

## **Aviation Environment Federation response to Department for Transport consultation on *Reforming the framework for the economic regulation of UK airports***



The Aviation Environment Federation (AEF) is the principal UK non-profit making environmental association concerned with the environmental effects of aviation and supported by individuals and community groups affected by the UK's airfields and airports. We promote a sustainable future for aviation which fully recognises and takes account of all its environmental and amenity effects. These range from aircraft noise issues associated with small airstrips or helipads to the contribution of airline emissions to climate change.

While our focus is primarily on environmental as opposed to economic regulation, we support the use of economic initiatives to incentivise good environmental performance and believe such incentives could be more widely used. We also take an interest in how economic regulation aligns with airports policy generally. There are two aspects of the topic under consideration on which we would like to comment.

The first relates directly to environmental impacts. Currently, a large number of airports in England and Wales benefit from permitted development rights under Part 18 of the General Permitted Development Order. This allows a relevant operator to undertake some significant developments without planning permission, including navigational equipment, extensions to terminals, apron construction and the erection of other operational buildings anywhere on operational land (effectively, defined as all land within the airport perimeter). While Environmental Assessment Regulations may apply, and there is a requirement on the operator to consult with the local planning authority, many permitted developments give rise to environmental impacts with no opportunity to impose controls or conditions.

When Part 18 was first introduced, the intention was to permit urgently required navigational installations and other operational buildings without the delay of going through the normal planning application process. To limit these rights, Part 18 was only available to relevant airports and operators. In this case, "relevant" was defined as any airport subject to economic regulation by the CAA under the Airports Act 1986. In turn, qualification for economic regulation required an airport operator to have a turnover of at least £1 million in two out of its last three financial years. With time, this threshold has become out of date with many regional airports and even general aviation airfields able to claim qualification. Some of these airports do not even have commercial flights, yet they are able to benefit from permitted rights which provide commercial gain rather than serving any safety related function. The AEF believes that such developments should be subject to the normal planning process, and we urge the Review to consider ways of raising the threshold for economic regulation so that it applies only to large international airports.

This issue has been discussed by the Department for Transport in the past. One recommendation was to change the qualification threshold from a turnover of £1 million to a passenger throughput of 1 million passengers per annum. We would support the resurrection of this proposal.

Our second comment relates to sections 9.36 – 9.41 of the consultation on Special Administration, and to Q9.6. We do not consider that airports should be regarded as 'essential infrastructure' comparable with railways, water, energy and the London Underground. While utilities and public transport are necessary for physical wellbeing and employment, the majority of air travel is for discretionary, leisure purposes, and the drop off in business travel as a result of the recent economic downturn suggests that this too is in fact more replaceable (with electronic communication, for example) than previously thought.

The argument is frequently made that environmental considerations should be considered secondary to economic ones – an approach reflected, for example, in the current consultation document which suggests that promoting the interests of (fare-paying) passengers should be the primary duty of the economic regulator, with impacts on the environment coming in second. Yet it is important to note that the economic success of the aviation sector is boosted by a number of fiscal, legal and regulatory exemptions. Aviation benefits, for example, from a zero rating for VAT, an exemption from fuel tax, legal protection from noise nuisance claims and, most recently, a temporary exemption from the 'use it or lose it' approach to slot allocation which allows airlines free access to airspace on the basis of historical flight paths.

We do not believe that if – despite all these advantages – an airport such as Heathrow were to fail financially, there should be any further support from the UK Government. First, this would be inconsistent with statements made repeatedly by ministers that there will be no financial support from public funds for the proposed expansion of Heathrow airport, and that any new infrastructure will be funded entirely by BAA. Second, it is inconceivable that an airport as heavily used as Heathrow would simply fail. If the current operator went into administration there would undoubtedly be others ready to take its place. For the Government to artificially restrain prices in such circumstances would be unacceptable, particularly at a time when political debate about the proposed expansion at Heathrow has brought to the fore a number of questions about the true economic benefit of a hub airport.

AEF, 5<sup>th</sup> June 2009