

What does the Conservative-Lib Dem Coalition mean for Aviation?

May 2010



Nathaniel Lichfield
and Partners

Planning Design Economics

The new Conservative-Lib Dem Coalition will be making changes that will affect aviation with knock-on effects to the economy.

What are the key issues and how might they affect you? See our responses to the most FAQs about what's in store for this important industry



What are the key changes?

Prior to becoming the new Minister for Transport, Theresa Villiers indicated the Conservatives, supported by the Lib Dems, would oppose a third runway at Heathrow. That has been realised in the new government's manifesto which in relation to aviation proposes no additional runways at Heathrow, Gatwick or Stansted; establishment of a high speed rail network (High Speed 2), and replacement of Airport Passenger Duty (APD) with a duty per flight.

What are the implications of limiting growth for the Big 3?

Aviation is by its nature global. Limiting expansion in the UK will inevitably put the country at a disadvantage internationally and play into mainland Europe's hands. By giving Europe our displaced air traffic we are also giving it the significant economic benefits that go with it - jobs, inward investment, tourism etc. Limiting capacity will result in increased competition for slots which could lead to price increases and put pressure on the budget airlines. Air travel could once again become increasingly expensive limiting access to universal and affordable air travel. The Government's proposed Airport Economic Regulation Bill is likely to introduce greater market freedoms but within the context of restricted runway capacity.

What are the implications of limiting growth for smaller airports?

Constraining runway capacity could however have benefits for smaller airports, some of which are well placed to absorb some of the capacity displaced from the Big 3, especially those that already have planning permissions in place for runway and terminal extensions. However, these airports are unlikely to be able to meet demand and longer term provision for additional runway capacity in the south east still needs to be planned for. The 2003 White Paper looked at a 30 year timescale and any delay in policy provision for this will just have the effect of pushing back what will be an ever growing problem for the UK.

Will High Speed 2 help?

High Speed 2 will provide important links between the south east and larger regional airports, which will help certain regional airports to absorb some of the displaced growth. To this end it is useful, but cannot be seen as a replacement for airport capacity. A high speed rail link will not provide direct links to destinations outside the UK and again this will inevitably mean that key hubs in Europe will benefit from displaced capacity in the UK.

What should we do?

This all suggests that we could face for the foreseeable future an airports policy vacuum, pending preparation of an Airports National Policy Statement. Such uncertainty could be turned to the advantage of smaller, regional airports which should be looking closely at how they can accommodate growth within environmental constraints in order to absorb some of that capacity. There is a clear opportunity to act now in the absence of policy, but it will be essential to have that policy for the future of aviation in the UK. Airport operators need to seek to influence both national and local policy whenever they can.

NLP Contacts:

Aviation

Jane Hirst, Director
jhirst@nlppanning.com
0207 837 4477

Economics

Matthew Spry, Director
mspry@nlppanning.com
0207 837 4477