airports played quite heavily on this

theme because it is a proven fact that more direct international flights means more economic growth where it is needed.

So, what did the much-heralded report actually say? Well, it is nothing if not predictable.

The net result – one additional runway. Or is it minus one?

The Commission concluded that there is a need for one net additional runway to be in operation in the southeast (of England) by 2030. The White Paper, a decade ago, made a case for two new southeast runways, so there is actually a net loss of one in this report within that timeframe alone, which is an enormous one when you consider that Istanbul's new 8000 hectare, 150 million ppa (eventually) airport, which will eventually have up to six runways, is scheduled to open in 2017 with a construction period of just four years.

Its analysis also indicates that there is likely to be a demand case for a second additional runway to be operational by 2050, by which time, if the rate of technological development continues, we might be travelling around in personal flying saucers.

The interim report also said that it will be taking forward for "further detailed study" proposals for new runways at two locations:

- Gatwick Airport Ltd's proposal for a new runway to the south of the existing runway;
- Heathrow Airport (two options)
 - Heathrow Airport Ltd's proposal for one new 3500m runway to the northwest;
 - Heathrow Hub's proposal to extend the existing northern runway to at least 6000m, enabling the extended runway to operate as two independent runways.

The latter option here is probably the one real surprise element because there were few proposals amongst the many that were submitted to the Commission (over 70 with regard to short-term measures and 50 concerning long-term solutions) that proposed both a runway extension and an entirely new one, both at Heathrow.

Runway extension is not a popular proposal

But there is a problem with the runway extension. It isn't popular with anyone.

Extending the runway in this fashion would permit the so-called 'mixed mode' of operation by which aircraft take off and land on the same runway. Mixed mode is hardly uncommon – every airport with a single runway uses it.

Even in the case of two-runway airports with twin parallel runways, mixed mode in that format is very common, and even Heathrow does it at certain times, most people being oblivious to the fact.

But when aircraft are landing and taking off at the same time on that runway, each using half of it, that is a different concept altogether. One must presume that is what the Commission has in mind if it considering a runway extension to 6000 metres, otherwise the point of the extension is questionable as 3000m will handle just about every type of aircraft, all other things (width, pavement strength etc) being equal.

In any case there are critical factors affecting simultaneous operations on parallel runways. They involve not only runway considerations, but also taxiway layout and the position of passenger terminals with reference to the runways may make it necessary for traffic to cross active runways, a

situation which may not only lead to delays but also to a decrease in the safety level due to the possibility of runway incursions by either arriving or departing aircraft.

Having originally supported mixed-mode operations it became evident earlier in 2013 that the Heathrow airport management was preparing for a U-turn by dropping its support. Employing mixed mode would end Heathrow's custom of only using one of its runways at a time for arriving aircraft. The arrangements – under which landing aircraft switch runways each day at 1500, when there is a prevailing westerly wind – ensure residents living under the flight paths in west London have a period of respite from the noise. Moreover, operator Heathrow Airport Holdings (HAH) anticipates it could modestly increase capacity as airlines fly more of the bigger aircraft, such as the Airbus A380, into the airport. Another factor was the loss of support of British Airways for the practice on the grounds that it might damage Heathrow's operational effectiveness.

Mixed mode still has its supporters. London First, the capital's business lobbying organisation, reiterated its call for mixed mode operations several times as it believes it could enable Heathrow to support more flights to fast-growing emerging markets.

Equally, it has its detractors, and heavy duty ones, and led by Hounslow Council, which represents residents that are probably worse affected by noise than any other in Britain, and influential pressure group Heathrow Association for the Control of Aircraft Noise; also known as HACAN Clear Skies.

So while HAH will be pleased that it is the fairy at the top of the Commission's Christmas tree where the gift of new runways is concerned, it may be quietly disappointed that this thorny issue of mixed mode via the extension of an existing runway (rather than a fourth new one, which it argued for) has been regurgitated. The runway extension proposal did not even come from HAH, rather from an independent organisation 'Heathrow Hub', founded on a company called Runway Innovations, and which comprises the longest-serving Concorde pilot, an ex-ARUP economist, an architect, and the one-time MD of Biggin Hill airport, a general aviation/bizjet facility in southwest London. Heathrow Hub is one of few independent organisations that made submissions to have made any real impression.

In a way that is not surprising. In his regular column in the October 2013 edition of Management Today, Sir Howard Davies said, "It (*the summer*) wasn't exactly a quiet time. I ploughed through 58 submissions to the Airports Commission, each with a different approach to capacity planning from islands on stilts in the Thames to spaceports and runways equipped with maglev take-off vehicles launching jumbos silently into the west London skies. I haven't had so much futuristic fun since I gave up reading *The Eagle* (*a comic*)."

Other details of the report include the following:

- Next phase: The next phase of its work will see the Commission undertaking a detailed appraisal of the three options identified before a public consultation in autumn 2014;
- Other options: The Commission has not shortlisted any of the Thames Estuary options (to build an entirely new airport in that estuary) "because there are too many uncertainties and challenges surrounding them at this stage". It will undertake further study of the Isle of Grain option in the first half of 2014 and will reach a view later in 2014 on whether that option offers a credible proposal for consideration alongside the other short-listed options. The Commission has not shortlisted proposals for expansion at London Stansted or Birmingham airports, however there is likely to be a case for considering them as potential options for any second new runway by 2050. In its final report the Commission will set out

its recommendations on the process for decision making on additional capacity beyond 2030;

- Other recommendations: The report also contains recommendations to the government for immediate *short-term* action to improve the use of existing runway capacity:
 - an ‘optimisation strategy’ to improve the operational efficiency of UK airports and airspace, including:
 - airport collaborative decision making (CDM, an initiative of ACI);
 - airspace changes supporting performance based navigation;
 - enhanced en-route traffic management to drive tighter adherence to schedules;
 - time based separation;
 - a package of surface transport improvements to make airports with spare capacity more attractive to airlines and passengers, including:
 - the enhancement of Gatwick Airport Station;
 - further work to develop a strategy for enhancing Gatwick’s road and rail access;
 - work on developing proposals to improve the rail link between London and Stansted;
 - work to provide rail access into Heathrow from the south;
 - the provision of smart ticketing facilities at airport stations;
 - trials at Heathrow of measures to smooth the early morning arrival schedule to minimise stacking and delays and to provide more predictable respite for local people;
 - the establishment of an Independent Noise Authority to provide expert and impartial advice about the noise impacts of aviation and to facilitate the delivery of future improvements to airspace operations.
- Historical failure of new airport capacity/new look: The report also noted the historic failure to deliver new airport capacity in the UK and the Commission’s independent approach to the challenge. It confirms that a fresh look at the UK’s aviation needs was timely and necessary, setting out how much the global economy, the aviation industry and the domestic and international policy environment has evolved since the government last considered these issues in the 2003 ‘Air transport white paper’. The report sets out how well connected the UK is currently; how effectively the UK aviation industry has innovated and adapted to change and emerging capacity constraints to remain a world leader; and how new aircraft, new markets and the need to address climate change will present new opportunities and challenges. The report identifies that negative impacts are likely to proliferate as capacity constraints intensify, including in the areas of resilience, connectivity, economic growth and passenger experience.

There is no doubt that the Commission is right to highlight the short-term deficiencies, how the industry has adapted to challenges and to propose some sensible short-term measures such as improving the inadequate rail structure that hinders both Gatwick and Stansted airports and which all but cuts off Heathrow from key suburbs and towns in the south.

But these measures are yet more examples of papering over the cracks. What business and industry in particular wanted to hear are the longer-term proposals, in the (regrettably unsatisfied) hope that they wouldn't be too long off.

Winners and losers

So who are the winners and losers at this stage and why? (Allowing of course for the anticipated reaction, some of which has already been aired, and the potential for a judicial review of even this 'halfway' document).

Heathrow is clearly a winner but that was only to be expected as it is the preferred option for a new runway for the majority of politicians (excepting those with constituencies on the flight path); big business and its powerful representative lobbying bodies; the airlines; their alliances; remote UK regional airports (for international connections) and aviation representative bodies both domestic and international. If Davies had made ten pounds for every statement of support for Heathrow from these people and organisations he would be a millionaire on that basis alone.

HAH July 2013 new runway proposal

Heathrow expansion options



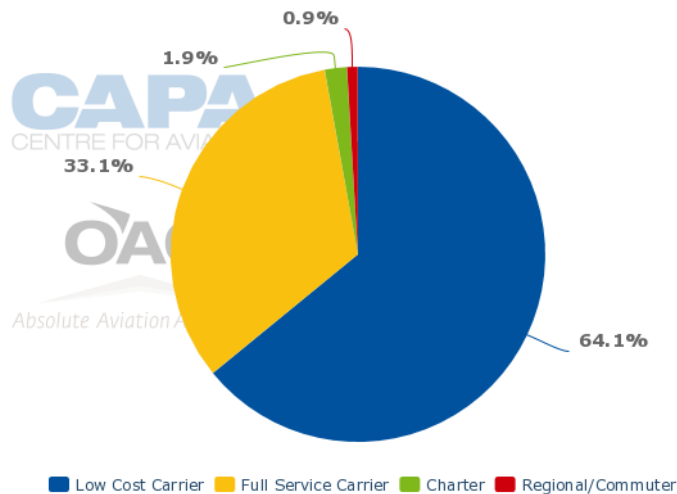
Source: BBC

Where HAH has not been entirely successful though is in its almost rabid attempts to convince the Commission that it is the country's only 'hub airport' and that nowhere else matters. The Commission appears to have rejected that premise if only by agreeing to short-list a second runway for Gatwick. This at least has given some crumbs of comfort and mild encouragement to other airport operators who perhaps sense it could open the door to an 'improved offer' from them in the intervening period before the final report is published. Davies seems to have opted for a mixture of a hub and 'point-to-point' capacity according to comments attributed to him, with Heathrow satisfying the former and Gatwick the latter. But allowing Gatwick a second runway at any time would enable it to compete with Heathrow as a hub, which is what it wanted as part of its 'Constellation' proposal to the Commission, one that envisaged the three London airports competing in open and fair competition with each other; each with two runways.

Gatwick Airport probably impressed the Commission not only with its 'fair play' approach to the exercise (although it must be said that Gatwick clearly wanted its own 'second runway' to come first, well before Stansted's) but also with the big investment (GBP1 billion) it has made or planned since Global Infrastructure Partners (and other investors) took it over four years ago and the consequent improvements that have been made there. Moreover, it is one of the UK's more diverse airports with a good mix of scheduled legacy and LCC traffic and charters, and situated, bluntly, where much

of the UK's wealth is to be found. In terms of business traffic it is second only to Heathrow. There is a strong environmental lobby in the area but expansion has the blessing quite broadly within the community where the airport is a major employer.

Gatwick Airport's seat capacity mix by carrier type, 16 to 22-Dec-2013



Source: CAPA - Centre for Aviation and [OAG](#)

Gatwick Airport's image of how a second runway to the south of the existing infrastructure might look (this scheme has since been amended)



Source: Corporate website

The **losers** – at least for now - are headed by London's Mayor Boris Johnson and his team, which so demonstratively advocated a Thames Estuary solution (and still does, he will not be silenced). In favour of this solution it must be said that it is the only one that could be considered an entirely new and radical approach, a 'Blue Sky' one if you like.

Interestingly, Davies revealed that the Commission had found it "quite difficult to compare" the options from Heathrow and Gatwick with the Thames Estuary proposals, which raised the possibility of a whole new economic centre in the UK. That remark is even more interesting because it suggests

that some macro-economic considerations have been taken into account at this stage while it would appear that the economic implications for the regions were not given anything like the same airing.

There were several different proposals for a Thames solution, two of them reputedly favoured by Mayor Johnson – one on the north bank of the Thames at the Isle of Grain, and a 'floating' airport proposal called 'London Britannia'.

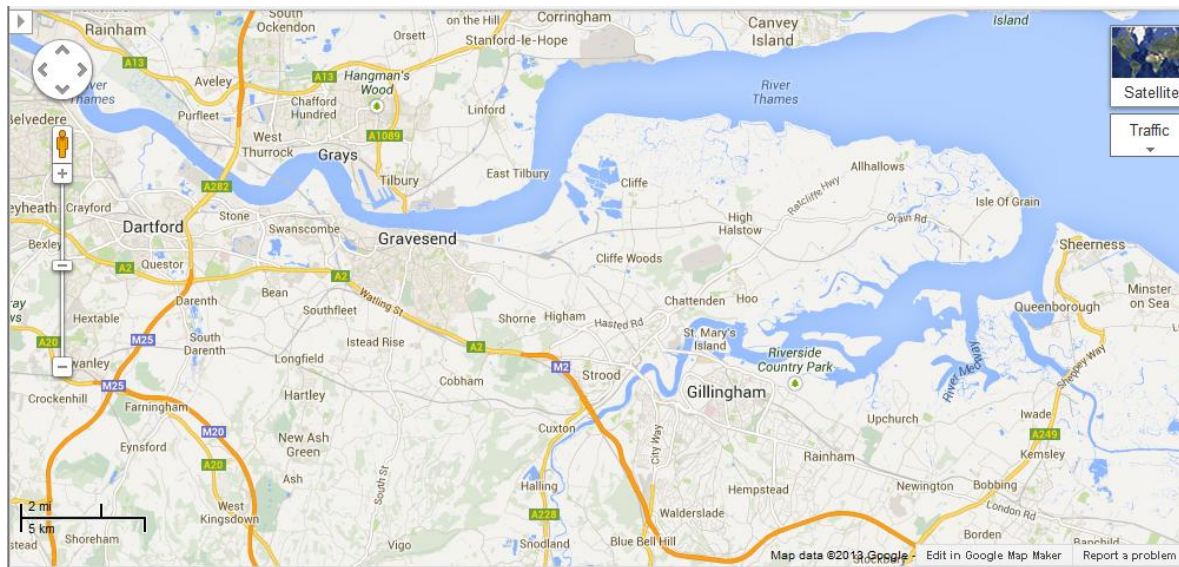
The main problem with this variety of solution is that it has been proposed so many times in the past, since the 1960s, either in and around the Thames (for example at Cliffe, close to the Isle of Grain) or further to the west, closer to Heathrow so as to suggest that its rejection might be a self-fulfilling prophecy.

But there are more substantial reasons than that why it always looked likely to be a dead duck including:

- Bad position vs. the rest of the country for a 'national hub airport'. It would be a long way off the beaten track for the vast majority of the population, even including those to the west of the London conurbation;
- Poor accessibility by road and rail (and who pays for improvements?);
- Cost. The best estimate would be a little short of GBP50 million but that would not include the cost of closing down Heathrow (including the loss of many tens of thousands of jobs) and the surface access improvements mentioned above;
- Vague funding proposals, varying from 'public purse' (at the same time as the public is being prepared to fork out for the HS2 high-speed rail project) to 'foreign sovereign wealth fund';
- Physical impediments – objects lying in and around the estuary, including sunken ships laden with ammunition;
- Potential bird strikes, from hundreds of thousands who regard the estuary as their home;
- Airline/alliance resistance – hardly a single airline has signalled that it wants to move to such an airport;
- The potential for any 'floating' airport to sink (cf. Osaka Kansai, Hong Kong Chek Lap Kok). Would any government, or private concern, really be prepared to underwrite such an eventuality, however unlikely?

Davies has not written off the Estuary proposals entirely. He said that specific pieces of work would now be done on the Isle of Grain option (not a 'floating' one), looking at the environment, whether new transport links are "practical" and whether airlines would be happy to move to a new hub airport (they've already made their position on that crystal clear). He denied that any pressure had been brought to bear by politicians pushing Heathrow or the Estuary options backed by the London Mayor, which is an issue that demanded clarity because in presentations to various committees (including the House of Commons Transport Committee) along the way he did appear to suggest that the Estuary airport solutions were very low down on his list, to put it mildly. He also said the Commission was unanimous in its decision; there was no 'majority verdict'.

Location of the Isle of Grain and Cliffe



Source: Google Maps

MAG's Stansted investment is starting to look questionable but could it still be rescued as Boris' Plan B?

Another loser is Manchester Airports Group, which acquired Stansted Airport in Feb-2013 for GBP1.5 billion with the assistance of the Australian investment fund IMF, which in turn took a 35% stake in MAG as part of the deal. MAG immediately set about investing in long overdue improvements to the tune of GBP80m billion when counting the contribution of other stakeholders there.

But MAG/IMF surely must have taken a gamble on Stansted on the basis that it had a chance of being selected for the Commission's shortlist, which was not the outcome. MAG submitted a plan which catered for one extra runway or up to four in total, at which stage it would replace Heathrow as the 'national hub'. One additional runway would increase capacity up to 90 million ppa while a four-runway facility could host up to 160 million ppa. A very low investment figure of GBP10 billion was calculated even for the four-runway proposal but as with the Estuary airports suggestions the cost of enhanced surface transport and of closing Heathrow could potentially increase that figure by a factor as high as ten.

One thing the MAG proposal did do was to offer Mayor Johnson a 'Plan B' that he might yet return to if and when the Estuary Big Idea finally sinks without trace.

A vision of what Stansted Airport could look like if it was turned into a four-runway super hub



Source: Daily Mail.

But otherwise, all MAG has out of its investment so far is the Commission's support for measures to increase capacity at the airport in the short term, including improving rail links between the airport and central London and a commitment that it has a "viable" case for another runway beyond 2030. While it is the case that it is the only one of the three main London airports with the capability to grow significantly during this decade and beyond (the other two being severely capacity constrained) in reality the management must face up to a future which is dominated by Ryanair (which has a little matter of 81% of the seat capacity this week and which will inevitably dominate even more owing to a deal it cut with MAG in the summer) rather than the legacy carriers that MAG covets to give Stansted some gravitas. It may take a while for it to recover from this setback and the management may be forgiven for wondering if they might have spent a little more time and effort tub thumping the case for the 'home' airport at Manchester, which already has two runways, oodles of spare capacity and the sort of traffic mix that many other airport operators can only dream of, and that of East Midlands airport, which is one of the most significant for cargo in the entire country but which barely rated a mention in MAG's submission.

Birmingham puts on a brave face and draws comfort from Davies' single hub rejection

Another provincial airport that must be disappointed with the outcome is Birmingham, which made a considerable effort to promote itself as a realistic alternative to the London airports in a case that was built around its central location (slap bang in the middle of England); fast rail access to and from London directly from the airport's own mainline station that will get faster still if and when HS2 is constructed; the capacity to take an extra 10 million ppa now; a soon-to-be opened runway extension that will permit non-stop flights to Southeast Asia and west coast USA; and the aforementioned desirability of re-balancing the economy in favour of industrial regions, of which the West Midlands is probably still the premier example in the UK.

One of Birmingham Airport's hard-hitting advertisements

**“The UK’s manufacturing base
is not near Heathrow.
So why do I have to fly from there?”**



William Wang, Managing Director of MG Motor UK

Source: <http://www.balancedaviationdebate.com>

Actually the Birmingham management put on a brave face with good reason as the Commission identified a second runway at Birmingham as a long-term option (though the management certainly has no intention of running headlong into that); because of its rejection of a single dominant hub model, because it could see advantages in making the most of Birmingham’s capacity in the medium term; and because it recognised the impact HS2 would have on its future development.

The management continue to feel, though that the Commission failed to honour its own remit of taking a “UK-wide perspective,” and “focusing disproportionately on the southeast, further entrenching the dominance of the southeast economy to the detriment of the growth of the rest of the UK.”

Latterly, Birmingham began to attract the support of Bristol Airport for this economic argument and since the interim report was published Bristol has been urging the government not to overlook the important role of regional airports. Bristol Airport has planning permission in place to develop and enhance facilities to serve 10 million passengers per annum - an increase of 64% compared with the present day. It might have helped if Bristol had been a little more forthright earlier in the campaign but it was distracted by its own drawn-out dispute over whether Bristol and the nearby Cardiff airport (which was renationalised earlier this year) should plough their own independent furrow or whether both should be replaced by a new ‘Sevenside’ airport. That dispute was complicated further by strong support in the city-region for Heathrow, which is directly accessible along the M4 motorway due east.

Big ideas to expand London Luton Airport – but not from the municipality

One airport that will not be disappointed at the outcome is London Luton, but that is only because the proposal put forward for a four-runway solution there came from a firm of London architects rather than from the Borough Council, which recently sold the lease on the airport to an AENA/AXA consortium, which took over from Abertis. Luton is probably too constrained physically for this sort of massive expansion and the change of lease came at a bad time, but one interesting part of the proposal was the creation of a rail line ‘spur’ off the trunk west coast (London-Birmingham-Manchester-Glasgow) line at relatively low cost directly into the airport.

Another airport that failed to make the cut was Manston Kent, about 60 miles east from London and even further out than the various Thames Estuary proposals, but which has a long wide runway (one that has recently been hosting A380 training for British Airways), could be linked into the HS1 (Channel Tunnel) high-speed rail line, and which has at least the tacit support of the local community for expansion. But Manston never really had a chance. It has no history of bulk scheduled air movements and in 2012 handled just 8262 passengers, 78% less than the previous year. Moreover, it

was being sold by Infratil for a pound while the Commission was doing its deliberating, which didn't help.

Nevertheless, the management there welcomed the Commission's findings and especially the interpretation of an assertion that Government policy should promote the benefits of smaller airports in London and the southeast system. Such an assertion raises the question though of whether the Commission is playing politics in this interim report, offering something for everyone. There were certainly many smaller airports around London hoping to gain something from the Commission, including Lydd Airport (also in Kent) and a couple of airports that do not even handle commercial services at all.

It may be premature to write off Manston's chances altogether. It is the preferred option of UKIP, the right wing political party that is making considerable gains at the moment and which has an outside chance even of holding the balance of power come the 2015 General Election.

Distant regional airports mainly support Heathrow

The reaction of most of the UK's more far-flung regional airports was to support Heathrow's case for at least one additional runway as they know that they depend heavily on it for international connections. Actually, that is not strictly true, because the fact that HAH can obtain much more from a slot occupied by a wide body jet on an international route than it can from a turboprop aircraft flying domestically is a big reason why the number of regional cities with direct flight access to Heathrow has slumped from 20 in 1990 to just six now. Indeed many small regional airports have as much or more frequency to and from Birmingham and Manchester as they do to London.

It is for that reason that a proposal to adapt a military airport at Northolt, about six miles north of Heathrow, into a domestic runway for the latter, was put forward to the Commission. Whilst the startling proposal found favour with some politicians and influential journalists it lacked credibility for a number of reasons and cut no ice with Davies.

The support of the more distant regional airports for the Heathrow option is one reason perhaps why the 'big two', Birmingham and Manchester, did not come out of this interim report as well as they would have liked. To put it simply, the various non-London protagonists were divided and conquered and the subtle change of propaganda by the HAH management towards the end of the campaign, when it started to talk about how lovely it would be if the good folk of Sheffield and Doncaster could fly directly into Heathrow (which they could if there was a new runway) undoubtedly played its part.

Since the report was published one or two of these regional airports (Exeter is an example) have woken up and smelt the coffee, encouraging the Commission "to push ahead but to ensure that there is a more definite move to supporting regional airports." But that rhetoric could and should have been made a long time ago.

So, in summary, the initial findings of the Commission are in favour of Heathrow firstly, followed by Gatwick, whilst it is keeping its options open for the moment concerning an estuary airport, for whatever reasons. There are a few crumbs for the other players, but not much. There are still many who believe that the choices made to date are politically expedient ones because promoting a new runway at Heathrow is handing politicians a licence to continue to do nothing at all, such would be the ferocity of the backlash and the determination of the 'no' campaign to fight to the death.

Meanwhile the country stands idly by while the likes of Dubai, Qatar, Abu Dhabi, Istanbul and even (eventually) Berlin build huge new airports or add big new terminals and runways.

Time will tell and there has certainly been – and will still be - much wasting of that commodity.

The last word is left to the Commission.

UK Airports Commission: *"Decisions on airport capacity are important national strategic choices and must be based upon the best evidence available. The Commission has undertaken a fresh, comprehensive and transparent study of the issues. This report is the product of extensive consultation, independent analysis and careful consideration by the commissioners. The UK enjoys excellent connectivity today. The capacity challenge is not yet critical but it will become so if no action is taken soon and our analysis clearly supports the provision of one net additional runway by 2030. In the meantime we encourage the government to act on our recommendations to make the best of our existing capacity. The Commission will now focus on the challenge of appraising the three options, further assessing the case for a new airport in the Thames Estuary, and delivering a robust final recommendation to government in summer 2015,"* Sir Howard Davies, chairman. Source: Company statement, 17-Dec-2013.

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