

## 5. National Policy Scenarios

### 5.1. Introduction

- 5.1.1. This chapter sets out a range of possible options for development of airports and air services, ranging from facilitating airport development through to restricting expansion. The Regional Air Services Co-ordination Study (RASCO) Reference Case is effectively based on a continuation of current policies and is used for comparison against the other scenarios.
- 5.1.2. The section also looks at possible policy mechanisms for delivering these scenarios. It should be noted that not all the options explored are feasible within the existing legal framework and others would require particular steps to be taken to satisfy legal requirements. Therefore the scenarios do not take account of all these legal parameters at this stage. Both the policy scenarios and policy mechanisms should be considered as options for consultation, not firm proposals for action.

### 5.2. Policy Scenarios

- 5.2.1. In order to inform debate on the provision of airport capacity, a series of national policy scenarios were devised as a focus for forecasting and appraisal in the RASCO Study and for understanding the interactions between airports within regions and across regional boundaries. These scenarios are intended to provide decision-makers and interested stakeholders with a conceptual tool for considering the nature and scale of the impacts (both positive and negative) of different possible national and regional policy approaches. They should not, therefore, be seen as refined or formal policy proposals, but as alternative broadly-based policy directions, whose definition depends in part on the measures potentially available to government to implement them.
- 5.2.2. Our scenarios cover the full spectrum of potential policies (see Table 3.2.1 below). They range from active government encouragement of the growth of the aviation industry, through to policy packages which effectively curtail the degree of demand for air services within the UK by limiting any expansion of the UK airports system. As well as covering a wide range of possible future growth scenarios for air services, the scenarios also cover different options for the spatial distribution of this demand within a region.

Table 5.2.1: National Policy Scenarios

Policy Scenario	Description
RASCO Reference Case (RRC)	Assumes continuation of existing policies, and capacity of 300 mppa in the South East (i.e. largely meeting unconstrained demand). This scenario, therefore, sees three new runways provided in the South East, with other enhancements to achieve the 300 mppa capacity figure.
South East Constrained (SEC)	Significant constraints on the development of South East airport capacity (to the level already catered for in the planning system), with no constraints at regional airports.
UK Wide Constrained (UKC)	Significant constraints on the development of both regional and South East airport capacity.
Facilitating Growth (FG)	No restrictions placed on airport development. Associated schemes that will encourage airport growth, such as rail links and road enhancements, are approved.

Fly Local (FL)	Development is restricted at major regional airports to distribute air services more evenly. Growth is facilitated at second tier regional airports, small regional airports, and potentially at new regional airports.
Concentrated Growth (CG)	Development is facilitated at selected airports, which have the potential to become regional 'growth poles'.

5.2.3. Each of the six National Policy Scenarios is described in turn below, alongside a brief outline of the key assumptions that underlie them and the potential policy mechanisms available to government to help deliver them. Details of the forecasts employed to assess their impacts on demand for regional air services at regional airports throughout the UK are provided in Chapter 6.

### 5.3. Scenario Descriptions

#### RASCO Reference Case (RRC)

5.3.1. The key aim of this scenario is to provide a baseline for a fair and consistent comparison of the impacts of other scenarios. The RASCO 'Reference Case' forecast (RRC), assumes a 'mid-point' level of demand for air services by 2030, as well as allowing for around 300 million passengers per annum (mppa) capacity at South East of England airports by 2030. This level of capacity is a little less than the expected demand for those airports.

#### Possible Policy Mechanisms

- This scenario assumes existing environmental, fiscal and aero-political frameworks remain in place.
- New development is permitted where there is an acceptable balance between economic, social and environmental considerations.
- Environmental impacts of new developments will be mitigated as far as is reasonably practicable.
- Current regulatory policy and tax regimes affecting aviation remain broadly similar. (i.e. the introduction of a kerosene tax or allowing environmental taxes).
- Current international conventions and agreements, both international and bilateral (such as Bermuda II) and institutions (such as ICAO and IATA) continue to apply.
- The European Union continues to apply the common Air Transport Policy, developed over the last ten years. Liberalisation of the market has been carried out in three packages of measures, including Public Service Obligations (PSO) regulations and common rules for the allocation of slots at community airports. Current initiatives include a unified European Air Traffic Management system to ensure adequate airspace capacity remains in place and delays are maintained at acceptable levels.
- Airports contribute to the cost of new surface access infrastructure needed to support new airport capacity to the extent that they benefit.

5.3.2. The 1998 Integrated Transport White Paper "A New Deal for Transport" set out policies on the sustainable development of airports, growth of regional

airports to meet local demand, and integration with surface transport (especially public transport).

### **South East Constrained (SEC)**

- 5.3.3. The key aim of this scenario is to examine the implications of constraining airport capacity in the South East but not in other regions. The SEC Scenario assumes (as with the RRC Scenario) mid-point demand in the DETR 2000 Air Traffic Forecasts, but also that capacity at the London airports is restricted to 150 mppa (i.e. to that already in the planning system including approved plans<sup>1</sup>).

#### Possible Policy Mechanisms

- The planning system could preclude the development of any further major infrastructure at the South East airports, effectively capping capacity in the South East system. In conjunction with this, the planning framework could favour infrastructure development at specified regional airports in order to serve overspill from the South East airports.
- Airlines, keen to get maximum value from their restricted slots, would be likely to employ larger aircraft (at times of the day when there is spare terminal capacity) with the South East airports increasing their proportion of long haul point-to-point traffic. The amount of short and medium haul traffic (including charter and 'no frills') able to operate from South East airports would be significantly reduced. Our analysis indicates that about half of this traffic would shift to airports outside the South East system, increasing their range of point-to-point routes and interlining services, and the other half would be lost from the UK airport system entirely.

In a slot-restricted environment, long haul services would increasingly dominate the main London airports. In these circumstances more regional air services to London would probably be displaced from Heathrow to other London airports, thereby reducing regional access to long haul services. Government could allow the development of a regional hub to reduce the reliance on London for interlining and accessing a wide range of the range and frequency of onward services, but such a hub would not provide connections to long haul routes that would be available at Heathrow or a new London hub airport.

### **UK-Wide Constrained (UKC)**

- 5.3.4. The key aim of this scenario is to illustrate the impact of severe constraints on airport capacity throughout the UK. This forecast is underpinned by the assumption that very little capacity growth is permitted at South East or regional airports. Under this scenario capacity would be no higher in the South East in 2030 than in 2015 and capacity in the regions would be constrained to current plans (including approved plans). Because very little growth is allowed, it will minimise the environmental impacts associated with airport growth.

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<sup>1</sup> The impacts of this scenario are somewhat weakened but not fundamentally changed if the South East Constrained case in the SERAS study and Part 3 studies for the Midlands and Scotland are used. The assumptions under SERAS scenario differ in that it assumes maximum use of existing runways in the South East; this includes terminal developments at Heathrow - Terminal 5, (which had not been granted planning approval at the time our RASCO analysis was undertaken) as well as at Stansted and Luton.

### Possible Policy Mechanisms

- Essentially these are the same as in the South East Constrained scenario but applied across the UK. There could also be a particular focus on controlling environmental impacts with regulatory measures covering daytime and night-time noise limits, increasing charging for car parking or introducing kerosene or other environmental taxes.
- If constraints were to be relaxed at the margins, this might be done by allowing development at airports with environmental 'carrying capacity' but preventing further development at those sites where environmental impact is severe.
- The demand forecasting assumptions used in the model runs to examine this scenario did not assume any explicit demand suppression (i.e. mid-point national forecasts were used). Government could attempt to suppress demand (for example, by fiscal measures such as kerosene or other environmental taxes) in order to balance demand and capacity at the constrained levels implied in this scenario. However, very high levels of taxation would be needed to achieve this, going well beyond that required to ensure aviation covers its external costs. Analysis of the potential impacts on demand of different levels of environmental taxation is given in Chapter 7 - Key Issues.

### **Facilitating Growth (FG)**

- 5.3.5. The key aim of this scenario is to test the implications of proactive encouragement of the aviation industry. As with the RRC Scenario the demand forecast is the mid-point DETR 2000 Air Traffic Forecasts, but this scenario assumes that the planning process will be streamlined and the development of airports will be facilitated by the planning regime. This means that airport development will be unconstrained, both in the South East and in the regions of the UK, and that applications for new capacity, including the development of new sites and additional runways, are likely to be approved.

### Possible Policy Mechanisms

- The Air Transport White Paper could provide a clear framework of support for planning approval for airport infrastructure to provide additional capacity at a wide range of airports, as well as supporting the development of new sites
- This could be supported by the public sector helping to promote surface access projects serving airports, and facilitating development on or near airports for aviation and non-aviation users as part of a wider strategic plan to increase land value and economic benefits from airport investment
- Encouraging further liberalisation of air travel markets including moves towards a Transatlantic Common Aviation Area (TCAA)
- Financial support for projects which provide good economic benefits, but which are not financially viable
- Regional Development Agency support for research and marketing in route development, skills training, maintenance capability, and designating airports as the centres of economic clusters would also be helpful.

### **The Spatial Scenarios (Fly Local & Concentrated Growth)**

- 5.3.6. In addition to the core scenarios outlined above, two spatial scenarios have also been devised, focusing on distribution of demand for air services between regional airports. These scenarios effectively represent public policy ideas that could potentially be developed further if deemed appropriate. They could therefore theoretically be used in combination with other scenarios although our analysis focuses on their implications under the RRC.
- 5.3.7. Both the spatial scenarios postulate public sector intervention in the airport and air service market to deliver a preferred spatial distribution of capacity and air services, rather than leaving that to emerge from a free and competitive market. Under free market conditions airlines will provide services to those airports and on those routes that they consider viable. Government intervention would therefore need to be justified by arguments that there are imperfections which prevent the current system from delivering the greatest consumer benefits, or meeting other important objectives, such as wider economic benefits, social welfare, or protecting the environment. It would be necessary to take into account any possible undesirable effects of intervention.
- 5.3.8. The scale of any environmental taxes or regulation would be limited to ensuring aviation meets its external costs and that new developments are properly sustainable, this could result in differential impacts between airports.

#### The 'Fly Local' Scenario (FL)

- 5.3.9. The key aim of the Fly Local scenario is to examine the implications of encouraging the growth of all regional airports to meet as much as possible of the local demand for air travel, by providing most airports with a minimum network of services. This scenario assumes all regional airports will provide core scheduled services to key European centres and hubs, and charter or 'no-frills' services to key holiday destinations, as well as freight and business aviation facilities. As a result there would be growth at all airports (especially small and medium-sized regional airports), allowing airport-related benefits to be spread as widely as possible across all the regions. However, it is possible that although this scenario could result in a wider range and higher frequency of core services from individual local airports, it could result in a poorer range and lower frequency of services across the region as a whole, because the larger airports would not reach the scale of demand for attracting new non-core routes and services.
- 5.3.10. In the North of England, two variants of this scenarios have been considered:
- One which distributes traffic from Manchester to all small airports (i.e. not to Leeds Bradford and Newcastle).
  - One which distributes traffic from Manchester to all other airports in the North of England (i.e. including Leeds Bradford and Newcastle).

### Possible Policy Mechanisms

- The land use planning system could be used to impose severe constraints on the larger airports, and to approve the development of infrastructure at smaller regional airports (those with sufficient catchments to make the level of service provision stated above a feasible proposition)
- Government could act to ensure the provision of adequate capacity at the major London airports (and especially Heathrow and/or a new London) for services from as wide a range of regional airports as possible (but this could tend to work against the development of other services from those regional airports). The PSO regulation could be employed to guarantee these services in instances where they might not be commercially viable and where the relevant criteria set out in the European Regulation are met
- Financial support (as in the FG Scenario) could be focused on smaller local airports. RDA Support for route development could also be focused on the smaller airports
- Government could provide the funding necessary for surface access improvements to give the local catchment populations quick and reliable access to their local airport, with small airports explicitly favoured over large airports

### Concentrated Growth (CG)

- 5.3.11. This scenario is essentially the opposite of the 'Fly Local' scenario. The key aim would be to direct the majority of growth to a limited number of designated airports in order to maximise the range of air routes available from at least one airport in each of our regional study areas. The scenario attempts to channel growth towards a certain airport within a region, possibly (in some of the larger regions and countries) supported by feeder services from smaller airports within the region. It assumes capacity is concentrated at airports with scope for significant development. This would include those airports with good surface access and strong, well-defined catchment areas. This scenario would assist the "growth" airports to reach critical mass for a greater range of services. It would mean that the economic benefits are concentrated rather than being distributed across the study areas. It would also force many passengers to travel further to access services, thus increasing travel times and environmental impacts from longer surface access journeys.
- 5.3.12. As with the FL Scenario, two variants of the CG Scenario have been examined in the North of England
- One which focuses all growth on Manchester
  - One which focuses growth on Manchester, Leeds Bradford and Newcastle, to create a growth point within each planning region within the wider North of England study area

### Possible Policy Mechanisms

- The Air Transport White Paper could identify the 'growth' airports and support the development of the necessary capacity at those airports

- Route development effort could be focused on achieving a wider range of routes to the region's 'growth airport'
- The development of surface access infrastructure to support these 'primary' regional hubs would be crucial and likely to require central Government funding. To give them the greatest possible catchment, they must be seen to be rapidly accessible

#### 5.4. Conclusion

5.4.1. The provision of airport infrastructure and air services nevertheless remains of considerable public interest because:

- they represent important factors of production for the economy;
- they do not operate in an unregulated land use planning environment; and
- they have impacts, particularly on the environment, which need to be balanced against the social and economic benefits they bring.

5.4.2. This is why the government has an important role in setting a broad national policy framework, in which the industry and other key stakeholders can plan for long-term development. The scenarios set out above illustrate a range of broad policy directions which the Government might take. The international and European legislative environment in which aviation operates does not encourage (or in many cases allow) direct government intervention, but as each scenario and Table 5.4.1 make clear, the government can still use a number of policy levers.

Table 5.4.1: Summary of Potential Policy Mechanisms

	<b>Policy Mechanisms/Tools</b>	<b>Objective</b>
Planning System	<ul style="list-style-type: none"> <li>• Development Plans</li> <li>• Planning Permissions and Conditions</li> <li>• Voluntary Agreements</li> <li>• Compulsory Purchase Order (CPO) powers</li> </ul>	To facilitate or constrain airport and associated development – nationally, regionally or locally.
Fiscal Measures	<ul style="list-style-type: none"> <li>• Air Passenger Duty (APD), kerosene tax</li> <li>• Environmental levy</li> <li>• Auction of emissions permits/quotas</li> <li>• Car parking charges</li> <li>• UK and EU grants towards improvement of surface access infrastructure.</li> </ul>	<p>To encourage or curtail passenger demand.</p> <p>To encourage airport development.</p>
Regulatory Measures	<ul style="list-style-type: none"> <li>• Economic regulation (encourage capital investment or cap charges)</li> <li>• Slot policy – auctions, local community purchase, ring fencing, rules for allocation and prioritisation</li> <li>• Emission targets/exceedence standards</li> <li>• Allocation and use of airspace</li> <li>• 5<sup>th</sup> freedoms and moves towards a liberalised transatlantic air market/TCAA</li> <li>• competition policy – ownership, complementary development</li> </ul>	<p>To facilitate or restrain airport capacity.</p> <p>To encourage competition or promote complementary development.</p>
Other	<ul style="list-style-type: none"> <li>• research and marketing support for route development</li> <li>• support for training and maintenance facilities</li> <li>• surface access funding and priorities (public vs. airport contributions)</li> </ul>	To attract airlines, extract better value or a contribution towards airport development and capture economic benefits for the region.