

CAA response to the Airports Commission consultation: Increasing the UK's long-term capacity

CAP 1263



Published by the Civil Aviation Authority, 2015

Civil Aviation Authority,
Aviation House,
Gatwick Airport South,
West Sussex,
RH6 0YR.

You can copy and use this text but please ensure you always use the most up to date version and use it in context so as not to be misleading, and credit the CAA.

The latest version of this document is available in electronic format at www.caa.co.uk

Contents

Executive Summary: Introduction	3
Need for new capacity	4
Challenges to delivery	4
Airspace	6
 Chapter 1: Response to question one	 7
What conclusions, if any, do you draw in respect of the three short-listed options?	7
 Chapter 2: Response to question two	 9
Do you have any suggestions for how the short-listed options could be improved?	9
Safety	9
Airspace	10
Community engagement	13
Night noise	16
Providing certainty	17
Consumer interest	18
 Chapter 3: Response to questions three and four	 20
Do you have any comments on how the Commission has carried out its appraisal?	20
Are there any relevant factors that have not been fully addressed by the Commission to date?	22
Developing the shortlisted schemes	22
Safety	22

Chapter 4: Response to questions five, six and seven	24
Do you have any comments on how the Commission has carried out its appraisal of specific topics (as defined by the Commission's 16 appraisal modules), including methodology and results?	24
Do you have any comments on the Commission's sustainability assessments, including methodology and results?	24
Do you have any comments on the Commission's business cases, including methodology and results?	24
Strategic fit	24
Impacts of expanding airport capacity on competition and connectivity	25
Cost and commercial viability	25
Biodiversity assessment	26
 Chapter 5: Response to question eight	 27
Do you have any other comments?	27
The CAA's information duties	27
Financeability / fundability / our regulatory duties	28

Executive summary

Introduction

1. The CAA welcomes the opportunity to comment on the Airports Commission's consultation paper concerning its appraisal of the three schemes shortlisted in its Interim Report.
2. The CAA has argued for some time that, without building another runway in the south east of England, consumers will suffer from higher prices, reduced choice and lower service quality. We therefore agree with the Airports Commission's view that there is a clear case for one additional runway to be developed in the South East of England before 2030.
3. However, building a new runway to benefit consumers cannot be achieved regardless of the effect on those on the ground. If it is to expand, aviation must manage its impact on the environment and take account of the interests of those affected by noise.
4. In the response below, the CAA has adopted a focus that considers consumers' best interests and our statutory duties (principally relating to economic, safety and airspace regulation in this context); and has examined pragmatic measures to minimise aircraft noise and engage local communities, as we consider these will be central to successfully building new runway capacity. We believe this approach will help to ensure the Commission's final recommendation is adopted by government and delivered by the successful operator within a reasonable timeframe and cost.
5. We have summarised the key points from our response in the following paragraphs, with fuller answers to the consultation questions contained within the relevant chapters of this response.
6. The CAA's previous contributions to the Airports Commission and other work on aviation capacity policy can be found on our website at: [Aviation Policy: Contributing to the work of the Airports Commission](#)

Need for new capacity

7. There have been many attempts to increase runway capacity in the south east of England in the past 60 years, and many have stated that without a new runway, there would be dire consequences for consumers, for the UK aviation industry and for the economy more generally. While these consequences have not been as obvious or stark as some predicted, consumers are feeling the effects of failure to develop new capacity today, and postponing a decision to build a new runway would have serious impacts.
8. Looking to the future, the CAA's assessment, reinforced by the latest demand modelling from the Commission, is that there is a strong case for new capacity in the next 15 years. Consumers are already suffering from increased prices, poor punctuality and weak resilience at some of London's airports as a result of capacity constraints. Limited capacity has also begun to manifest itself in reduced route choice. These impacts will worsen, and begin to affect the whole London airport system and beyond, if we do not act now to develop a new runway to be in operation by the mid 2020s.
9. Based on our review of the Commission's published assessments, the CAA believes that building any of the three shortlisted proposals is highly likely to be better for consumers than building nothing. In addition, the differences in estimated consumer benefit between the three schemes are of a much lesser scale than the costs of doing nothing. Given this, we expect the Commission's final decision to rest on weighing up other factors and that is rightly their role, not ours. Therefore, we express no preference for any one of the schemes over the others, and do not intend to offer any comments on which scheme best fits either our own expressed criteria (detailed in Chapter 3) or those proposed by the Airports Commission.

Challenges to delivery

10. We recognise the challenges to financing the schemes set out in the Commission's Cost and Commercial Viability analysis: all three shortlisted schemes represent unprecedented investment for the airport concerned. On that basis, in spite of the apparent benefits to consumers from expanding capacity, the CAA believes costs must be carefully managed, minimised and efficiently incurred, with a clear cut case that they are in the consumer interest.

11. The CAA is currently considering responses to its own recent consultation on a [proposed approach to the economic regulation of new capacity](#)¹. In that document, we set out some key principles, in particular risk allocation, encouraging commercial negotiations and paying for capacity before and after opening. These principles will guide our regulation, and we intend to publish an updated policy statement containing our latest thinking in spring 2015.
12. In calling for new runway capacity in the highly populated south east of England, we are mindful of the detrimental impacts such development may have on some of those who live near to the airport selected. We will continue to call for a scale of ambition from all parties to tackle noise and engage communities reflecting the importance of taking the opportunity to expand capacity.
13. In May 2014, the CAA published [Managing Aviation Noise](#)², setting out a series of measures for the aviation industry and policy makers to adopt to minimise noise and appropriately compensate those impacted negatively. We believe a strong package of measures to incentivise airlines to use the quietest aircraft, in the quietest fashion; to mitigate remaining noise; and to properly compensate local residents will increase the likelihood of a scheme being successful.
14. In our response, we call for the creation of a community engagement forum to bring all parties together to agree an approach to compensation and mitigation with national and community interests at its heart. We also update some of the measures we raised in Managing Aviation Noise, and call on the Commission to ensure that a full and frank conversation happens between all parties about the value of respite from noise, the choice between dispersing and concentrating noise and the impact of night noise on local communities.

-
- 1 CAP 1221, Economic regulation of new runway capacity – a draft policy: www.caa.co.uk/cap1221
 - 2 Cap 1165, Managing Aviation Noise: <http://www.caa.co.uk/CAP1165>

15. Greater clarity for local people on the impacts of the proposed runway is a vital element to delivering effective community engagement. Parity of information is an important driver of effective dialogue and debate between communities and industry. Clear, transparent and tailored information about noise, air quality and local impacts of the new runway should be made available to people in a timely fashion to facilitate these conversations.

Airspace

16. We appreciate those who may be affected wish to know in as much detail as possible what the potential airspace and flight path implications of a new runway may be. At present, it is too early in the process to be able to say that with any certainty. Therefore, we support making information about potential noise impacts in different scenarios as accessible as possible in the interim. Although this has the potential to increase blight prior to a final decision being taking, those who may be affected have clearly expressed desire for better information.
17. As the UK's statutory airspace management authority, the CAA oversees airspace in accordance with directions from the Secretary of State for Transport. We run the Airspace Change Process, whereby a body (for example, an airport or NATS) applies to the CAA for permission to change the structure of airspace. Changes to airspace structure are important in utilising a new runway, and achieving such changes is challenging. This links directly to our focus on tackling noise, but the need for sustained political and industry will to explain, engage, and compensate those affected in order to deliver change should not be underestimated.
18. Airspace in the south east of England is currently being reviewed as part of the London Airspace Management Programme (LAMP). While this programme is required to help to manage our increasingly congested airspace with or without a new runway, it is also likely to be a prerequisite to fully utilise any new runway capacity. As such, all parties must ensure that community engagement around both runway development and airspace modernisation are clear on the impacts and benefits of changes, and on whether they are required for the management of our current airspace or are linked only to developing a new runway.

CHAPTER 1

Response to question one

What conclusions, if any, do you draw in respect of the three short-listed options?

- 1.1 The CAA places the interests of consumers and the public at the heart of all that we do. Our responsibilities include the:
- Safety and management of UK airspace
 - Economic regulation of Heathrow and Gatwick airports
 - Enforcement of consumer protection rules around issues like cancelled flights
 - Enforcement of regulations and requirements relating to transporting dangerous goods by air
 - Management of the ATOL financial protection scheme for holidaymakers, which repatriates and refunds them if their travel firm fails.
- 1.2 Today, the CAA's focus is increasingly on identifying the key risks facing consumers and the wider public, then acting alongside industry to minimise the threat of harm. We combine rule-making, enforcement action and influencing into a flexible and pro-active approach to ensure that industry is focused on addressing these risks.
- 1.3 Regarding the three short-listed options, the CAA notes the Airports Commission's assessment of passenger and delay benefits as shown in the table below.

Option	Passenger benefits (£bn 2014) ³	Delay benefits (£bn 2014) ⁴
LGW	31-128	0.7-1.6
LHR ENR	36-118	0.6-1.5
LHR NW	41-129	0.8-2.2

3 Table 2.3 from each scheme's Business Case and Sustainability Assessment

4 Table 2.5 from each scheme's Business Case and Sustainability Assessment

- 1.4 This analysis reinforces the CAA's previously stated view that, without building another runway in the South East of England, consumers will suffer from higher prices, reduced choice and lower service quality. The CAA therefore agrees with the Airports Commission's view that there is a clear case for one additional runway to be developed in the South East of England before 2030⁵.
- 1.5 The CAA agrees with the Airports Commission's view that at this stage in their development, all three schemes appear to offer credible opportunities to build one additional runway considered across the assessment criteria, and the Commission's own assessment above suggests that the differences in the benefits for the consumer between the schemes are small compared to the benefit of any one of the schemes is implemented.
- 1.6 The CAA acknowledges that a decision to provide new runway capacity needs to balance factors other than the benefits to consumers, and therefore feels that it is for the Commission to weigh up the different costs and benefits offered by each scheme and decide on their preference in line with their Terms of Reference and Assessment Scheme.
- 1.7 However, from the CAA's consumer-focussed perspective - as we have described in previous submissions to the Commission⁶ - we believe the final recommendation ought to be the scheme that best meets these four criteria:
- Driven by consumer-demand
 - Financeable
 - Safe
 - Sustainable
- 1.8 We expand upon our high level assessment of the Commission's work in relation to our own proposed criteria in Chapter 4 below.

-
- 5 We expand on our view of future capacity requirements in our response to the Airports Commission's discussion paper on aviation connectivity:
http://www.caa.co.uk/docs/33/CAP1023_Response_to_the_Airports_Commission_Paper_on_Aviation_Connectivity.pdf
- 6 CAP 1013, CAA Submission to the Airports Commission: Sifting Criteria for Additional Capacity
<http://www.caa.co.uk/docs/33/CAP%201013%20AirportCommissionSiftingCriteria.pdf>