

AIRPORTS UK

A POLICY FOR THE UK'S CIVIL AIRPORTS

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SYNOPSIS

This pamphlet offers a new analysis of the problems facing Britain's airports system. It shows how state control has led to an inefficient use of resources with passenger capacity under pressure in the London area and in excess everywhere else. It explains how the British Airports Authority uses its monopoly position to raise charges to the airlines and their passengers to fund its development programme, including the costly proposals for expansion at Stansted, and why no positive regional strategy has yet been produced.

A new system involving the creation of a Scottish Airports Authority, of separate private sector companies to run London's airports and the sale of municipal airports to private enterprise is proposed. The solution of the capital's problem lies in expansion at Heathrow and its other airports supported by measures to encourage traffic growth at the major provincial airports. It is a strategy designed to find new sources of finance and to offer competitive services to the air traveller free from the burdens imposed by the state. Conservative policies offer a constructive solution to our national requirements.

INTRODUCTION

Britain's airports play a vital role in our economy. A fifth of our visible trade worth over £21,000 million and the bulk of our 12 million foreign visitors passed through them in 1980. They provide direct employment for over one hundred thousand people and help to support one and a half million jobs in the tourist industry. Heathrow, which alone handled 27 million passengers last year, is the busiest international airport in the world and, together with Gatwick through which nearly 10 million passengers passed, makes London the principal air traffic centre in Europe. All the recent forecasts suggest that air traffic to and from Britain will continue to grow more rapidly than our domestic or the world economy. The decisions we take about future airport development will be a critical factor in Britain's economic revival. We cannot afford to overlook the opportunities for new employment and profitable investment that air transport offers or lose them to our competitors.

Responsibility for these decisions lies with the government. It determines the pattern of air services and the level of air fares. Through its agencies, it owns our major airports in south-eastern England and central Scotland as well as the smaller ones in the Highlands and Islands. The regional airports

belong to the local authorities. British Airways, our largest airline, is still publicly owned. The prosperity of this sector of the economy has inevitably depended upon the policies of the government. The constraints of state regulation and limited public finance still apply at a time when demand for more competitive services from a wider range of airports is increasing. It is within this framework that the final decisions on expanding capacity at London's airports and the future of regional airports policy will be taken.

The Conservative Party needs to re-examine the structure within which airports policy is formed to see whether it serves the public interest. We have to decide whether state control or private ownership is more appropriate. We need a strategy that recognises national and regional objectives and that accommodates planning considerations to the country's financial resources. New sources of finance must be sought and the vital decisions over expanding capacity at London's airports must be commercially sound. The case made out here suggests fundamental changes in each of these areas.

AVIATION, AIRPORTS AND THE STATE

The Background of State Control

The source of state control over civil aviation lies in the principle of exclusive national sovereignty and airspace. Each government has the right to decide what air services to, from or over its territory it will allow. This right was recognised and reaffirmed by the 1944 Chicago Convention and the post-war Bermuda Conference. A complex network of bilateral agreements between governments covering air routes, airline carriers and fares has therefore developed over the past thirty-five years. The creation by airlines of the International Air Transport Association (IATA), to which more than a hundred of them now belong, provided an organisation to co-ordinate fares and other conditions for travel. This regulated system has proved to be an ideal environment in which "flag-carrying" national airlines can flourish. Our own nationalised carriers, BEA and BOAC, developed in this climate until they were merged to form British Airways in 1972. State control over air traffic licensing and national airlines is still one of the key factors in the international aviation market.

The Licensing Authorities

Responsibility for licensing air services to and from Britain is now shared by the Department of Trade and the Civil Aviation Authority (CAA). The Department conducts negotiations with foreign governments over air services to and from the U.K. and puts our national views to bodies like the EEC Commission. It has the detailed assistance of the CAA, a hybrid body created in 1972 from various government agencies with duties covering air safety, navigation and licensing, in assessing foreign airlines' applications to operate services to this country and in judging the appropriate level at which to set fares. The CAA itself has the duty of licensing services and approving the fares of airlines operating within the U.K. and to and from our shores. It has access on a confidential basis to financial information supplied by our carriers which is vital to its work and that of the Department. In practice, their co-operation is so close that they can be regarded as the two halves of one regulatory body. Together, they aim to secure good service to the air traveller, adequate profits for efficient operators and the protection of British market interests in agreements with foreign governments.

The Airport Operators

Direct control over Britain's major airports

has been in government hands since 1945. The Department of Trade is responsible for the activities of the British Airports Authority (BAA), which was created by legislation in 1965 to provide better commercial management for London's airports at Heathrow, Gatwick and Stansted and for the airport at Prestwick in Scotland than government departments had previously achieved. It has since added to its network by acquiring Edinburgh, Glasgow and Aberdeen airports. There is no doubt that the profits the BAA has consistently earned from its commercial operations have offset losses on traffic operations and helped to fund heavy capital expenditure on new facilities. In 1980-81, for example, the BAA made a profit of £41.9 million on shopping concessions, rents and other services and a loss of £4 million on aircraft landing, parking and apron charges. This pattern of income is accepted internationally in order to keep direct charges on traffic down. But the ownership and management of all the facilities at Heathrow and Gatwick, through which four-fifths of our international passenger traffic passes, enables the BAA to dictate the level of charges to the airline operators to meet not only current costs but also the need to fund future airport development. It is directly from the airlines and indirectly from their passengers that the resources for new terminals and facilities at Heathrow and Gatwick have been found. Should it be needed, the

development of a third major airport in the London area will be largely financed in this way. The detailed supervision of the BAA's finances and its corporate plan by the Department of Trade make it the government's principal instrument in airports policy.

The national picture is complicated by the existence of a large number of municipally-owned airports, some of them developed from former military airfields. The success of Luton Airport which caters for 2.5 million charter passengers a year provides competition for the BAA's airports in the London area. It is expected that the growth of traffic at Manchester will mean it will handle 5 million passengers in 1981 making it our third busiest airport after Heathrow and Gatwick. Elsewhere, the local authorities provide facilities at Newcastle and Teesside airports in the north-east and at Birmingham and the East Midlands airports where passenger capacity will continue to exceed demand. The the south-west, Bristol's airport at Lulsgate has better potential because of its location and a better financial record than Cardiff. The highlands and islands of Scotland are served by eight airports - Benbecula, Inverness, Islay, Kirkwall, Stornoway, Tiree, Wick and the important terminal at Sumburgh, built at a cost of £34 million, to service the North Sea oil fields - run by the CAA. Overall, the airports run by the local authorities and the CAA operate, with some notable exceptions, at a loss.

Either way, they are subject to the financial constraints on capital expenditure imposed by central government and its policy decisions.

Government Policies - Conflicting Interests

The record of policy decisions by past British governments has been a mixed one. They have rightly recognised the contribution our airports make to employment, the balance of payments and to economic growth. They have seen, moreover, that this contribution is largely made at Heathrow and, to a lesser extent, at Gatwick because they handle the bulk of our passenger and goods traffic. Providing extra capacity in the London area has therefore been regarded as the key to protecting or enlarging Britain's share of the international market. The need to act on this issue has been stressed by government departments and the BAA alike. But each successive recommendation in favour of Stansted or Cudlington or Maplin as the site for London's third airport has been overturned by a combination of public resistance, altered economic circumstances and political vacillation. There has been little or no encouragement for the development of a positive strategy for regional airports since they are unable to offer substantial relief to the pressure on Heathrow. The story is one of twenty years of conflict between the airports' interests and the environmental lobby.

It is to the credit of the Conservative Government that the major issues are now being faced. The previous Labour administration conducted the Maplin Review in 1974, issued a two-part consultation document on airports strategy in 1975 and 1976, published a White Paper in 1978 and set up two study groups which reported late in 1979. It tried to cope with increasing air traffic by transferring air services, particularly to the Iberian peninsula, from Heathrow to Gatwick. Where they undertook studies, we have come to conclusions. The government has accepted that, even with a fourth terminal at Heathrow to raise its annual passenger capacity from 30 to 38 million and a second one at Gatwick lifting its limit from 16 to 25 million passengers a year, there is likely to be a shortage of capacity in the late 1980's. It indicated in December 1979 that it was against a fifth terminal at Heathrow or a second runway at Gatwick and ruled out an airport at Maplin. Instead, the government invited the BAA to bring forward proposals for developing Stansted to take up to 15 million passengers a year and to safeguard land for eventual expansion to a capacity of 50 million passengers per annum. These proposals and the possible alternative solutions are now the subject of a public enquiry. In the meantime, the double-edged weapon of transferring services from Heathrow to Gatwick by compulsion has been abandoned: the government will rely on the difference in landing charges between the two airports to make Gatwick more

attractive to airlines. Manchester's growth as an international gateway airport is to be encouraged and traffic at other major regional airports like Birmingham, the East Midlands and Newcastle is to be accommodated as it develops. In Scotland, Prestwick is to keep its long-haul international services and Glasgow and Edinburgh their domestic and European routes. The government's view of the development of airports in the future, both in London and the regions, is therefore clear.

The Issues

The logic behind the government's thinking is equally clear. It is straightforward enough to employ the existing machinery, the BAA and local authority airports, to meet expanding air traffic demand. It is sensible to develop an under-utilised airport at Stansted rather than a greenfield or coastal site. It makes sense to respond flexibly to the growth of traffic in the regions. Above all, to a government committed to restraining public expenditure it promises to preserve our position in the aviation market at the cost of the traveller rather than the taxpayer. It is a further step forward in the evolution of our post-war airports policy.

What this strategy does not do is to question the framework on which airports policy has rested since

1945. It accepts that airports should be public sector facilities. It is assumed that the BAA, the CAA and the local authorities are the only appropriate bodies to own and manage airports in Britain. That today's travellers should pay for the new facilities required tomorrow is accepted without question. It appears that the growth of traffic in the London area is to be managed by state direction but that elsewhere in Britain the principles of laissez-faire are to determine the response. The system of government control over traffic, routes and pricing and the method of funding and managing airports has been accepted unchallenged.

The Conservative Party is under no obligation to accept these assumptions. We should recognise them for what they are: the intellectual apparatus of Socialism. It is our duty to ask whether this system of control and of funding and managing airports actually serves the public interest. We need to consider whether there are new sources of finance in the private sector or from the airlines which can be tapped. Is there a better mechanism for accommodating the interests of London, Scotland and the regions? Has the right choice of site for London's third airport been made and what will the effect be on the airlines? These are the issues that should be at the centre of the public debate. We believe that there are alternative solutions that better reflect our concern as Conservatives

for competition, economy in the use of scarce financial resources and commitment to the regions.

A NEW STRUCTURE

State ownership of Britain's airports has been justified since 1945 by the argument that the government alone could provide the facilities required for mass travel. Public control, so it was claimed, would encourage the efficient use of resources by eliminating wasteful competition and enable consistent charging and investment policies to be adopted. It would therefore be easier to plan new facilities and to take account of regional needs.

The benefits promised by Socialist theory have not materialised in practice. Control over Heathrow and Gatwick has effectively given the British Airports Authority monopoly powers over the airports system. It has used this power to charge air travellers via the airlines not only for its existing services and installations but also to meet the arbitrary financial targets set by government and to fund its future development programme. The BAA requisitions the resources it needs in the long run. In the short term, the constraints imposed by state ownership can lead to a damaging halt in building and expenditure programmes as they did at Heathrow and Gatwick in 1979 and 1980. Neither represents an efficient use of resources. This financial system means that a major user like British

Airways finds itself competing with foreign airlines who may enjoy exclusive terminal facilities at their home airports and contributing to the provision of facilities at U.K. airports where it carries little traffic. There has been a persistent attempt to eliminate competition from Luton, either by taking it over or by attracting its traffic away through special concessions on below-cost landing fees at Stansted, and to place the BAA in a position to take over the major regional airports. The development of local authority airports well in advance of potential traffic demand has led to an excess of capacity almost everywhere outside the London region. Two decades of controversy over the site of the capital's third airport have shown how hard it is to plan new facilities. Public control has created a major monopoly operating at the expense of air travellers and exploiting the prospective shortage of capacity in the south-east for its own aggrandisement. It is not surprising that a coherent national airports strategy has yet to be developed. The fault lies in the system of public control itself.

There is nothing in the record of ownership of the airports by the BAA or the local authorities to support the case for continuing public ownership. No vital national interest is safeguarded by it at all. Admittedly, the BAA has claimed our national objective of securing as large a share of the civil aviation

market as possible as its own and used it to justify its incessant demand for a third London airport and its imperial ambition to acquire other airports. But there is no reason why the Conservative Party should accept this identification of the BAA with the national interest since the present system has clearly wasted resources and imposed extra burdens on the airlines and air travellers. The government has accepted that British Airways should be transferred to the private sector as soon as possible. The airports are basically installations for handling the airlines' passengers and freight. We believe that Britain should follow the example of the United States by introducing private capital into their funding and by reorganising their management on more rational lines.

REORGANISATION

1. Scotland's Airports

Two distinct elements can be recognised in the BAA's empire, the airports in the London area and those in Scotland. The BAA inherited only Prestwick, Scotland's long-haul intercontinental airport, in 1966 but subsequently acquired Edinburgh's Turnhouse airport in 1971, Glasgow's Abbotsinch airport from the municipal corporation and Aberdeen from the CAA in 1975. The major airports north of the border are thus managed as a unit: their first-class runway and

terminal facilities provide Scotland with more excess passenger capacity than any other part of the U.K. In fact, the steady build-up of domestic and European services at Edinburgh and Glasgow to passenger-carrying levels of over one and two million per annum respectively has generated local pressure for the transfer of Prestwick's traffic to one or other site. The even more rapid growth of long-range helicopter movements from Aberdeen to the North Sea oil installations has cast doubts on the future of the CAA's £34 million investment at Sumburgh in the Shetlands. Despite the growth in overall traffic to 5.3 million passengers in 1980 and the large degree of administrative autonomy they enjoy, the BAA's Scottish airports have made persistent losses: they have been supported by the financial resources extracted at Heathrow. For rather different reasons, principally the commitment of successive governments to supporting the economy of the highlands and islands, the CAA's network of eight small airports has had to be subsidised by the taxpayer through government departments. This excess of capacity and dependence upon subsidies is characteristic of public enterprise.

The last Labour government considered the case for rationalising the administration of Scotland's airports. Under its devolution proposals, the Scottish Assembly would have assumed responsibility for the airports of the BAA and CAA. Since passenger

traffic north of the border is only about ten per cent of the U.K. total, it makes sense for these airports to be run as a separate unit. The present government decided in December 1979 to retain Prestwick's intercontinental role and the division of domestic and European traffic between Edinburgh and Glasgow. A target of financial break-even has been set for the BAA's airports by 1982/3.

Obviously, no such result can be expected from the CAA's highland and island airports which will continue to need support from public funds. These decisions mean that for air traffic purposes, for administrative and financial purposes, the BAA's Scottish Airports form a distinct unit. Indeed, it would be far more appropriate for them to be formally separated from the BAA and to become, along with the CAA's airports, part of a Scottish Airports Authority responsible to the Scottish Office. Ulster already has an airports authority responsible to the Northern Ireland Office, so no new principle is involved here. The creation of this authority would provide an opportunity for airports staff, the residents of the areas in which they are situated and the local authorities to invest in its equity. It would also open up the possibility of investment by the airlines and other institutions, particularly the oil companies, in terminal facilities. A mixed capital structure, whatever its details, would reduce the level of public support required. It would also ensure that the excess of capacity in Scotland

is sharply reduced before more development is undertaken. For these reasons, we believe that a Scottish Airports Authority should be established to manage the airports now run by the BAA and CAA in Scotland and to attract new investment before any further expansion takes place.

2. London's Airports

The separation of the Scottish airports from the BAA would leave it with control of Heathrow, Gatwick and Stansted which, together with Luton, constitute London's airport system. Their operation as a group is envisaged in the BAA's current corporate plan. Heathrow and Gatwick are seen as the major international airports for scheduled services with Stansted eventually attracting services on the densest routes like the North Atlantic from Heathrow and charter traffic to Europe from Gatwick. Luton is expected to concentrate more on short- and medium-range charter traffic from the south-east to the continent without its passenger numbers growing very much at all. The development of a fourth terminal at Heathrow and a second one at Gatwick plus initial development at Stansted involves capital expenditure of £467 million by 1985/6. It is this programme for which the landing fees at Heathrow and Gatwick have been so sharply raised and which has caused the airlines to appeal to the courts for protection against the exercise of the BAA's

monopoly power. It is no wonder that the government is so anxious not to burden the taxpayer with this expenditure.

The present method of funding only makes sense if today's travellers are expected to subsidise the facilities for future ones. Of course, there are alternatives. In the United States, airlines either finance and build their own terminals or lease them from the airport operators and meet the working costs directly. Capital expenditure has in the past been met partly from the proceeds of a Federal ticket-tax but mainly through tax-exempt bonds issued by the airport authority operators and guaranteed by the airlines. Their airports successfully meet their running costs (with very low overheads and restricted staff numbers, leaving the terminal operations mainly to the airlines), cover the depreciation of their assets and make a capital return without the need to provide new investment funds in advance. Indeed, airlines like British Airways actually own and operate their own terminals in the U.S.A. (e.g. at Kennedy Airport, New York) but are denied the opportunity of doing so at Heathrow or Gatwick on the grounds that this would complicate BAA's operational problems and deny it the chance to make the most efficient use of the available space. In fact, it is the BAA's monopoly over space on the ground and in the terminals that enables it to apply monopoly pricing to the airlines.

This process has artificially raised charges to the airlines and air travellers over the past decade to a level where it would be more economic to borrow the money for future capital expenditure than to raise it by the present method. Current travellers are paying at a higher rate than is necessary: the burden of financing new facilities should fall on those who use them, not on passengers going through the airports now. This is obviously against the public interest and requires major changes in the BAA's role.

The superficial solution would be to remove the BAA from the public sector, rename it the London Airports Authority and offer its equity for sale to the employees at each airport, the residents of the surrounding areas, the airlines and the financial market. The level of profit to be made on commercial operations at Heathrow and Gatwick would be attractive to the City institutions and the airlines would welcome the chance to invest in their own terminal facilities. And the business potential of the terminals could be exploited along the lines practised at Frankfurt and Schiphol. A private sector organisation would no longer have to meet the financial target set by the government and would be free to fix its own investment programme. Control of Heathrow, Gatwick and Stansted would still, however, enable it to set charges to the airlines at a discriminatory level and it would still be required

to fund the development of a third London airport. This would not be in the interests of travellers or the airlines. The temptation to a government to exploit a private sector monopoly or take it over would eventually prove irresistible. We therefore reject a London Airports Authority in the public or private sector.

Luton's example shows that competition is an effective spur within the London airports system. We believe it is essential to encourage more competition in the area. We accordingly propose that Heathrow, Gatwick and Stansted should each be owned and managed by separate private sector companies. The sale of equity to on-site employees, local residents and in the City poses no insuperable technical problems. It would free the airlines to invest in terminal facilities or to sell and lease back accommodation at a competitive rather than a monopoly rent. New installations could be constructed and financed either by the airport company or the airlines. The airlines would be able to decide where, within the overall limit on air traffic movements at each site, to concentrate their operations. British Airways, for example, might escape from the £10 million in additional costs imposed by the compulsory transfer of its Iberian services to Gatwick and the loss of most of its passengers to the Spanish and Portuguese airlines

still operating from Heathrow. There would be a strong commercial incentive for each airport to offer the airlines competitive rates for landing charges: responding to the level of demand is more sensible than the present method of imposing on the airlines. In the longer term, new airlines entering the British market would almost certainly find financial advantage by operating from Gatwick rather than Heathrow or from Luton or Stansted in preference to the other two. Given anything like the most recently projected growth in U.K. passenger traffic in the next ten to twenty years, the return on funds invested in private sector airport companies would be enough to finance future development.

3. The Regional Airports

One result of the BAA's control of London's airports has been to institutionalise the capital's dominant share of Britain's air traffic. The shortage of capacity there is in stark contrast to the surplus at the municipally-owned airports in the regions where investment has occurred in the past on extremely optimistic assumptions about the likely growth of passenger traffic. Complaints by Members of Parliament from these areas about the under-use of their airports are a persistent feature of debates in the House of Commons. It is noticeable that those Labour Members who are critical of London's role in

the system and keen for traffic to be redistributed to the regions have made no direct comment on the BAA but have attacked successive governments for failing to assist their airports directly. Their demand is for state intervention to boost the economies of the areas they represent and for their municipal authorities to be free from the controls on local government expenditure introduced in 1980. They believe in state monopoly in this sector of the economy but want it adjusted to favour their local interests. Dressed up as a plea for a regional strategy for airports, their appeals seem compelling.

These arguments are highly misleading. The fact that most municipal airports, as the Labour government's consultation document pointed out in 1976, have considerable excess capacity and that, collectively, they have to be subsidised by their ratepayers demonstrates that scarce financial resources have been inefficiently employed. In practice, the local authorities concerned find themselves torn between the commercial requirements of running an airport and the pressure exerted on their members by local residents and environmental groups. The result is often an uneasy compromise over hours of operation and the provision of new runway and terminal facilities. Financially, the airlines cannot be charged the full economic cost for the services provided because of low traffic

demand and the bill has to be met by the ratepayers. As long as the BAA controls London's airports on behalf of central government, a positive regional strategy offering support to the regional airports is bound to have a low place in any list of priorities. This is the vital issue the Socialists ignore. It is difficult, moreover, to see any grounds on which the ownership of airports actually contributes to good local government or provides facilities which would not otherwise be made available. Large commercial operations like airports are best run on commercial principles without their objectives being obscured by direct political considerations. If government controls on local authority expenditure are inhibiting expansion plans, then that is a compelling argument for removing regional airports from municipal ownership.

The Conservative Party genuinely believes in ownership by the public. Since the municipal airports perform no vital local government function and provide no service that cannot be supplied by the private sector, we propose that their equity should be offered for sale. Initially, this offer should be made to all those who work on these airports and to the residents of the areas where they are sited. The machinery to indentify both groups already exists and the offer could be sent out along with rate demands. It would also be possible to draw

in investment from local businesses. We regard it as essential to give them a direct stake in their airports. Of course, where an airport owned by one authority is sited in another council's area (e.g. Lulsgate) or is owned by two or more authorities (e.g. East Midlands), the offer would have to be apportioned between them on an agreed basis. There might also be a case for offering a stake to residents in neighbouring areas affected by noise from overflying. Neither problem is insuperable. Only then would any residue not taken up be offered on the open market.

We recognise that transferring these airports to private ownership will not in itself generate more traffic although it will free them from the constraints on public expenditure. The captive support of rate-payers will certainly not be available. But it is necessary to offer positive incentives if substance is ever to be given to regional strategy. To attract individual funds, the four or five major airports outside London should be permitted to issue medium-term bonds free of tax on redemption. Since fuel costs account for a third of airline direct operating costs, services operated from these airports should pay a lower level of duty on aviation fuel than elsewhere and the operators should be able to claim an allowance against corporation tax on their landing charges. Measures of this kind will stimulate services from regional

airports far more effectively than straightforward government subsidies could do.

Conclusion

The new structure suggested here has many advantages. It recognises that state and local government control of airports has led to a shortage of capacity in the south-east and excess everywhere else. It frees airport finance from the constraints of public expenditure and introduces new private sector resources. Scotland's distinct needs are met and the BAA's monopoly in the vital London area is broken. There will be effective competition between airports under our proposals. Real commercial discipline can only be of benefit to the air traveller and to the economy as a whole. Breaking the stranglehold of the BAA on airports policy is essential if Britain is to develop a rational strategy for Scotland and the regions. Without it, no sensible decision on the major issues of the site for London's third airport will be possible.

A THIRD LONDON AIRPORT?

London's international airports make a vital contribution to the prosperity of Britain's economy. Heathrow was our leading port in 1980 handling imports and exports worth £16,144.5 million. Our airline revenues of well over £2,000 million p.a., which provide essential support to the balance of payments and our invisible earnings overseas, depend upon first-class airport facilities here. The contribution from tourism is even more valuable: over half of our 12.5 million foreign visitors in 1980 passed through Heathrow or Gatwick. Their total spending of c.£4,000 million supports one and a half million jobs in the hotel, entertainment and transport industries, many of them in the regions where alternative employment is hard to find. In fact, the growth of tourism to Britain in the seventies has made a contribution to the economy second only to the stimulus from North Sea oil.

Good communications are essential to our success as a trading nation. The regeneration of our economy depends upon strengthening sectors like banking, insurance, mercantile services and civil air transport where we are internationally competitive. Failure to provide for the expected growth of air traffic to and from London, the course so eloquently advocated

by Sir Colin Buchanan, would damage the City as a financial centre and our chances of finding new markets for our goods and services. Our share of world tourist traffic and our ability to travel abroad would be reduced. The idea of allowing traffic to be diverted to Schiphol in Amsterdam or the Paris airports is an imprudent and impractical folly. New airport facilities will be needed in the London area if our national interests are to be safeguarded: the issue is when and where and at what cost they should be provided.

The Timing of the Need

Of course, there is some surplus capacity at London's existing airports. At Heathrow, which handled 27.5 million passengers in 1980, the upper limit will be 30 million until Terminal 4 opens in 1985 raising it to 38 million. Gatwick can take no more than 16 million until a second terminal is built to lift its capacity to 25 million passengers a year. At Stansted and Luton, the upper limits must be put at 4 and 5 million passengers a year respectively. This is a system with a ceiling at or about 72 million passengers a year.

Recent estimates suggest that London's airports will be under severe pressure by 1990. The Department of Trade's 1975 consultative document

predicted that the level of passenger traffic in 1990 would be between 67 and 107 million: the 1978 White Paper calculated it as lying between 66 and 89 million; and the report of the Advisory Committee on Airports Policy (ACAP) in 1979 put it in a range between 69 and 81 million passengers. The BAA was therefore perfectly entitled to argue that extra capacity would be urgently needed by the late 1980's. Its estimates put passenger traffic at 53.2 million in 1985, 70.2 million in 1990 and 87.2 million in 1995. These figures are much higher than those expected by our major airline, British Airways, which estimates London area traffic at 48.2 million in 1985, 59.6 million in 1990 and 73.4 million in 1995. British Airways' view of the likely rate of growth in passenger numbers has been supported by the calculations produced by a Department of Trade working party last September: these suggest levels of 44.5 to 50.9 million passengers in 1985, 52.6 to 70.3 million in 1990 and 59.7 to 89.3 million by 1995. The technical basis on which all these calculations were made is bound to be a major issue at the public enquiry now going on at Stansted. But it does appear that the need for additional capacity in the late 1980's is less pressing than the BAA has argued and the government thought when it indicated its preference for Stansted in December 1979. The best judgment now is that new facilities will probably be required during the early 1990's. We therefore have a wider range of options than the

government envisaged in 1979.

The Possible Sites

The choice of a suitable and acceptable site is the major investment project to be undertaken in Britain before the end of the century. Some damage to the environment is inevitable. Our overriding concern in examining the narrow range of possible sites must be to ensure that the country's resources are effectively employed. That means looking at the financial implications for the airlines and their passengers as well as the costs of construction for the airport and all the facilities - housing, roads, schools, etc. - it will bring in its train.

(1) Maplin

Superficially, the most attractive site for a new airport capable of handling 15 million passengers a year in its first stage and up to 50 million a year eventually is at Maplin on the south-eastern coast of Essex. Existing communities would be least disturbed and minimal noise nuisance would be created by development there. It would be sited in an area where population and employment growth is planned. Unfortunately, Maplin has extremely poor road connections, the A13 and A127, with London and badly overloaded rail lines to Fenchurch Street and Liverpool

Street stations. Its distance of over 40 miles from the capital makes it extremely unattractive to passengers by comparison with Heathrow or Gatwick and would also impose a formidable cost penalty on airlines obliged to operate at more than one site. No alternative location for the Shoeburyness firing range is available. The Study Group on South East Airports (SGSEA) calculated in 1979 that over £1,250 million would be required to open an airport at Maplin capable of handling 15 million passengers a year and that this would take seventeen years. It was the most expensive of the options studied. This is still true. We believe the government was right to reject it: Maplin has no contribution to make to the solution of London's airport problems in this century.

(2) Stansted

The case put for Stansted seems more convincing. An airport owned by the BAA with a 3,000 metre runway capable of taking all types of aircraft already exists there. It has relatively good road access to London via the M11 and a rail spur could be provided to a new airport terminal linking it to the lines into Liverpool Street and possibly into St. Pancras if major works are undertaken. 1,500 acres of Grade 2 agricultural land would be needed for the first stage of development up to 15 million passengers a year and a further

2,500 acres would have to be safeguarded for future expansion. But no more than 6,000 additional houses would at most be required in the BAA's view for a workforce of between 16,000 and 21,000 people by 1991. In employment terms it would provide what the Chairman of the BAA has described as "an oasis of opportunity in a desert of decline". Even in an area of hitherto strict planning control, this growth may appear acceptable. The cost of the airport development only for the first stage would be £400 million at mid-1981 prices. An enlarged airport could be ready, if needed, by 1988 with scope for future expansion up to 50 million passengers per annum.

The BAA's arguments for the development of Stansted depend to a considerable degree on the claim that only there can new facilities be provided before the end of the decade. In view of the revised passenger forecasts produced by the Department of Trade, this pressure is no longer a determining factor. There is no doubt that an airport two-thirds as busy again as Gatwick now is would have much more pronounced effects on the surrounding area than the BAA has allowed. Studies made for Essex and Hertfordshire County Councils show that up to 24,000 employees plus their families could be expected to migrate there by the time Stansted was handling 15 million passengers a year and that perhaps as many as 21,000 dwellings would be required. A massive increase in population

in towns like Bishops Stortford, Thaxted and Saffron Walden and in the villages on the Essex/Hertfordshire border would have to be provided for. The area of planning restraint on London's boundary would be irretrievably broken and the green belt raided to find at least another 1,000 hectares for housing. To meet the needs of the workforce, the local road network would have to be completely modernised. It is most unlikely, moreover, that British Rail would be able to meet the capital cost of building a new rail link - about £160 million in current prices - because there would be no return on the investment for nearly a decade. The total investment simply for the first stage is well over £1,000 million without taking into account the added burden on the airlines. And the process, of course, would not stop until Stansted is capable of taking 50 million passengers a year. If the BAA receives permission to develop there, north-west Essex and south-east Hertfordshire will be covered in concrete early in the twenty-first century.

(3) A Fifth Terminal at Heathrow

Investment on this scale makes it essential the right decision is reached. The BAA's "Stansted or nothing" approach is no longer credible and its denunciation of the most recent traffic forecast is a measure of its discomfiture. Throughout its arguments, moreover, no account has been taken

of the financial penalties inevitably incurred by the airlines if Stansted is developed. British Airways, for example, hopes to carry twice its current number of passengers by the late 1990's but would need forty extra aircraft and would have to meet additional annual costs of £150-200 million. The airlines as a whole would have to use smaller, less fuel-efficient aircraft if traffic were divided between three rather than two London airports. Experience of split-site operations at Montreal and Washington shows that transferring passengers between airports imposes deterrent costs. A long list of airlines - Aer Lingus, Lufthansa, SAS, Swissair, etc. - is opposed to development at Stansted. There is no certain means of compelling foreign airlines to move there and it would be invidious to force British ones to do so. They and their passengers are already bearing the cost of funding the BAA's development programme. Stansted's growth would require even more oppressive exercise by the BAA of its monopoly pricing powers at Heathrow and Gatwick than at present. It is these hidden costs that have prompted the airlines to suggest the more effective use of existing airport sites.

There is room for a fifth terminal at Heathrow on the site of the Perry Oaks Sludge Disposal Works operated by the Thames Water Authority. This covers 276 acres to the west of the existing terminal area and between the two runways up to the line of

the A3044: together with a further 222 acres between the road and the M25, it was regarded as an area for possible future expansion until 1978. The inspector at the public enquiry into the building of a fourth terminal on the southern side of the airport indicated that, but for the time factor involved in making it available, it was the better site. The Labour government ruled it out of consideration in its 1978 White Paper and it was therefore not studied in the ACAP and SGSEA reports published in 1979. Since then, the Thames Water Authority has indicated that it would be prepared to release the site in two stages, provided that an alternative site of about 140 acres is found and the costs of relocation are met. A number of possible alternatives have been identified and studied. The release of the southern part of the Perry Oaks site would make 155 acres available for the development of a terminal capable of handling up to 10 million passengers a year by about 1990. Road access would be provided by a spur from the M25 into the terminal and the Underground Piccadilly Line would be extended from Heathrow Central to Perry Oaks. With the whole site, including land west of the A3044, potential terminal capacity of up to 25-30 million passengers a year is feasible. The new housing needed at this upper level would be less than that required with 15 million passengers a year at Stansted and could be accommodated in the growth already planned for the Reading/Wokingham/Aldershot/Basingstoke area. None of the costs for

split-site operations would arise for the airlines. Even if a fifth terminal at Heathrow required investment on the scale needed for Stansted's first stage - which is highly improbable - the demand would be spread over a much longer period and the cost to the airlines and air travellers correspondingly lower. On economic grounds, the advantages of a fifth terminal at Heathrow are overwhelming.

The government was not prepared to endorse further development at Heathrow in 1979 because a fifth terminal would not be ready to meet demand in the late 1980's and because it wished to limit air traffic movements (atm's) and noise nuisance over west London. Now that passenger traffic is expected to grow more slowly, a fifth terminal is a practical choice once again. With the progressive introduction of larger aircraft, the long-term trend is for passenger traffic to grow more rapidly than aircraft movements (which are static at major airports like Heathrow and New York). The airlines anticipate that the passengers generated by a fifth terminal could be carried within the overall limit of 275,000 atm's to be imposed from 1985, using one runway for landings and the other for departures. New noise regulations in effect from January 1986 and the replacement of aircraft like the B707 and DC8 by wide-bodied jets means that, by 1990, a drop of 85 per cent in the population affected by noise intrusion will have

occurred. Recent studies have shown that, as a result of changes in technology and the composition of aircraft fleets, the construction of a fifth terminal capable of handling 30 million passengers a year would cause no measurable increase in the reduced noise levels legitimately expected in the 1990's. The reservations that held the government back in 1979 are no longer valid. It is hardly for the BAA to protest that Perry Oaks' 276 acre site is too small for a terminal to handle 15 million passengers a year when its own terminals 1, 2 and 3 occupy some 350 acres in the central area of Heathrow with an annual capacity of 30 million. Even if green belt land between the A3044 and the M25 has to be taken for car parking and ancillary facilities, the tens of acres lost scarcely compare with the thousands of acres of farming land it looks forward to sacrificing in Essex and Hertfordshire. The BAA's further claim that an extra terminal offers no long-term solution to London's shortage of capacity assumes that it can see further and more accurately into the twenty-first century than any forecast yet made. A fifth terminal at Heathrow complements existing facilities and provides for growth in passenger traffic as far ahead as anyone can see. In our view, it is the right solution.

Conclusion

Britain must build on the advantages our

airports already provide. Heathrow has a major contribution to make in the London area and the possibility of a second runway at Gatwick in due course cannot be ruled out. The opportunity to expand Luton's traffic not just to its existing limit of 5 million passengers a year but perhaps substantially beyond to double that level is there if new access, terminal and landing facilities are provided. Stansted must certainly expect to accept up to 4 million passengers a year in future and it would be profitable to establish a heliport in the east end of London. The challenge to London as the major airport centre in Europe can and will be met if our proposals are adopted.

The tax concessions we outlined earlier are designed to ensure that the major regional airports can win a greater share of our national traffic. Manchester airport is already functioning as an international gateway. We support the government's view that Newcastle is an obvious choice for such a role in the north. But there is an invidious choice to be made sooner or later between Birmingham and the East Midlands airports in central England. It is just as difficult in the south west where Cardiff has been provided with better terminal facilities than Lulsgate near Bristol: on balance, Lulsgate's much larger catchment area and its superior motorway connections recommend it for major development. These

are the airports - Manchester, Newcastle, Birmingham or the East Midlands, and Bristol - which should qualify for the tax concessions and for which funds should be sought from the EEC's regional aid and social budgets by the government. Encouraging the growth of traffic from these provincial airports is a key element in our long-term strategy. They certainly possess the capacity to support a wider range of international services as a recent Economist Intelligence unit report shows. All the BAA's proposals for the development of a third London airport at Stansted offer is the prospect of a continuing waste of our national resources. This is not an oasis of opportunity but the cruel mirage of bureaucratic aggrandisement we have been pursuing since 1945.

SUMMARY

Our analysis shows that state control of airport development since 1945 has led to an inefficient use of resources. We have a shortage of capacity in the London area and a surplus everywhere else. The British Airports Authority exploits its control of Heathrow and Gatwick to extract the funds for its development programme from the airlines and their passengers. Its plans for a third London airport at Stansted mean the perpetuation of its monopoly in the U.K. Regional airports may grow only as fast as local demand. Airports policy is to be shaped in the mould cast thirty-seven years ago.

We believe that a new approach is urgently needed. The constraints of state control must be broken. We have therefore suggested a new administrative structure consisting of:

- (a) a Scottish Airports Authority to run the major lowland airports and those in the highlands and islands;
- (b) separate private sector companies to own and manage London's airports;

(c) the transfer of airports owned by the local authorities to private ownership.

Under our proposals there would be investment from existing employees, local residents and businesses as well as the airlines and major institutions in the new airport companies. A special package of tax concessions would assist four or five regional airports to develop. Expansion at Heathrow, Gatwick and Luton would obviate the need to undertake expensive and environmentally disastrous investment at Stansted.

The proper role of the government is to secure the routes for air services to and from Britain and to ensure that the fares are set at competitive levels. We fully support the efforts being made to achieve these objectives through bilateral negotiations and in the EEC. But it is under no obligation to control and fund airports development. The opportunity to find new financial resources and a strategy to use them more effectively in the regional and national interest now exists. Socialist airports policies have failed the nation. It is time we adopted Conservative ones.

BIOGRAPHICAL DETAILS

GRAHAM BRIGHT is Member of Parliament for Luton East, elected in 1979. Previously he has been a Borough Councillor and a County Councillor. He is Joint Secretary of the Conservative Back-Bench Aviation Committee in the House of Commons and a Vice Chairman of the Conservative Back-Bench Smaller Businesses Committee. He is Secretary of the Food and Drink Sub-Committee of the Conservative Back-Bench Agriculture Committee and Chairman of an international food company.

MICHAEL COLVIN is Member of Parliament for Bristol North-West, elected in 1979. Previously he was a part-time member of the Conservative Research Department specialising in civil aviation and aerospace matters. He is Chairman of the Conservative Back-Bench Aviation Committee and a Vice Chairman of the Conservative Back-Bench Smaller Businesses Committee. He is a member of the Select Committee on Employment.

CHRISTOPHER THOMPSON is an academic historian. He was educated at Oxford and subsequently became a Fellow of the Institute of Historical Research. In 1971 he won the Royal Historical Society's Alexander Prize. Between 1977 and 1981 he was a member of Essex County Council and has worked at the House of Commons in an advisory role since 1979.

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