

**Royal Aeronautical Society - The Aviation White Paper: can we deliver airport capacity sustainably?  
Speech by Mike Hodgkinson, chief executive BAA plc - 14 November 2002**

We are two weeks away from the close of the most comprehensive consultation exercise into the future of air transport that has ever been undertaken in the UK.

The Government has been bold and ambitious in working towards a 30-year policy framework for aviation, and it has been right to do so.

Because with demand from people to fly set to treble within those three decades, it is clear, as the Secretary of State said in July, that to do nothing is not an option.

Too often, governments have looked at the UK's major infrastructure needs and decided it is all too difficult and much too expensive.

So we have had a policy of make-do and mend, patching up infrastructure, trying to get it on the cheap and then suffering the consequences, as individuals and as an economy.

We experience the legacy of that policy every day on the rail network and for those of us who live in London, on the underground and in the sad decline of the London docks.

But this Government has presented us with a once-in-a-generation opportunity to establish a truly enabling policy for air transport for this country, so that British airports and British airlines don't go the way of rail, tube and docks.

If the UK is to handle 500 million passengers a year by 2030, we need to plan and deliver some very major new infrastructure.

The Government's consultation is suggesting that up to three new runways will be needed in the South East, one in the Midlands and another one possibly in Scotland by 2030.

Five new runways for the UK in 30 years, when the UK has had only one major new runway, at Manchester, in the last 50.

These runways will need major new terminal capacity accompanied by large-scale investment in roads, rail and public transport by both airport operators and by the public purse.

You would not be surprised to hear that I support the provision of this capacity, in order to reap the benefits of air transport for the UK, both economically and socially.

And it is worth spending a few moments recapping what these benefits are.

Aviation is a great British success story. It employs over 180,000 people directly, and supports another half a million jobs throughout the economy, including 200,000 in tourism. Many of these jobs are high-quality jobs, highly-skilled and well-paid.

The Government estimates that expansion of airport capacity could create a further 260,000 jobs by 2030.

Aviation currently adds over £10 billion a year to UK GDP, and the Government estimates that the UK stands to gain another £15 billion in net present value through the proposed expansion of capacity in the South East alone by 2030.

The sectors of the economy which are the most globally competitive are much more dependent on air travel than traditional industries. These sectors — finance, pharmaceuticals, biotechnology, information technology — the important new industries of the knowledge-based economy, are the wealth-creators of the future. They need air transport to access their global markets and because speed of delivery is so crucial in these fast-moving

and growing industries. Their use of air freight is growing, and air freight now accounts for a third of UK exports by value. Some 70 per cent of this, crucially, is carried in the hold of passenger jets, reinforcing the viability of the network of global connections which the UK enjoys.

This good range of air access over the years has also helped the UK become Europe's number one destination for inward investment and to remain Europe's financial centre. And it helps maintain London's place as a world city, attracting 65 per cent of the world's largest 500 companies.

But air transport is also important because of the social benefits it brings. 80 per cent of all air travellers are leisure travellers. Many are visitors to the UK, visiting friends and family who live here, or UK residents visiting family and friends abroad.

But the greatest number of travellers are going overseas, or coming to Britain on holiday — to rest, to seek new cultural experiences, to learn, and to visit parts of the world which were inaccessible to their parents or grandparents.

Travel is not a frivolous activity. It is a force for social good, benefiting both individuals and communities.

While still far from perfect, the UK is perhaps the most ethnically and culturally tolerant, and cosmopolitan place on the planet. And the world is no longer the playground of the elite — it has, in travel terms, been democratised, opened to all.

I don't think you can divorce the benefits of such cultural diversity from the widespread air travel which helps makes it possible. So this is the background against which the Government is consulting on the extent and nature of aviation growth.

What I want to address the main part of my speech on is the nature of that growth, and whether growth can be sustainable.

I should say at the outset that I firmly believe in sustainable air transport, and I believe that air transport can continue to grow, and that it can grow sustainably.

Sustainable development is one of the seven guiding principles of the Freedom to Fly Coalition which BAA helped establish, along with other aviation interests, including the Royal Aeronautical Society, the inbound and outbound tourism industries, the TUC and major trades unions, and the CBI and other business organisations.

You can see that the Coalition is a very broad church of interests, whose common belief is that air transport should grow to reap the benefits for the UK's citizens and economy, but that it should do so responsibly and sustainably.

Sustainable development is about making progress on all fronts: environmental, social and economic. All these need to be addressed to ensure society's future quality of life.

But for most people, sustainability means securing benefits while eliminating, reducing, mitigating or compensating for disbenefits.

And that's what I will speak about now.

The core environmental issues on which air transport has to engage, which are well rehearsed, are climate change, noise, local air quality, surface access and the use of natural resources.

By and large, airports are the catalysts for these environmental impacts, rather than the causes of them. We provide the infrastructure for aircraft and passengers, but we don't fly the planes. But this gives us an important role as a catalyst for sustainability – lobbying, persuading, cajoling, influencing and in some cases directing the users of our infrastructure.

And it gives us the responsibility to lead by example.

This is a role which we at BAA, and airports generally, take very seriously, and which does deliver genuine improvements in environmental performance.

Of course, the real challenge is to ensure that the incremental improvements in environmental performance keep pace with the growth of the industry.

The biggest environmental issue is clearly climate change and most human activity contributes to this problem.

I'd like to put these human activities into context.

A quarter of man-made carbon emissions come from the power stations which provide us with electricity.

Almost a quarter come from private consumers and households.

A fifth comes from industry.

15% comes from combustion.

10% comes from road traffic.

4% comes from trains, trams, ships and other modes of transport.

Only around 2% comes from air traffic.

Now that doesn't mean that the contribution to global warming from air transport is therefore insignificant. Far from it. But it does mean that air transport's contribution should be seen within a global context.

Globally, CO<sub>2</sub> emissions from aircraft are forecast to grow to about six per cent of emissions by 2050, according to the International Panel on Climate Change's mid-range projections.

By any measure, that is still only a very small proportion. Yet the core issue should not be about how much air transport, or cars, or power stations are emitting.

It should be about the total level of carbon emissions this planet can sustain, and how these permitted emissions are allocated between activities.

I don't think the answer to climate change is to stop growth.

While every effort should be made to improve efficiency, in order to cut global emissions to an acceptable level, this does not mean that every human activity therefore has to be cut. Some activities and some industries can reduce their emissions much more easily and cheaply than others. Some things are blindingly obvious.

Western society is profligate with its use of energy. Lights are left on in homes and offices. Computers are left on. Hi-fi equipment, televisions and videos are left on standby.

At BAA, as our contribution to meeting the UK's Kyoto targets, we aim to cut absolute CO<sub>2</sub> emissions by 5% of 1990 levels – which is equivalent to a CO<sub>2</sub> reduction per passenger of 60 per cent – and to source ten per cent of our energy from renewable sources by 2010.

One of our initiatives is to run our airports two degrees colder in the winter and two degrees warmer in the summer to save on the energy used for air conditioning. Passengers don't notice any difference, but it cuts electricity use, it cuts our share of emissions and, coincidentally, it cuts our energy bills.

But the absolute levels of emissions from aircraft in flight cannot easily be cut, as the air transport industry is growing.

That isn't to say that the industry is doing nothing about the problem. Improvements are constantly being made to aircraft and engine design to increase fuel efficiency and reduce emissions.

These technological advances mean that modern aircraft are 70 per cent more fuel efficient, in terms of fuel burn per seat, than they were 40 years ago.

Some of this improvement has had a downside by increasing nitrogen oxide emissions, which weren't seen as a major problem in the past. But Rolls Royce, for instance, aims for a 50 per cent reduction in nitrogen oxide emissions by 2010, relative to the current standards. But the fact is that there are many more aircraft in flight, and the incremental benefits of technological improvements are being outstripped by incremental growth in aircraft movements.

I should also say, quite starkly, that there is simply no credible alternative aviation fuel to kerosene, and there isn't likely to be one in the next 50 years.

But this doesn't mean we do nothing. Business as usual is not a growth option.

So if technological improvements can't offer a medium-term solution, then we need to consider more innovative environmental solutions which will enable air transport to fulfil its social and economic potential.

As I have already said, I don't think the solution is to stop growth or to stop airports from being developed. And I don't think the answer is to slap a tax on kerosene to try to price people out of flying either. Because I think a crude tax is a blunt and inefficient instrument, which won't tackle global emissions, however attractive it might appear as a revenue raiser.

What the UK air transport industry and the Freedom to Fly Coalition think is that if aviation can't cut its own emissions sufficiently, then it needs to pay other industries which can cut their emissions more cost-effectively. This is the fundamental basis for emissions trading, which we believe is the best way to tackle this global issue.

Total emissions are contained within internationally-agreed ceilings, but an open, international trading of allowances can permit emissions to be reduced between sectors and between countries, where the cost of that reduction is lowest. So a firm which cuts its emissions below a target level can sell allowances for its excess reductions to firms which are either unable to reduce, or wish to increase, emissions.

This means that a British airline could buy an allowance from, say, a Russian power company which replaces an older, inefficient coal-fired power station with more efficient technologies. Or from a Swedish electricity company which improves domestic energy efficiency by distributing cheap low-watt light bulbs to its customers. What trading does is concentrate resources and effort where they are most effective. The revenue from the sale of the allowances may in part be used to cover the cost of the new technology, making it a win-win solution. It is a genuinely innovative solution to the problem of how air transport can grow sustainably and still contribute to cutting global greenhouse gas emissions.

This isn't pie in the sky.

The US Government already has a long-standing and very successful sulphur emissions trading scheme, which has cut sulphur emissions by 40 per cent of 1980 levels. This scheme has cut sulphur emissions further, faster and more cheaply than the Government ever expected, and as a result the US is well on the way to achieving its target 50 per cent reduction by 2010. The UK Government too has accepted the principle of national carbon emissions trading, and has a pilot scheme in which British Airways is participating.

We, in BAA are also considering our own internal emissions trading scheme, to help us meet our emissions targets. And the Institute for Public Policy Research has long endorsed this approach as, and I quote: "the most economically-efficient way to reduce greenhouse gases from aviation".

So there is a solid body of opinion which says this is the right way to go.

The UK air transport has shown real leadership and responsibility in embracing the principle of emissions trading. Our airline partners are actively lobbying the UK Government, and internationally, to support the establishment of such a scheme. And the international aviation community, through ICAO, is expected to commission consultants soon to work up the detailed design of such a scheme.

We should give credit to the UK Government for its part in this initiative.

In turn, I hope due credit and support is given to the industry for supporting this work and taking on the necessary commitments to ensure that its objectives are realised.

I have taken some time on this issue because it is so important.

It may not be our direct responsibility as airport operators, but as a company committed to sustainable development, we have a stake in ensuring that sustainable solutions are found to these global problems. But locally, other issues are of more immediate concern to airport communities, and it is these issues which are bigger barriers to growth.

The number one local issue is aircraft noise.

Aircraft are 20 decibels quieter today than their predecessors of 30 years ago. Improvements to engine, wing and fuselage design, improved operating procedures and higher technical standards have all contributed to this reduction in noise. For instance, in April this year, Chapter 2 aircraft – the noisiest in the skies – were banned from EU airports.

The results of these efforts have been dramatic.

Since 1980, the number of people affected by aircraft noise above 57 decibels – what the Department for Transport measures as 57dB Leq – shrank at Heathrow from 944,000 to 275,000, and at Gatwick from 38,000 to 8,700.

But while each aircraft is individually much quieter, the growing number of aircraft flying has presented a new noise challenge.

Also, over the years, concern has switched from noise at take-off to noise from arriving aircraft. Airports have taken a three-pronged approach to tackling noise. First, rigorous monitoring and enforcement of noise and track-keeping, to identify and fine aircraft which breach limits. Second, working with airlines and air traffic control on improved procedures.

An example is continuous descent approach. Pilots come in on a smooth, three degree glide path, rather than the traditional stepped approach, thereby reducing the noise from thrust and deceleration.

Third, lobbying for improved technical standards – a faster phase-out of noisy aircraft and higher noise standards for new aircraft.

Our trade body, the Airport Operators Association, last month launched a campaign to tighten these standards still further.

Through the AOA, we are calling for:

- the phase-out of marginally-compliant Chapter 3 aircraft by 2006
- the complete phase-out of all Chapter 3 aircraft by 2015

- the introduction of a new Chapter 5 regime, at least 14 decibels quieter than Chapter 3, by 2015

- and the introduction of even more stringent rules by 2030, linking a new Chapter 6 standard and the phase-out of all Chapter 4 aircraft.

I believe that these higher standards will make a significant contribution to further improving the noise climate around airports.

And, in fact, local airport standards also have their own important part to play.

The night noise rules at Heathrow, for instance, provide the benchmark for the design of the new Airbus A380 super jumbo. We believe this is the first new aircraft to come into production with a 1½ % cost penalty incurred in order to meet new, stringent noise requirements.

I strongly believe that if air transport is to be allowed to continue to grow, then aircraft will just have to keep on getting quieter. This is going to have to be part of the deal between aviation and communities.

The third core local issue is air quality, which is interlinked with surface access. Because the main cause of local air pollutants around airports is currently road traffic.

Airports have invested and will continue to invest in improvements to public transport access, to provide an alternative to the car for passengers and staff.

BAA can point to the £500 million investment in the Heathrow Express, to the free bus zone around Heathrow, to staff car sharing and many other initiatives as examples of our commitment to cutting road congestion.

Clearly, if airports are to grow, more will still need to be done. But I think it is fair to point out that while airports will pay their fair share – more than their fair share perhaps – they are not milch cows for funding local, regional or national government transport schemes. For instance, only 15 per cent of peak traffic on the roads around Heathrow – including the M4 and M25 – is going to or from the airport. The majority is local or commuter traffic. So investment in public transport to reduce M4 and M25 congestion must be done in partnership with other agents – local, regional and national government, the Strategic Rail Authority, Network Rail, rail companies, and the other local businesses who will benefit. But while roads are the main source of local air pollutants, airports are responsible for some others.

Emissions from landing and departing aircraft, from aircraft ground movements and from vehicles operating in the airport all contribute to air quality problems.

BAA works with airlines and air traffic control to cut aircraft taxiing time to reduce fuel burn on the ground. We have installed fixed ground power units to reduce aircraft engine running time. We have invested in low emissions and alternative fuelled vehicles for our own fleets, offering a £50 a month incentive to staff with LPG fuelled company cars.

At Heathrow, we have launched a clean vehicles charter and issued a challenge for all operators at the airport to adopt low emissions technology vehicles by 2005. And in the last month we have initiated consultation on a new charging regime for aircraft, which will take account of not only the level of noise made by aircraft, as at present, but also emissions of nitrogen oxides which can affect local air quality.

If agreed with the airline community, this regime will favour quieter, cleaner aircraft and penalise those which are noisier and have high emissions.

The scheme is designed to be revenue neutral, so BAA will gain no additional revenue from it. But we hope it will offer a real financial incentive for airlines to operate only the best technology at our airports. Such initiatives form part of comprehensive air quality strategies which our airports develop. These are practical and effective solutions. Combined with higher emissions standards for road vehicles, there is the real prospect that

pollution from roads will decline dramatically in coming years, which will help airports to manage their local air quality environments.

Finally, I want to comment on how we use natural resources – water, land, what we do with waste, and how we support biodiversity.

These are not issues peculiar to aviation though. They are issues for all society, all businesses and communities, and part of our approach to good corporate citizenship.

Airports do have a good record in this area.

BAA's airports have more than doubled the amount of waste which is recycled in the last four years, cut the amount of waste sent to landfill by 40 per cent and trebled the amount of energy recovery from waste.

Despite passenger growth, we have cut total water consumption, and water consumption per passenger has therefore been cut by a quarter since 1996. And all significant developments at BAA's airports undergo a full environmental assessment. Our approach is one of responsible stewardship, using natural resources sparingly and seeking to enhance, rather than degrade, the local environment.

Looking across the broad sweep of environmental issues, I believe that aviation is demonstrating a commitment to sustainable development, and I personally believe that it is possible for us to grow sustainably. But a cornerstone of achieving this sustainable growth is deliverability – both financial and administrative.

By financial deliverability, I mean creating a framework which will allow developers to raise the necessary funds and to secure appropriate revenues from the users of the infrastructure. In the case of BAA, it means a regulatory system which appropriately remunerates our investments.

Currently, the charges at our London airports are substantially below charges at major airports across the rest of the world. In fact, the Transport Research Laboratory's airport charges review shows that Heathrow's charges are ranked 35th and Gatwick's 49th out of the world's 50 major airports.

At around £5.50 per passenger at Heathrow and £4.00 at Gatwick and Stansted, it is clear that progressive increases are going to be needed to fund the £8 billion of investment which is already planned in the coming decade, let alone any new runways.

By administrative deliverability, I mean an enabling planning system based on constructive dialogue and not on conflict.

No-one wants to see a repeat of the process which will have taken 15 years to deliver Terminal 5 at Heathrow, which included the longest planning inquiry in our country's history.

Major developers can't help but look across the Channel in envy at the system which the French have devised. Under the French system there is proper, statutory consultation with communities before plans for major infrastructure are submitted, with constructive negotiation on mitigation and compensation, and a planning inquiry on design and implementation which has a statutory maximum duration of just one month.

This system allowed Charles de Gaulle to plan, apply for, consult on, secure permission for, build and open two new runways in less than the time it took for the Terminal 5 public inquiry. And the application to extend Charles de Gaulle Terminal 2 by more than the capacity of Terminal 5 did not even go to a public inquiry.

As the planning department at Charles de Gaulle told me when I visited them a few months ago: "A terminal extension is just like applying for an extension to your house."

The British Government is right to revisit the planning process, and I hope that reform is coming soon. Without reform, I can't see how any new runways will be delivered within the timescale they are needed.

While Terminal 5 may have been the catalyst for the need for planning reform, I hope BAA's experiences at Gatwick and Stansted can also show the way on the type of reform that is needed.

While T5 was mired in conflict, the situation at Gatwick and Stansted can't have been more different.

At Gatwick, a spirit of partnership, co-operation and trust was developed between the airport and the local communities.

Gatwick produced a sustainable development strategy, based on the existing single runway and two terminals, to raise the capacity of the airport from 30 million passengers to 40 million passengers – a £1 billion investment over ten years. This strategy was developed in partnership with Gatwick's local authorities over three years of detailed consultation and is legally binding. This ground-breaking approach had benefited all parties, by avoiding a costly and lengthy public inquiry. But its greatest benefit has been the genuine agreement reached by all parties on how Gatwick will develop, how the impacts of development will be limited and managed, and how performance on a number of commitments and actions will be monitored.

This has given confidence and certainty both to Gatwick and to its communities. And the cost savings which Gatwick has made by avoiding a public inquiry are being ploughed back into the local community, particularly into public transport and a new Community Trust Fund for local community and environmental projects.

Stansted Airport has learned from Gatwick's approach in the way that it has secured approval for the next stage of its growth.

The single runway is capable of handling 35 million passengers, although the original planning permission was for just 15 million. Stansted has been growing at an astonishing rate over the last four or five years, and was very quickly approaching its agreed capacity. The airport needs to expand, and was faced with two choices in how to approach growth. Either it could apply to raise capacity to its fullest extent, in one leap – an approach which would certainly have meant a costly public inquiry and considerable local opposition. Or it could seek an incremental step, to raise capacity by another ten million passengers, in an approach agreed through consultation and negotiation, in a similar way to Gatwick.

Stansted opted for the second approach and developed a detailed planning application after extensive consultation with its local authorities and communities. The application included a number of commitments relating to transport improvements, and to a multi-million pound package of community benefits, including support for affordable housing and a community fund.

Like at Gatwick, this approach has borne fruit, with the local planning authority in September giving approval to the airport to grow to 25 million passengers a year.

I believe that BAA is showing what can be done if stakeholders work together, constructively.

We certainly intend to continue to use this approach for our major developments and avoid, wherever possible, recourse to the old-style conflicts encouraged by the existing planning inquiry system.

The debate which has been opened by the Government's consultation on future airport capacity is, as I have said, a once-in-a-generation opportunity to plan properly for our air transport needs.

In the White Paper which will follow in Spring 2003, the Government must strike the right balance to achieve the greater understanding and shared vision of an achievable, sustainable future, where air transport can continue to flourish and can do so responsibly. And this vision needs to be coupled with practical means for delivery, especially through a reformed planning system.

I don't underestimate how difficult a task this is for the Government. But Governments are elected to make the strategic decisions in the national interest where individual companies or interest groups have no democratic legitimacy.

I have confidence that the Government will make the right strategic decisions.

We, in the UK air transport industry, will then have the responsibility to deliver the necessary developments.

I look forward to the challenge.