Gatwick Area Conservation Campaign **GACC**

Campaign Office
Stan Hill
Charlwood
Surrey RH6 OEP

01293 863 369
www.gacc.org.uk
gacc@btconnect.com

A Response to

Discussion Paper 04

Airport Operational Models

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Airport Operational Models

This discussion paper is a closely argued depiction of how airports might function in future: we welcome the distinction made between focal airports and hubs, or airports providing direct point-to-point services. GACC has studied the paper carefully but we do not have the technical expertise, nor the access to the relevant statistics, to be able to add value to the analysis.

What we do have, however, based on fifty years involvement in the debate on UK airports policy, is the ability to warn when the enthusiasm for producing models runs ahead of reality. In this paper we give some examples of where over-enthusiastic model-building by Governments, airports or airlines has led to damaging consequences.

All public servants are trained to seek the national interest, and to discount arguments put to them by bodies which have a clear commercial interest. Gatwick Airport Ltd (GAL) is a vigorous proponent of the point-to-point model – for obvious reasons. Their arguments, however, need to treated with scepticism since they are driven by the fact that Global Infrastructure Partners, the owners of the controlling share in Gatwick, have stated that they wish to sell their share in around 2018.[1] Obviously the best way to talk up the share price is to persuade the Commission that Gatwick's point-to-point model is the way forward.

No need for any new runway

The Discussion Paper asks: *Do you consider that the analysis supports the case for increasing either hub capacity or non-hub capacity in the UK?*

The answer is NO.

- ✈ As the Discussion Document states: *The London airports system is estimated to be larger than that of any other city in the world – serving* *more than 140 million passengers in 2010 compared to approximately 103 million passengers at New York airports and 98 million passengers at Tokyo airports.*[2]

- ✈ There is more runway capacity in this country than in Germany, France, Spain or Italy.
- ✈ We have more runway capacity than Japan - also an island trading nation - which has twice our population and twice our GDP.
- ✈ And to quote the Discussion Paper again: *Taken together the capital's five major airports served more destinations in 2012 than any other European city – over 360 with a least a weekly service.*

So much for the situation at present – but will there be a need in future? The DfT forecasts show that the London area airports will be full by 2030. But it has been shown that these forecasts are flawed because they do not fully reflect the continuing trend towards more passengers per aircraft.[3]

It was this trend that demolished previous ambitious airport operational models initiated by successive Governments: a six runway Stansted (1968); a new airport at Cublington (1969); a two runway Gatwick (1970); a four runway airport at Maplin (1974); a new runway in the South East (1993); a five runway airport at Cliffe (2003). In almost every case, when it came to the crunch, it was found that the level of demand for more flights did not justify the implementation of the model.

The scope for a further increase in the average number of passengers per aircraft is revealed in the Discussion Paper which states that: *in 2011 the average number of passengers per flight at Heathrow was 146 compared to 138 at Gatwick …..*[4] These figures are obviously small, even after taking the load factor into account, compared to the 220 seating capacity of, say, an Airbus321, or to the new Boeing787 Dreamliner which can seat up to 290 (or in its new version, 323), to the A350 which when it comes into service is due to carry up to 550 passengers, to the long-serving 777 which can seat up to 440, let alone the Airbus380 which can seat 500 – 800.

If over the next twenty years the average number of passengers per aircraft were to increase to 200 that would be roughly equivalent to two new runways in the South East.

Demand for extra runway capacity is not increasing rapidly. Taking a ten year period to cover the recession and recovery:

- ✈ at London's airports the number of flights was exactly the same in 2012 as in 2002.
- ✈ the total number of aircraft movements at Gatwick has only increased by 2% in the past ten years.
- ✈ the number of business flights abroad by UK residents has <u>fallen</u> by a fifth in the past ten years.

The press has been full of ideas for new airports or new runways. It seems that every firm of under-employed architects has been putting forward grandiose plans for airport developments. The Discussion Paper panders to this tendency.

Castles in the air [5]

There is a risk that the process of constructing models of how airports might function in some imaginary future is liable to lead to the construction of unnecessary runways at substantial economic and environmental cost. Some examples are given below.

<u>Castle in the air number 1. Manchester.</u> When the second runway at Manchester Airport was planned in the early 1990's the airport operational model was that it would enable Manchester to become a focal airport, a northern version of Heathrow. Yet, despite now having two runways and a capacity of

60 million passengers a year, Manchester is actually handling fewer passengers and fewer flights than when the runway was opened in 2001.

Castle in the air number 2. Mirabel airport, Montreal. When opened in 1975 Mirabel was to be the largest airport in the world in terms of surface area, with a planned area of 40,000 hectares, fifty-eight (58) times as large as Gatwick. The airport operational model conceived by the Canadian Government was that it should be a focal airport with six runways and six terminal buildings. But Mirabel has never managed to exceed 3 million passengers per year!

Castle in the air number 3. Stansted. The 2003 Air Transport White Paper set out an airport operational model with a new runway at Stansted to be constructed by 2012, and a third runway at Heathrow by 2020. Yet in 2012 Stansted handled 15 % fewer flights than in 2002. If the new runway had been constructed - at great environmental cost - it would now be standing empty and unloved.

Castle in the air number 4. Spanish regional airports. The Government of Spain conceived an airport operational model which involved building new regional airports. Yet now many of them are entirely empty. Only 11 out of 48 regional airports are profitable. The story is graphically described in the following press articles

http://www.telegraph.co.uk/news/worldnews/europe/spain/8807723/Spains-white-elephants-how-countrys-airports-lie-empty.html

http://www.dailymail.co.uk/news/article-2170886/Spains-ghost-airport-The-1BILLION-transport-hub-closed-just-years-thats-falling-rack-ruin.html

The Gatwick graveyard

The Discussion Paper says: *We do not consider that spreading one airline's hub operations over multiple airports in the London metropolitan area is likely to be a successful approach.*[6] History shows that the same is true of the operational model which has Gatwick acting as a subsidiary hub for a separate airline:

- ✈ Freddie Laker's airline failed in 1982.

- ✈ British Caledonian was taken over by British Airways in 1987.
- ✈ Dan Air was sold in 1993 to British Airways for £1.
- ✈ British Airways used the former Dan-Air operation to form the nucleus of a low-cost short-haul feeder for its Gatwick long-haul scheduled services. That airport operational model failed, and all BA long-haul services were moved back to Heathrow. As noted in the Discussion Paper: *Gatwick's share of transfer passengers has decreased very sharply since 2000, from over 20% to under 10% in 2010.* [7]

Gatwick Airport Ltd are now putting much emphasis on their success in attracting a few services to the Far East as evidence to support the airport operational model which has Gatwick expanding as a point-to-point airport. But in the past several such services have proved short-lived, for example:

- ✈ Etihad. Services from Gatwick started 2004, ended 2007.
- ✈ Air Namibia. Services from Gatwick started 2005, ended 2009.
- ✈ Hong Kong Airlines. Services from Gatwick started March 2012 but ended September 2012.
- ✈ Flybe. The Discussion Paper quotes Flybe as an example of how passengers can 'self-connect' in order to transfer flights at Gatwick. But Flybe has now announced that all operations at Gatwick will cease next March, and that it is selling its slots to easyJet . easyJet will probably use larger aircraft thus reinforcing the case argued earlier in this response - that the trend towards more passengers per plane will render the search for a new runway otiose.

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[1] GATCOM Minutes http://www2.westsussex.gov.uk/ds/cttee/gat/gat260412i3.pdf paragraph 109
[2] Paragraph 4.42
[3] SSE paper on Aviation Demand Forecasting.
http://www.stopstanstedexpansion.com/documents/SSE_Submission_to_Airports_Commission-Aviation_Demand_Forecasting_(F).pdf
[4] Paragraph 4.16
[5] 'Castles in the air' are defined as: *To imagine visionary projects or schemes; to daydream; to have an idle fancy, a pipe dream or any plan, desire, or idea that is unlikely to be realized.*
[6] Paragraph 4.43
[7] Paragraph 4.29