

Unite response to the Airports Commission consultation on proposals for additional runway capacity at Gatwick and Heathrow airports

1 Summary

- 1.1 This response is submitted by Unite the Union, the UK's largest trade union with over 1.4 million members across all sectors of the economy including transport, manufacturing, financial services, food and agriculture, construction, energy and utilities, information technology, health, local government and the not for profit sectors. The union's current membership includes 68,000 members working within the Civil Aviation industry from all grades and in all workplace competencies. This body of members makes Unite the Union the largest organisation in the civil aviation industry.
- 1.2 Unite believes that the solution to the aviation capacity shortage in the South-East of England is additional capacity at Heathrow and, in the longer term, a second runway at Gatwick. This should be augmented with expansion at regional airports and the potential development of regional hub airports should demand allow. Whilst this may not be the best political position, in reality, Unite believes, it is the position which best suits UK plc, the industry and the workforce that make such a facility possible. In this response Unite seeks to justify this position.

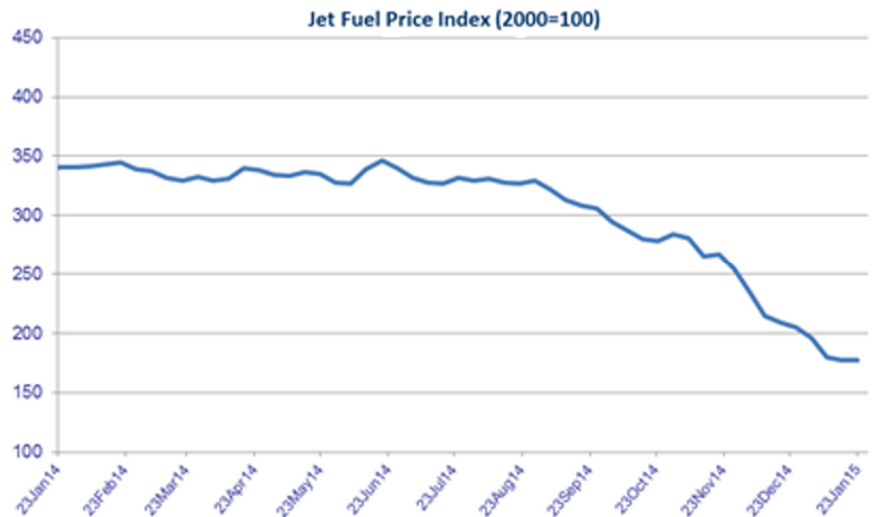
2 Consultation Questions

- 2.1 Unite is of the belief that the Commission has explored all potential scenarios and some which are more far-fetched in reaching its conclusions. As the trade union which represents members at both leading contending airports, a similar process has been taken in our own structures. Whilst there will always be dissenters from any decision that is made, Unite feels that the Commission has taken into account all reasonable and farfetched scenarios.
- 2.2 Unite believes that the "Assessment of need" scenario is the closest to reality as it assumes that airlines take into account all available information on where there will be a potential need and experiment with the provision of a route to that destination to see if it offers any potential for future profits. If not, the route will not continue and the airline will try elsewhere.
- 2.3 The problem with this scenario is that it ignores the relative cost of providing a service to a destination and the potential for profit. It is true that there may well be a high demand for transatlantic flights between London and New York, for example, and it could provide a low cost carrier with significant potential for profitability.
- 2.4 The 'fly in the ointment' is the licencing and safety requirements imposed on any airline crossing the Atlantic or any large expanse of water and the costs associated with entering US and European air space. Together with the cost of crew and fuel, and the significant volume of competition, the profit margin would be minimal. As a result, such an airline would need to pay the absolute minimum possible to service providers and its staff

potentially leading to a reduction in the quality of service. Unite believes this is why so many routes to promising destinations for development are cancelled before they really get started.

2.5 As the customer experience, along with price, is key to ensuring that passengers chose one airline's flight over another, passengers may try the lower cost option but then return to the more expensive option or simply not fly.

2.6 Currently there is a higher global demand for aviation with passenger numbers expanding by around 4% per annum. Due to the battle between the OPEC nations and US shale oil developers and the crash of crude oil prices, the cost of Jet A1 fuel is diving. This graph highlights the size of this fall.



Source Platts and IATA fuel price monitor.

2.7 The decline of Europe is a remote possibility if the commission only focusses on the size and demands of the market. There are commercial activities provided by European nations and historical tourism that will keep Europe on the map of highly desirable destinations.

2.8 None the less, the existence of the European emissions trading scheme provides nations like Turkey and Dubai with a marketing advantage when it comes to the provision of hub services for long haul to short haul transfer traffic. According to a recent Oxford Economics study¹ the two international airports in Dubai, and the industry that sprung made a direct GVA contribution to Dubai's GDP of US\$ 9.6 billion in 2013 and employed around 120,300 people. Unite believes there should be a global emissions scheme to cover all nations' aviation rather than one which singles out an area.

2.9 The global financial crisis and problems with the Euro and the battles with the austerity programmes that have been put in place to bail out nations have caused a decline in the money markets but this does not appear to have stifled the demand for flights to such a degree that it has resulted in a reduction in flights into and out of the Eurozone. Quite the contrary; the planned capacity from Western Europe to the Middle East rose by 14.6% in December 2014 and by 6.3% to East Asia².

2.10 Unless there is some shake up in the global economy, if there is a decline in demand for flights in Europe, there is a decline globally. As capacity at Heathrow has been at or within 10% of its limit for the last 17 years³, the European competition for hub traffic has grown and developed bypassing the UK.

¹ Quantifying the Economic Impact of Aviation in Dubai - November 2014 – Oxford Economics.

<http://www.oxfordeconomics.com/recent-releases/quantifying-the-economic-impact-of-aviation-in-dubai>

² Source: Innovata Schedule Data: December 2014 as published in the December 2014 issue of Airline Business.

³ From data provided by the CAA.

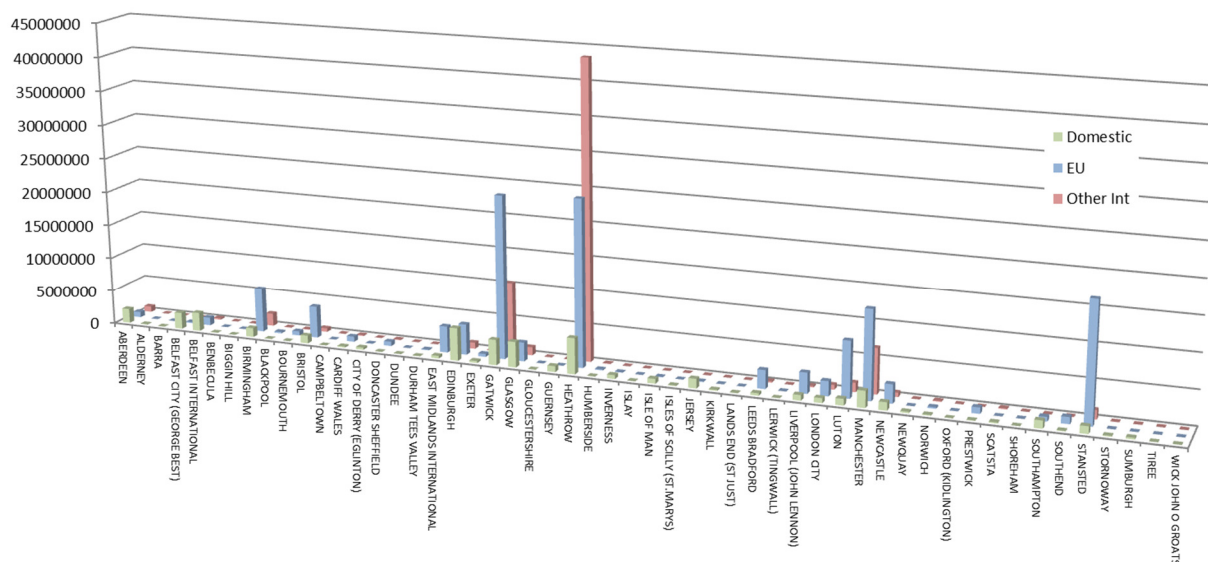
- 2.11 Unite agrees that if you follow the 'low cost is king' model of high frequency short to medium haul operations, Gatwick is ideally suited as there is little to no need to coordinate flights to accommodate passengers transferring on connecting flights. There are no current examples of a working high frequency long haul low cost model of operation.
- 2.12 The idea of global fragmentation is in our opinion very far-fetched. As airlines utilise newer aircraft and adopt measures to reduce carbon emissions, they reduce the cost of their greatest expenditure, aviation fuel. In addition, if it were not for national ownership rules, Unite believes there would only be three or four long haul passenger carrier airlines. Fragmentation would also damage each nations competitive position within the global market place for the procurement of everything from everyday household items to sophisticated computer systems.
- 2.13 The Commission's review of the three remaining options is very thorough but Unite would like to stress the reasons why we came down in favour of expansion occurring at Heathrow as opposed to Gatwick in the first instance.
- 2.14 As highlighted previously, Unite does not believe there will be a competing hub operation at Gatwick, just one which provides every airline with the additional cost of providing flights from every destination to both London hubs to allow passengers with an option to connect via London. Inevitably this will lengthen the connection time and reduce the attractiveness of a route via London when faced with competition from other airports.
- 2.15 Unite has also previously highlighted, the freight operation at Gatwick is in no way geared up to cope with the volume of freight that would need to be handled by a split hub operation. Additionally, its location south of the capital means that the vast majority of freight that needs to reach Gatwick has to traverse the M25 and M23.
- 2.16 The Commission has stated in the consultation document that it believes there will be sufficient rail links to Gatwick but there will need improvements to the corridor by 2040⁴. Unite believes this rail line is already under considerable stress and, given the number of developments that have been permitted over the years, that run right up to the track edge. Such an improvement would not be easy. The congestion on the line and the lack of an east west connection will force majority of passengers on to the road. In the Surrey Future Congestion Programme 2013⁵, it highlighted that 8,000 new homes are being built in reach of the M23 and its rail links to London. With all the additional strain that will be placed on this corridor Unite believes there will be little space for the lorries that will be needed to handle the significant increase in freight on the route.
- 2.17 If we intend to connect London, the wider South-East and the UK economy to the global market place, Unite believes Gatwick is currently not the place for this to happen, predominantly due to the lack of any workable, sustainable surface transport solution.
- 2.18 Heathrow, on the other hand, has a multitude of surface connectivity and despite the relatively few domestic destinations served by the airport still, handled more domestic flights in the last 12 months than any other UK airport⁶. Heathrow was also the starting point for more EU flights and far more to non-EU international destinations. The distribution of passengers graph below⁷ could equally be applied to any month or year in the recent past.

⁴ 3.26 Consultation Document

⁵ http://www.surreycc.gov.uk/__data/assets/pdf_file/0009/546309/Congestion-Programme-FINAL.pdf

⁶ See the chart below.

⁷ Source CAA combined monthly Airport statistics, tables 10.1 and 10.2 December 2013 till November 2014



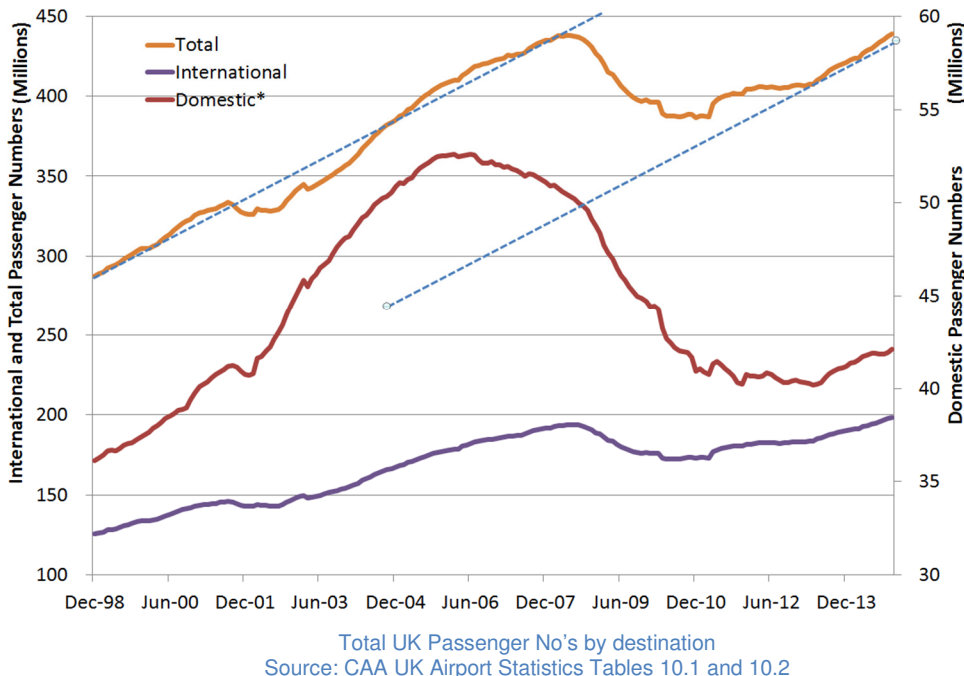
Airport Passenger Numbers by Flight Destination
Source CAA combined monthly Airport statistics, tables 10.1 and 10.2 December 2013 till November 2014

- 2.19 Unite believes that its position to the west of the capital could provide easy access to the West Country to and from Heathrow, by passenger rail once there is a rail link established to the Great Western rail line. Equally the congestion on the M25 and M4 would be eased if there were a main line link to the south of the airport. There are no quick fix solutions for Gatwick.
- 2.20 Unite is of the belief that if Heathrow was awarded extra capacity in the form of either of the two options, a substantial number of flights will relocate their services from Gatwick to Heathrow. This will free up capacity at Gatwick which will be filled in short order by the low cost market and direct lower frequency flights to a higher number of destinations.
- 2.21 Far earlier than 2050, Heathrow will have reached the maximum theoretical limit of air traffic movements on three runways if legislation permits. Unite believes that there is a physical limit due to the highly congested skys over London that any additional capacity cannot exceed. Gatwick has a workable solution to additional capacity in place and by 2050 may have solved its surface connection issues. Consequently, Unite supports Gatwick as the solution to the second runway.
- 2.22 The Commission has rightly identified in its assessments of relative economic benefits to the UK that those of either Heathrow option are vastly superior to those of Gatwick⁸ regardless of the choice of solutions. From the assessments it would appear that even if you assess the wider benefits, the same picture keeps appearing that economically the wider benefits to every region are enhanced should the final choice favour a Heathrow solution⁹. In almost every scenario assessed the impacts of a Gatwick solution would work out around half of that of those produced if a Heathrow solution was utilised.

⁸ Page 42 para 3.23 of the Consultation Document and as set out on page 92 of the Gatwick papers compared with page 93 of the Heathrow North West assessment similarly on page 93 of the extended Northern runway option as outlined on page 75 para 3.128 of the Consultation Document.

⁹ Airports Commission 2. Economy: Wider Impacts Assessment – Table 22 : LGW 2R Present Value of regional real GDP impacts including construction, by scenario (£bn, 2014 prices) on page 104 and Table 40 : LHR NWR Present Value of regional real GDP impacts including construction, by scenario (£bn, 2014 prices) on page 152 both sourced from Price Waterhouse Coopers.

2.23 In terms of jobs, 41,000 new directly employed roles will be created or 14,000 jobs will be lost (dependent on the choice made) at Heathrow¹⁰ compared to a potential 17,000 new jobs at Gatwick¹¹. Employment will not just be created at the respective airport, but will be induced into the wider economy. Even as far afield as Scotland, Northern Ireland and Wales, jobs will be created as a result of the airport expansion. The size of such induced employment will depend on the choice made. From the Tables 28 and 31 contained in the Local Economic Impact Assessment, more than ten times the number of jobs will be created by 2040 if a Heathrow solution is recommended.



2.24 This updated version of a graph previously included in a Unite submission of passenger numbers, proves that the UK civil aviation industry has seen a return to growth at a rate broadly equal to that seen in the period up to 2007. The clear difference is, however, that the numbers flying have been marred by the rapid decline of the domestic traveller. It also exemplifies the increasing isolation of the

regions from the capital due to lack of capacity. This is

why Unite believes that whilst expansion at Heathrow is vital, so is the desire to develop a far stronger regional airport network.

2.25 Unite believes that any development of airport capacity should be provided utilising the most sustainable processes. Aviation's sustainability road map demonstrates that additional aviation without a subsequent increase in emissions is possible. Aircraft designs are becoming ever quieter and more sustainable. The introduction of more workable operating practices are reducing noise further and saving even more fuel, thus preventing the release of carbon dioxide. Whilst realising that there will always be a limited number who are hypersensitive to noise in that frequency band, Unite does not feel that this should stand in the way of future development of this nature. But to resolve this issue Unite supports the creation of a noise ombudsman to investigate which aircraft caused the disturbance and fine the airline if it is appropriate to do so.

2.26 Unite believes the nature of Civil Aviation is one where passenger numbers will grow as the global population expands. If there is not capacity in the UK to provide the connectivity, then passengers will find other ways to obtain access to flight.

3 Competition

3.1 Whatever happens, the delay in opening additional capacity will mean that the UK economy will be up against some stiff competition to retain these benefits. England once had the advantage of being the place where the majority of transatlantic passengers connect with

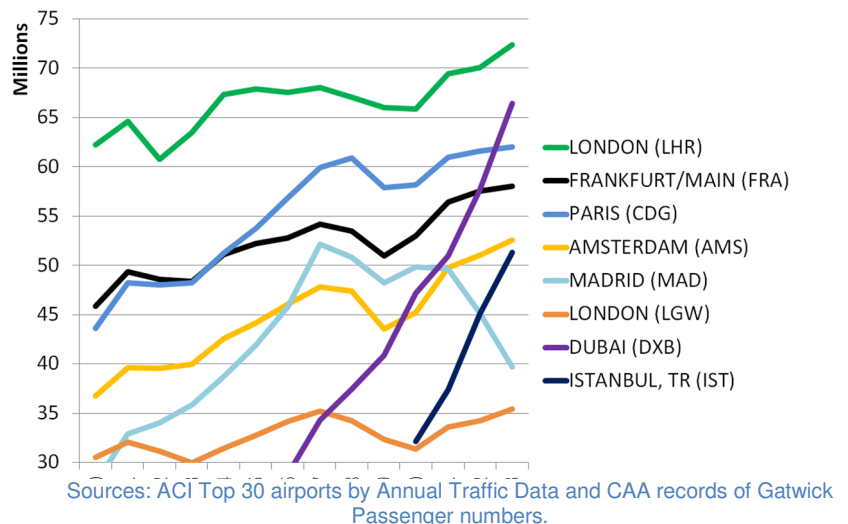
¹⁰ Page 24 to 30 Local Economy Impact Assessment

¹¹ Page 18 to 24 Local Economy Impact Assessment

Europe and the rest of the World, due to the range limitations of early aircraft. Dubai's World Central Airport project will try and provide more passenger connectivity options than any London Hub and more passenger capacity than all of London's airports combined. Dubai is very close to being at the nexus point for the most land mass covered by a single flight. Its geographical position means that multiple narrow body routes could be developed from Dubai to a greater range of destinations than any major hub.

- 3.2 Istanbul's new six-runway airport will have almost twice the passenger capacity of Heathrow. With increased range aircraft both of these developments become rivals for the main stop over connection point for transatlantic routes to the rest of the world. Istanbul also benefits from being at the gates of Europe without the burden of the European Emissions Trading Scheme costs for flights not entering this region as stated previously.

- 3.3 The graph illustrates the number of passengers using each of the rival hub airports that compete for transatlantic flights. This clearly the financial crisis well and while both are growing they are not growing by anything like the pace of Dubai or Istanbul. Had there not been the capacity issue at Heathrow, Unite is convinced that there would not be anything like the development of traffic seen in Istanbul. In short, the political prevarication of past governments has damaged the UK's reputation and potentially its highly lucrative position as the world's number one international passenger hub for business.



4 Conclusion

- 4.1 Unite is strongly of the view that expansion at Heathrow is the obvious choice. It would appear from this consultation, further reports produced by the commission and other organisations, that economically, the choice is obvious, for London, the South East and the rest of the UK. Politically, however, the choice will be difficult.
- 4.2 Unite believes that it is this political posturing of this and past governments and their desire to pander to a small minority of voters in West London that has damaged the UK's reputation and lost it billions in business and employment opportunities. We are now seen as a nation who cannot make decisions on much needed development. A nation who cannot see the bigger picture and act in the interests of the nation. A nation that is weak and one which can be taken advantage of.
- 4.3 Unite would therefore urge the Commission, in the strongest possible terms, to make this point abundantly apparent in its report. Unite would also strongly suggest that given all the evidence that it should make the choice between those that provide additional capacity at Heathrow. The huge opportunity provided by expanding Heathrow could grow the economy by up to £211 billion and create 180,000 new jobs whilst providing the whole UK with the opportunity to connect to global markets.

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