Opinion

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Heathrow T5 is part of a long-standing plan to utilise existing runway facilities fully

Expansion of airport capacity for London

The Department for Transport's White Paper: *The Future of Air Transport* strongly articulated the interdependence between the success of Britain's economy at regional and national levels and the air travel industry. Vernon Murphy FCILT takes a closer look at where the spotlight falls on this challenging relationship.

The DfT's recent White Paper *The Future of Air Transport* has concluded that simply building more and more airport capacity to meet demand is not a sustainable way forward – the so-called predict and provide approach. However, this has to be balanced against real concerns that not providing any additional capacity at major airports would significantly damage economic growth and prosperity not only in the south-east but also the country as a whole. Not surprisingly, this has put the spotlight on London's airports, and in particular Heathrow, where expansion has always been more difficult and controversial than elsewhere in the country.

Background

Over the last 50 years, successive Government policies have attempted to resolve the problems of expanding airport capacity for London, starting with the Inter-Departmental Committee Report of 1963, which plumped for a four-runway development at Stansted, followed by similar proposals at Cublington and Maplin Sands. This all predated the evolution of wide-bodied jet aircraft and once runway capacity ceased to be the prime concern a series of major terminal developments followed at Heathrow Terminal 4, Gatwick, Stansted and finally Heathrow's Terminal 5 to enable maximum utilisation to be made of the existing runways at those airports.

This went hand in hand with the recommendations in the Edward's Committee Report for a major second force airline (BCAL) and developing Gatwick as London's second international hub: a difficult role for a single-runway airport, particularly as this coincided with the heyday of growth in the inclusive tour charter sector.

To back this up, the Government introduced Traffic Distribution Rules to direct growth away from Heathrow's congested runways. The most important of these was that no airline new to Heathrow could start international services from that airport. In the case of the USA, the renegotiated bilateral agreement Bermuda 2 went further, by also restricting those cities that could be served from Heathrow.

Subsequent events – the demise of BCAL and then the abandonment by BA of its Gatwick hub strategy – highlighted the fallacy of the second hub concept. But before then, spare runway capacity at Gatwick in the summer season had become almost non-existent, even more than at Heathrow, and problems were growing with foreign governments whose air carriers had been unable to gain access into Heathrow and then Gatwick, with the occasional threat of retaliation against British airlines.

Response

Initially, the Government's response was to give BAA – at that time still a nationalised industry – the brief to build at Stansted a better and more attractive terminal than those at Heathrow and Gatwick. But shortly before completion, it realised that prescriptive rules were at odds with the growing worldwide liberalisation of air transport and abolished the rule prohibiting new airlines at Heathrow. This left Stansted with few customer airlines for its brand-new airport – and later gave Ryanair's Michael O'Leary endless opportunity to shout about terminals that were gilded palaces, as Stansted became Europe's leading low-cost carrier airport.

The progressive liberalisation of our international air service agreements has undisputedly produced major benefits for air travellers, particularly those flying to the main UK, European, North Atlantic and Far East destinations. At Heathrow, British and foreign airlines have increased frequency and choice worldwide, in many cases by downsizing aircraft capacity.

Gatwick's and Heathrow's runways just managed to eke out a difficult existence in the face of excess demand for slots. This was helped by such events as the Gulf War downturn, the demise of Danair and Air Europe at Gatwick, fine tuning runway operations to achieve maximum utilisation, opening of London City airport, the spread of low-cost airline networks at Luton, Stansted and regional airports, and the general downturn in the European charter sector.

However, at Heathrow the opportunity for airlines, other than a few well-established carriers with significant banks of runway slots, to start new services has been very limited other than at weekends, when frequency on the main European business routes falls off. Slots have only become available through buying them or from the small number that are released and re-awarded under the European Commission's new entrant rules; even then, timings are unlikely to be suitable.

Consequently, Heathrow passenger growth has been well below the industry average over the last few years and even with the dramatic relief for its overstretched terminals that will come from the new Terminal 5, this is likely to remain so in the future, coming solely through the introduction of larger aircraft. Even some of that is open to question if the Airbus 380 does not achieve the same wake vortex separation standards as the B747. On another key measure – destinations served – Heathrow has now slipped well behind its European rivals, although the combined figures for London's airport system are very competitive by any standard.

So is Government's ambition to align its aviation and economic growth strategies likely to fail because the shortage of runway capacity at Heathrow will gradually marginalise London and the South East as a prime worldwide business location?

As is so often the case with aviation matters, there is no clear cut answer. The core issue is, will routes to new emerging countries and cities get sufficient slots and at the right times, or will airlines simply choose to fly from competing airports in mainland Europe? However, the low-cost carriers at Stansted and Luton have opened up wide networks of services into Europe to major cities and more obscure leisure destinations. The latter are very popular with UK leisure passengers, yet about half of Stansted's traffic is now business and inbound leisure passengers, the key categories for the UK economy. Indeed, this compares well with the comparable figure at Heathrow: 60%.

Heathrow has at least 1,000 slot requests rejected every scheduling season. Will too many potential services switch to the continent?

Other experience has been patchy. Many new services to India have been accommodated at Heathrow, but flight schedules to South America and China have lagged behind other major European hubs. British Mediterranean has developed a network of flights to Eastern destinations from Heathrow, but the emerging Middle East hub carriers have had to set up a mix of flights from both Heathrow and Gatwick.

Where airlines need point-to-point and transfer passengers to give new routes the chance of success, there is no substitute for Heathrow and, indeed, a suitable timetable. With over a 1,000 slot requests rejected each scheduling season at Heathrow, are too many potential new services being diverted to Europe, even if many of those requests are tactical/political?

This puts the spotlight on the airline scheduling process and in some ways the market seems to be working against getting the most value from Heathrow's runways for UK plc. In recent years the luxury of seven extra return flights to Manchester – some now operated by small, regional jets – five more to Aberdeen, and Paris still enjoying 28 flights a weekday – even though Eurostar now has 75% of point-to-point traffic – sits uneasily with all those rejected slot applications.

In conclusion

It seems likely that a number of those flights were being held as a slot reserve for the final liberalisation of transatlantic services to the USA. Even so, will the UK economy benefit in the longer term from even more flights to New York and other major American Gateways from Heathrow, or for that matter the transfer from Gatwick to Heathrow of perfectly satisfactory point-to-point services to many other American cities? It may be significant that recently there have been further political delays in the US and a decision by BMI to suspend its Heathrow–Paris route.

The final resolution will be whether the proposals in the aviation White Paper to increase runway capacity at Heathrow can really be delivered. The recent progress report on the White Paper from the DfT looks superficially reassuring, but within it is the implication that environmental issues could delay a third runway by another 10 years or so whilst even mixed mode operations on the existing runways will have a number of hurdles before a planning application could be progressed.

About the author

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Information

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About half of Stansted's traffic is now business and inbound leisure – the key categories for the UK's economy