



House of Commons
Environmental Audit
Committee

Budget 2003 and Aviation

Ninth Report of Session 2002–03



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Aviation**

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*Report, together with formal minutes, oral and
written evidence*

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The Environmental Audit Committee

The Environmental Audit Committee is appointed by the House of Commons to consider to what extent the policies and programmes of government departments and non-departmental public bodies contribute to environmental protection and sustainable development; to audit their performance against such targets as may be set for them by Her Majesty's Ministers; and to report thereon to the House.

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Committee staff

The current staff of the Committee are: Jessica Mulley (Clerk); Emma Downing (Committee Specialist); Eric Lewis (Committee Specialist); Anna O'Rourke (Committee Assistant); and Caroline McElwee (Secretary).

Contacts

All correspondence should be addressed to The Clerk, Environmental Audit Committee, Committee Office, 7 Millbank, London SW1P 3JA. The telephone number for general inquiries is: 020 7219 6150; the Committee's e-mail address is: eacom@parliament.uk.

References

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by page number as in 'Ev12'.

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Conclusions and recommendations

1. We regard the proposed growth in emissions into the atmosphere by the aviation industry as unsustainable and unacceptable. Were such growth to occur, it could totally destroy the Government's recent commitment to a 60% cut in carbon dioxide emissions by 2050. (Paragraph 17)
2. In emphasising economic and social objectives for airports, the Department for Transport is placing a lower priority on environmental objectives and is focussed more on mitigating the environmental impacts rather than avoiding them where possible. (Paragraph 19)
3. We are concerned that the Department should have released a major consultation which assumes that passenger numbers will increase by 4% every year for thirty years and that fares will decrease by up to 40% over the same period without a far more extensive discussion of the underlying implications of such assumptions. (Paragraph 24)
4. In the case of roads, the Government does seem finally to have accepted the need for some form of congestion charging or road pricing framework. Yet the Secretary of State for Transport entirely refused to accept that, in the case of aviation, congestion may need to be dealt with in a similar way. We were astonished that he denied there was any parallel in this respect between road transport and aviation. He re-iterated his opposition to "pricing people off planes" and the frequency with which he used this phrase reinforced our perception that the Department for Transport is little interested in sustainability. (Paragraph 27)
5. In our view the Government should aim to decouple growth in air travel from economic growth—as it has been attempting to do for roads. To achieve this, it must be willing to use a range of fiscal and other policy instruments to manage behaviour. This might go well beyond the need to incorporate cost externalities—as indeed the Government has accepted in the case of waste. (Paragraph 28)
6. We regard the absence of concise, transparent, and strategic integrated appraisals as a major weakness in the consultation documents. The Department's failure in this respect conflicts with its own guidance. As a result, it is impossible to assess the overall benefits of different degrees of expansion—or the relative benefits and disbenefits of regional expansion vis-à-vis expansion in the South-East. (Paragraph 33)
7. It is disappointing that neither the Treasury nor the Department for Transport have conducted any recent analyses of the overall economic impact on the UK of the aviation sector, and in particular an analysis of the growth in aviation which is proposed. (Paragraph 38)
8. In the absence of a robust evaluation, we are astonished at the overt bias the Department for Transport has displayed by emphasising so consistently the economic benefits of

aviation. It is disturbing, for example, that the consultation document quotes figures for the positive economic benefits of tourism but entirely fails to mention that there is an overall substantial negative balance of £15 billion. (Paragraph 39)

9. The Department for Transport has failed to follow guidance issued by the Treasury by including in its economic appraisal the benefits accruing to foreign travellers. In doing so, it has significantly distorted and overstated the economic benefits of different expansion options. (Paragraph 42)
10. The net present value associated with the increase in the cost of aviation emissions amounts to minus £18 billion. Including this amount would entirely wipe out the economic case for an expansion in runways and result in substantial net deficits for almost all options the Department for Transport has put forward. Expansion could therefore only be justified if the Department could demonstrate substantial wider economic benefits—which it has not attempted to do. (Paragraph 49)
11. The Department should voluntarily comply with the EU Strategic Environmental Assessment directive immediately, following the example of the Department of Trade and Industry which is already doing so. (Paragraph 52)
12. If it is to be consistent with its approach in other policy areas, the Treasury should carry out thorough valuations of all the environmental impacts of an expansion in aviation—including impacts on landscape, biodiversity, tranquillity and heritage. (Paragraph 56)
13. The Treasury discussion document, *Aviation and the Environment*, seriously underestimates the impact of noise by quoting a figure of £25 million for the UK. The cost for Heathrow alone might range from £27 million to £66 million on the basis of up to date figures from the same source. (Paragraph 60)
14. Current valuations of carbon make no attempt to take account of significant or catastrophic changes to the atmosphere. Indeed, in practice it is impossible to calculate the total value of our climate. If climate change bites deeper, the preferences and valuations people express—whether directly or indirectly—could change dramatically, with large increases in the associated environmental costs. (Paragraph 65)
15. The HM Treasury/Department for Transport document *Aviation and the Environment* tries to calculate the totality of environmental costs arising from aviation. The attempt to do so may be fundamentally flawed and the exercise could ultimately prove a waste of time—especially if there is a move towards emissions trading systems. At the very least we have little doubt that the level of costs identified by the Treasury is unlikely to be sufficient to stimulate significant behavioural change. (Paragraph 67)
16. Environmentalists argue that, by comparison with road transport, aviation is receiving subsidies of more than £9 billion through the absence of a fuel tax and VAT on tickets, and that this unfairly penalises competing forms of transport and in particular rail. (Paragraph 69)

17. The Treasury should set out clearly what principles underpin the different tax treatment which different forms of transport attract. (Paragraph 71)
18. We see no reason why aviation should be treated differently to motoring in terms of fiscal policy, and why it should not be taxed to earn revenue. We do not consider that it is possible to justify the favourable treatment it currently receives on grounds of social equity. (Paragraph 73)
19. We recommend that the Government replaces the current Air Passenger Duty with an emissions charge levied on flights and which is clearly displayed on travel documentation. This should be set initially at a level which will raise £1.5 billion a year, but be subject to an annual escalator so that revenue will increase over time. In addition, it should consider the case for introducing VAT on ticket sales for domestic flights within the UK and set out the results in the next Pre-Budget Report. (Paragraph 77)
20. With regard to the introduction of duty on aviation fuel or alternatively an emissions charge or trading system, the Government should take a leadership role within the EU and the International Civil Aviation Organisation and commit itself to bring forward specific proposals in the next two years. It should also state whether it favours the introduction of an emissions charge at an EU level as an interim measure pending the inclusion of aviation in international trading schemes. (Paragraph 81)
21. The Government should re-examine the scope for introducing a dual-till system to ensure that airlines pay a greater share of the infrastructure costs. It should also work within the EU to enable slots to be auctioned on a regular basis so that demand is reflected in the price. (Paragraph 86)

Introduction

1. There is widespread concern about the environmental effects of the growth in aviation – in particular the likely impact on global warming. Recent figures suggest that aviation could become the most significant source of greenhouse gas emissions in the next few decades.¹

2. Following the outline consultation document issued in December 2000, *The Future of Aviation*, the Department for Transport (DfT) issued in July 2002 a series of regional consultations on proposals for expanding airport capacity.² Various organisations expressed concerns that this consultation did not adequately address the environmental impacts of the proposed growth in air transport.³ In the latest Pre-Budget Report, the Treasury made a specific commitment to

“discuss with stakeholders the most effective economic instruments for ensuring that the industry is encouraged to take account of, and where appropriate reduce, its contribution to global warming, local air and noise pollution. The Government will set out its plans in its Air Transport White Paper next year”.⁴

3. In March 2003, the Treasury and the DfT released a ‘discussion document’ entitled *Aviation and the Environment: Using Economic Instruments*. This set out the Government’s objectives for aviation, and its approach to using economic instruments. It also included estimates of aviation’s environmental costs, including its impacts on climate change, local air quality and noise.⁵

4. We regularly review the Treasury’s progress in placing environmental objectives at the heart of its fiscal strategy. In our most recent report on this topic, we focused on the Treasury’s environmental tax strategy and the related document *Tax and the Environment*. We were critical of the strategy itself, and in particular the considerable reliance the Treasury is now placing on monetary valuation of environmental costs. By contrast, we advocated using economic instruments flexibly to support environmental policy objectives, targets, and standards.⁶

¹ Ev03. See also the recent report, *The Sky’s the Limit*, Institute of Public Policy Research, 2003.

² *The Future Development of Air Transport in the United Kingdom*, July 2002. This consultation was released as a series of documents for different regions of the UK. The consultation for the South-East was revised and republished in February 2003, and is hereafter referred to as ‘DfT South-East consultation’.

³ eg The Sustainable Development Commission, and the Royal Commission on Environmental Pollution. Their consultation responses are available on their web-sites.

⁴ Pre-Budget Report, *Steering a steady course: delivering stability, enterprise and fairness in an uncertain world*, HM Treasury, November 2002, Cm 5664, paragraph 7.47.

⁵ *Aviation and the Environment*, HM Treasury and the Department for Transport, March 2003.

⁶ Fourth Report of Session 2002-03 from the Environmental Audit Committee, *Pre-Budget Report 2002*, March 2003, HC 167, paragraphs 44-62. References to the Committee are hereafter abbreviated to ‘EAC.’.

5. When the Treasury and the DfT released the discussion document *Aviation and the Environment*, we therefore agreed to a particular focus on aviation as part of our inquiry on Budget 2003.⁷ The principle aims of the inquiry were to:

- explore whether the full environmental costs can realistically be identified, and assess how comprehensive and accurate are those included in Treasury and DfT consultation documents;
- review the extent to which the DfT has taken adequate account of environmental factors in its proposals for a future expansion of aviation; and
- assess whether the incorporation of environmental costs would be sufficient to achieve sustainability in the air transport sector, and explore what policy instruments might be required.

6. We took evidence from John Healey MP, the Economic Secretary to the Treasury, on 30 March, and from Alastair Darling MP, the Secretary of State for Transport, on 1 July. We also took evidence from a number of other organisations and individuals. In addition, some 24 organisations submitted memoranda to our inquiry. All the oral and written evidence we received is printed with this report.

7. Our inquiry was undertaken to complement that of the Transport Select Committee. Their wide-ranging inquiry was launched in November 2002, and was due to be published on 17 July 2003. For our part, we were concerned that environmental issues should receive adequate weight, and as our inquiry progressed we found that it raised issues which went beyond the relatively narrow scope of the HMT/DfT document *Aviation and the Environment*.

Future growth in air travel and CO₂ emissions

Growth estimates

8. The Department for Transport 2002 airports consultation is based on predictions that passenger numbers will increase from 180 million passengers per annum (mppa) to 501 mppa by 2030.⁸ This increase is based upon ‘unconstrained demand’—it assumes that there is no restriction on the amount of additional airport and airspace capacity necessary to meet any level of future demand. The figure of 501 mppa represents a mid-point forecast, and the DfT states that in the past outturns have exceeded even their upper estimates.⁹ We also note that,

⁷ EAC press release, *Budget 2003 and Aviation*, 1 April 2003.

⁸ DfT, South-East consultation, page 41.

⁹ *Ibid.* page 40, paragraph 5.22.

while this report focuses on passenger growth, air freight is forecast to increase at an even greater rate.¹⁰

9. In response to such forecasts, the DfT has examined proposals for runway expansion in various parts of the country, and the extent to which these would satisfy the likely growth in demand. To do so, it commissioned two major studies to examine options in the south-east of England (SERAS) and in other regions (RASCO). Indeed, the DfT consultation was launched on a similar basis, with one consultation document for the south-east and other consultation documents for other regions. There is no document which brings these together at a strategic level, though some of the material in the consultation documents is common.

10. We reproduce below a table showing the overall results of the DfT's analysis.¹¹ This shows that—even on the basis of no new runways—the DfT expects that passenger traffic will increase to 428 mppa—some 2.4 times the present baseline of 180 mppa. The rate of growth would increase to a factor of 2.6 with the addition of 3 or 4 new runways.

Passenger traffic in 2030 (mppa)			
Scale of development at South East airports	South East airports	Other airports	Total
Maximum use (no new runways)	189	239	428
1 new runway	206-230	218-229	424-459
2 new runways	243-252	221-224	464-476
3/4 new runways	260-289	189-210	449-499

Source: Department of Transport

The impact on emissions

11. The impact of such an increase in air travel on global warming would be immense. Emissions from aircraft contribute far more to global warming than the same level of emissions from surface-based sources. This concept is known as radiative forcing. It is due to the fact that aircraft emit not only carbon dioxide, but water vapour and nitrogen oxides (NO_x)—both of which can lead to global warming effects when emitted in the stratosphere at the altitude at which passenger aircraft normally fly.

12. On the basis of available scientific evidence, the IPCC suggested in 1999 that aviation emissions might have 2.7 times the effect on global warming when compared to a similar

¹⁰ *Ibid*, paragraph page 115ff.

¹¹ *Ibid*, page 24.

weight of carbon dioxide emitted on the ground. This figure represents a best estimate: the scientific uncertainties involved mean that the effect could be substantially larger or smaller.¹² The Treasury have based their calculations for 2030 on a factor of 2.5.¹³ We have done the same.

13. The Department for Transport forecasts that aviation emissions will rise from their present value of 30 million tonnes of CO₂ to at least 70 million tonnes by 2030—even if no new runways are built anywhere in the UK. On the basis of a ‘high capacity’ scenario where 3 or 4 new runways are provided, emissions might rise to 80 million tonnes CO₂.¹⁴ If account is taken of radiative forcing, this would be equivalent to 200 million tonnes of CO₂—about a third of the UK’s total ground-based CO₂ emissions at the moment.

14. The Government has recently committed itself to a 60% cut in CO₂ by 2050, in line with the target proposed by the Royal Commission on Environmental Pollution (RCEP).¹⁵ In this context, the impact of the growth of aviation is even more startling, as demonstrated by the following table.

Forecast growth in Aviation Emissions			
	TOTAL UK EMISSIONS (excluding aviation) Million tonnes CO ₂	AVIATION EMISSIONS Million tonnes CO ₂	AVIATION EMISSIONS PLUS RADIATIVE FORCING Million Tonnes CO ₂
2000 / 2001	572	30	75
2030		70-80	175-200
2050 60% target	229		

Source: Environmental Audit Committee

15. By 2030, aviation could account for nearly 90% of the Government’s 2050 CO₂ target of 229 million tonnes. If growth were to continue after that date, it would in practice wipe out the entire savings the UK would make in achieving the 60% target. Even by 2010, if international flights are included, the increase in aviation emissions would entirely negate the reductions achieved by the Government under the Kyoto Protocol and its domestic CO₂ programme.

¹² *Aviation and the Global Atmosphere*, Special Report of the Intergovernmental Panel on Climate Change (IPCC), 1999.

¹³ See *Aviation and the Environment*, HM Treasury, page 21 table C1.

¹⁴ DfT South-East consultation, page 184.

¹⁵ The Energy White Paper, *Our energy future – creating a low carbon economy*, March 2003, DTI, Cm 5761, paragraph 1.10.

16. Greener by Design suggested to us that technological improvements and the use of larger aircraft could make some impact on curbing emissions.¹⁶ While we accept that useful progress can be made here, there is substantial evidence that the scale of future improvements will be small. Indeed, it has been suggested that we are now in a position where some environmental impacts such as noise may have to be traded against others such as emissions, or that—within emissions—one might have to trade CO₂ off against water vapour and NO_x.¹⁷ We see no sign of any breakthrough which will lead to radical improvements: future concepts such as the ‘flying wing’ design might offer such a promise but are at least 50 years off.

17. We regard the proposed growth in emissions into the atmosphere by the aviation industry as unsustainable and unacceptable. Were such growth to occur, it could totally destroy the Government’s recent commitment to a 60% cut in carbon dioxide emissions by 2050. In *Aviation and the Environment*, the Government is accepting responsibility for the UK share of international emissions. It would therefore be particularly inappropriate if the Government response to our report argued otherwise.

Sustainability and demand management

The objective for airports

18. In the South-East airports consultation, the DfT said that: “The Government believes that, in principle, its policy for airports in the South East should aim both to maximise the significant social and economic benefits that growth in aviation would bring whilst trying to minimise the environmental impacts.”¹⁸ A number of organisations commented on the inadequacy of this as an objective.¹⁹ The wording appears to suggest that economic and social objectives are of higher priority than environmental objectives. Moreover, the reference to “trying” to minimise environmental impacts is unfortunate, as also is the implication that mitigation is more important than avoidance.

19. In emphasising economic and social objectives for airports, the DfT is placing a lower priority on environmental objectives and is focussed more on mitigating the environmental impacts rather than avoiding them where possible.

Forecast growth and prices

20. The average growth in air passengers over the last 30 years has been nearly 6%.²⁰ In the South-East, air traffic today is a little over five times the level of 30 years ago. The DfT forecast

¹⁶ Ev16ff.

¹⁷ Ev22, Q87.

¹⁸ DfT South-East consultation, paragraph 2.4.

¹⁹ Ev118, 136,140.

²⁰ DfT South-East consultation, paragraph 5.13.

of an unconstrained increase in demand to 501 mppa by 2030 is equivalent to an annual increase of 4% every year.²¹

21. If a 4% increase were maintained beyond 2030, passenger numbers would by then be increasing by 20 million each year. As the Aviation Environment Federation (AEF) has pointed out, in the space of only three years this would amount to over 60 mppa—virtually the entire capacity of Heathrow in 2000.²² Such a scenario is obviously unsustainable, and we have indicated above that the scope for a technological ‘fix’ is very limited. The implied growth also raises fundamental question marks about behaviour in terms of the number of foreign holidays which we can take—a point we raised with the Secretary of State for Transport.²³

22. The other closely related assumption contained in the DfT consultation is that fares will fall by 2% a year. The Department qualifies this by stating that the decrease might only be 1% if account is taken of environmental costs. But it then goes on to suggest that fares may in fact fall more than this due to competition between low-cost carriers, and that a rate of 1.5% might be more realistic even if a 100% aviation fuel tax were in place to internalise CO₂ costs.²⁴ An annual reduction of 1.5% would result by 2030 in a fall of 36% in ticket prices; while a 2% reduction would result in a fall of 45%.

23. The DfT’s consultation is therefore based on an assumption that the air fares will fall by up to 40% in the next three decades. Such a reduction in the price of flying is frighteningly reminiscent of roads—where we have seen a similar drop in the price of motoring but where we are now paying the penalty in terms of global warming, congestion, and a lack of investment in public transport.

24. We are concerned that the Department should have released a major consultation which assumes that passenger numbers will increase by 4% every year for thirty years and that fares will decrease by up to 40% over the same period without a far more extensive discussion of the underlying implications of such assumptions.

The need for demand management

25. In its November 2002 report, the RCEP noted the Government’s view that a charge of £3 per passenger on short-haul flights and £20 on long-haul flights would reflect the environmental costs, but considered this inadequate to address the huge scale of the environmental challenge. It concluded that an emissions charge would need to be “substantial”, and that a tax of £35 for single flights, as suggested by the Institute of Public

²¹ The exact figure is 3.6%. The DfT actually assumes a growth of 4.25% per annum until 2020, and then uses a slightly lower growth rate in extrapolating the 2020 forecasts to 2030. See DfT South-East consultation, paragraphs 5.18 and 5.20.

²² *The Hidden Cost of Flying*, Aviation Environment Federation, February 2003.

²³ Ev87.

²⁴ DfT South-East consultation, paragraphs 5.16 to 5.24.

Policy Research, would “go some way towards removing the discrepancy of treatment between aviation and motor fuel”.²⁵ This received wide coverage in the media.

26. The Secretary of State for Transport expressed some scepticism about the RCEP report in both the House and in an interview with the Times. We commented on his apparently dismissive attitude earlier this year.²⁶ In the light of the environmental impacts of a major growth in aviation and the assumptions on which this is based, we took the opportunity to question the Secretary of State for Transport directly about the need for demand management.²⁷

27. In the case of roads, the Government does seem finally to have accepted the need for some form of congestion charging or road pricing framework. Yet the Secretary of State for Transport entirely refused to accept that, in the case of aviation, congestion may need to be dealt with in a similar way. We were astonished that he denied there was any parallel in this respect between road transport and aviation. He re-iterated his opposition to “pricing people off planes” and the frequency with which he used this phrase reinforced our perception that the Department for Transport is little interested in sustainability.

28. In our view the Government should aim to decouple growth in air travel from economic growth—as it has been attempting to do for roads. To achieve this, it must be willing to use a range of fiscal and other policy instruments to manage behaviour. This might go well beyond the need to incorporate cost externalities—as indeed the Government has accepted in the case of waste.²⁸

Integrated/environmental appraisal

Summary appraisals/scenarios

29. The Department for Transport developed its New Approach to Appraisal (NATA) methodology in the late 1990s in order to provide a more comprehensive framework for evaluating economic, social, and environmental impacts of transport projects. Further guidance on NATA has also been issued during the development of the multi-modal studies.²⁹

30. One of the most important aspects of the NATA methodology is the requirement for an appraisal summary table (AST). Supplementary guidance states:

²⁵ *The Environmental Effects of Civil Aircraft in Flight*, Royal Commission on Environmental Pollution, November 2002.

²⁶ EAC, Fourth Report of Session 2002-03, *Pre-Budget Report 2002*, April 2003, paragraphs 35-40.

²⁷ Ev82ff.

²⁸ Ev9, Q63.

²⁹ *Guidance on the Methodology for Multi-Modal Studies*, GOMMMS, DfT.

“Current guidance insists that the AST must be presented on a single page. ...The NATA AST is designed to provide decision takers with a concise overview of impacts across the board. The single page format reduces the risk that some impacts will be overlooked or that some may be given disproportionate emphasis....”³⁰

31. The airports consultation is unusual because the South-East has been considered separately to the rest of the country; and because—for each airport site—a number of different options were considered. For these reasons the Department has suggested that it was not possible to provide a single table setting out all the impacts at every airport.³¹ The appraisal tables which have been published in supporting documentation are extremely detailed and lengthy, and in this respect do not fulfil the guidance referred to above.³² Furthermore, it would have been possible for the Department to have put together single-page appraisal tables for each of the 21 “packages” (or combinations of proposals) which are listed in Annex D of the South-East consultation. They have not done so. Nor has the Department included in its airports consultation a formal Environmental Impact Assessment.

32. The opaqueness of the appraisal process means that it is not possible to evaluate—for different degrees of expansion in overall airport capacity—the cumulative impacts at both regional and national levels, and the relative balance of economic, social and environmental benefits and disbenefits, particularly between the regions and the South-East. It has therefore seriously undermined an informed public debate. Moreover, while the consultation addresses the question of the extent to which we should satisfy further demand, the focus on specific options at individual sites has undermined this issue.

33. We regard the absence of concise, transparent, and strategic integrated appraisals as a major weakness in the consultation documents. The Department’s failure in this respect conflicts with its own guidance. As a result, it is impossible to assess the overall benefits of different degrees of expansion—or the relative benefits and disbenefits of regional expansion vis-à-vis expansion in the South-East.

Wider economic benefits?

34. In 1998, Oxford Economic Forecasting (OEF) was commissioned to carry out a study examining the wider economic benefits which aviation brought to the UK economy.³³ Some of the key findings from the OEF report were that aviation contributed some £10.2 billion to the UK economy and supported 550,000 jobs. Such figures have been widely quoted by the aviation industry and indeed the Government in support of arguments for further expansion.

³⁰ GOMMMS Supplement: *Transport Appraisal and the New Green Book*, DfT, paragraph 35.

³¹ Ev73 paragraph 17.

³² See *Appraisal Summary Tables*, South East and East of England Regional Air Services Study (SERAS), Stage 2, DfT February 2002. The appraisal table for Heathrow, for example, is 15 pages long. We note, by contrast, that the RASCO study attempted to adopt a rather more strategic approach to appraisals.

³³ *The contribution of the aviation industry to the UK economy*, Oxford Economic Forecasting, November 1999.

35. However, environmental organisations are critical of the OEF report, as too was Brian Pearce, a noted economist from whom we took evidence.³⁴ We are concerned that little further work has been done in this area and that the OEF study appears to have achieved a certain definitive status in some quarters. While there is little doubt that aviation does bring wider economic benefits, it is by no means certain that further growth in aviation brings additional net benefits. Indeed, we note that Forum for the Future initiated a seminar to investigate this issue, at which substantial concerns were raised about, for example, the use of the job multiplier to calculate wider economic benefits and the failure of the Department to take on board key findings from the SACTRA study.³⁵

36. The DfT airports consultation acknowledges that it is difficult to measure the indirect costs to the economy of failing to develop airport capacity.³⁶ Indeed, in carrying out its economic appraisals of options, the DfT made no attempt to evaluate these wider economic benefits. However, there is a widespread perception that the airports consultation emphasises the economic benefits of aviation without adequately discussing disbenefits and in this respect is unbalanced.

37. A specific example of the bias in DfT's consultation is afforded by tourism. Paragraph 3.33 of the DfT South East consultation mentions that inward tourism is worth about £13 billion to the UK each year, and that some 13 million foreign tourists spent £7 billion in the UK in 2000. The paragraph entirely fails to mention that UK tourists spend more abroad and that there is a net negative balance of £15 billion in tourism.³⁷ In this context, it is therefore unclear whether any further expansion in aviation will be economically beneficial or not. It could simply lead to an increase in the tourism deficit.

38. It is disappointing that neither the Treasury nor the DfT have conducted any recent analyses of the overall economic impact on the UK of the aviation sector, and in particular an analysis of the growth in aviation which is proposed.

39. In the absence of a robust evaluation, we are astonished at the overt bias the DfT has displayed by emphasising so consistently the economic benefits of aviation. It is disturbing, for example, that the consultation document quotes figures for the positive economic benefits of tourism but entirely fails to mention that there is an overall substantial negative balance of £15 billion.

Economic appraisals of options

40. In calculating the economic benefits of an expansion in aviation, the DfT has not attempted to include the wider economic benefits which this might bring—even though the text of the consultation constantly emphasises these. Instead, it has concentrated on evaluating

³⁴ Ev46 Q130.

³⁵ *The Economic Benefits of Aviation*, Forum for the Future, 23 June 2003.

³⁶ DfT South-East consultation, paragraph 3.31.

³⁷ See *National Statistics Data*, Office of National Statistics. See also, *The Sky's the Limit*, IPPR 2003, page 23.

the “consumer surplus” and the “producer surplus”. The consumer surplus is essentially the utility which consumers derive from consuming something minus the price they have to pay for it. The producer surplus is effectively profit to the airport operators.

41. For the largest “package” of options (package 18:1 runway at Heathrow, and 2 at Gatwick),³⁸ the DfT have calculated a Net Present Value (NPV) of £18.3 billion compared to the present situation.³⁹ But £4.7 billion of this relates to foreign users,⁴⁰ and the Treasury’s “Green Book” on investment appraisal explicitly states that benefits should be restricted to UK residents only.⁴¹ Excluding foreign users would reduce the NPV to £13.6 billion, and only £8.7 billion if compared to “maximum use of present runways”.⁴² This represents a marginal amount given the fact that the appraisal has been carried out over a period of 60 years. For a more realistic scenario of only one new runway, a comparison on the same basis would result in substantial economic deficits.

42. The Department for Transport has failed to follow guidance issued by the Treasury by including in its economic appraisal the benefits accruing to foreign travellers. In doing so, it has significantly distorted and overstated the economic benefits of different expansion options.

43. We are also doubtful whether the private sector will invest the huge sums of money required on the basis of the relatively low discount rates which the Department of Transport has used; and concerned that the Government may ultimately be asked to provide further financial sweeteners.

44. In addition, the costs which the DfT has included in its investment appraisals relate only to construction costs. It has not included the environmental costs of £1.4 billion (rising to £4.8 billion by 2030) which are identified in the Treasury/DfT document, *Aviation and the Environment: Using economic instruments*. The Treasury Green Book guidance suggests that where feasible monetarised values such as these should be used in appraisals.⁴³

45. We have calculated the impact of the increase from £1.4 billion to £4.8 billion as a Net Present Value of minus £18 billion (at a 6% discount rate).⁴⁴ This is equal to the total net economic benefits for the largest expansion option (package 18). Including this figure in the appraisal would entirely wipe out the economic case for an expansion in runway capacity.

³⁸ In this context, ‘largest’ is interpreted in an economic sense to mean the option offering the highest NPV.

³⁹ DfT South East consultation, page 128 (table 14.6).

⁴⁰ SERAS Stage 2: Appraisal Findings Report, Halcrow, page 474.

⁴¹ *The Green Book: Appraisal and Evaluation in Central Government*, HM Treasury, paragraph 5.25 and footnote 4.

⁴² The NPV of the ‘maximum use’ scenario is £4.9 billion (DfT South East consultation, page 128).

⁴³ *The Green Book*, HM Treasury, chapter 5.

⁴⁴ The calculation was based on a 4.2% per annum increase in environmental costs from £1.4 billion over 30 years to £4.8 billion and maintaining it at this value for a further 30 years; and on discounting the increase only (ie deducting the £1.4 billion) at a rate of 6%.

46. Support for our conclusions is provided by British Airways' consultation submission response.⁴⁵ British Airways (BA) includes an appraisal table for a number of options, and in the table has included a specific line for discounted climate change costs. While BA has used a slightly different methodology, it shows that the inclusion of these costs can have a radical effect on NPVs—though BA go on to include a very large positive figure for wider economic benefits in order to justify an expansion.

47. Environmental costs are admittedly part of a wider set of costs and benefits, and it is possible to argue that wider economic benefits should also be included. However, the DfT may have already partially taken into account some of these wider benefits in calculating the “direct” benefits (ie the consumer and producer surpluses) and the inclusion of benefits to foreign travellers. Indeed, the Department itself suggests that it has included the benefits to foreign travellers precisely to reflect some of the wider economic benefits which expansion might bring.⁴⁶

48. The Department cannot have it both ways. If it intended to exclude the wider economic benefits, then it should have excluded the benefits to foreign travellers. On the other hand, if it was including the latter as a proxy for these wider benefits, it should have included in the appraisal the discounted value of the increase in environmental costs.

49. The net present value associated with the increase in the cost of aviation emissions amounts to minus £18 billion. Including this amount would entirely wipe out the economic case for an expansion in runways and result in substantial net deficits for almost all options the DfT has put forward. Expansion could therefore only be justified if the Department could demonstrate substantial wider economic benefits—which it has not attempted to do.

EU Strategic Environmental Assessment Directive

50. The EU Directive on Strategic Environmental Assessment (SEA) comes into force in July 2004. It requires Governments to assess the effect of plans and programmes—though not policies—on the environment. The Department for Transport has argued in its supplementary memorandum that the SEA directive does not apply to the airports strategy as it allows exemptions in the case of work already underway at that time. It also suggests that the key principles of SEA (environmental assessments and consultations) are already being adhered to.⁴⁷

51. In view of our concerns expressed elsewhere in this report on the failure to adhere to the Department's own guidance on appraisal, we are sceptical about the extent to which the Department is indeed complying with the SEA directive. Moreover, the directive will be in force by the time any proposals for airport expansion are actually put forward. It is also

⁴⁵ *Response to consultation*, British Airways, May 2003, page 31 (table 7) .

⁴⁶ DfT South East consultation, paragraph 14.33.

⁴⁷ Ev74.

interesting that the DTI has taken a policy decision to comply with the directive in the development of their offshore windfarm strategy and in the wide-scale leasing of the UK continental shelf for oil and gas exploration and production.

52. It is disappointing that the Department for Transport is not planning to subject any planned expansion in airport capacity to a Strategic Environmental Assessment on the grounds that the EU directive does not come into force until next year. **The Department should voluntarily comply with the EU Strategic Environmental Assessment directive immediately, following the example of the DTI which is already doing so.**

Quantifying environmental costs

53. Environmental or social goods such as health, biodiversity, or the climate are difficult to value in financial terms. But there is increasing interest in doing so. Such an approach informed the initial development of the Landfill tax and the Aggregates Levy. It underpins *Tax and the Environment: Using Economic Instruments* (November 2002) in which the Treasury set out for the first time what it considers to constitute an environmental tax strategy.⁴⁸ In our own report on Pre-Budget 2002, we expressed support for the general principle involved—that all cost externalities, including environmental, are internalised—but we were critical of the Treasury’s increasing emphasis on monetarisation where these costs are intrinsically difficult to calculate.⁴⁹

54. The discussion document, *Aviation and the Environment*, takes forward this agenda in a specific policy area. In it, the Treasury estimates the total environmental costs arising from aviation at £1.4 billion a year, rising to £4.8 billion a year by 2030. The valuation relates almost entirely to global warming effects from carbon emissions: the only other monetarised values the Treasury quotes are between £119 million and £238 million for local air pollution, and £25 million for noise.⁵⁰

Biodiversity and heritage

55. No attempt is made in *Aviation and the Environment* to value the impact of any expansion in aviation on landscape, tranquillity, heritage sites, and biodiversity. A number of memoranda, including those from the CPRE and the Woodland Trust, argue that this is a significant omission.⁵¹ We entirely agree. We accept the point made by Forum for the Future that some of these aspects would need to be addressed at a local level through regulation or the

⁴⁸ *Op. cit.*

⁴⁹ EAC, Fourth Report of Session 2002-03, *Pre-Budget Report 2002*, April 2003, HC 167, paragraphs 44 to 62.

⁵⁰ *Op. cit.*

⁵¹ Ev105, 145.

planning mechanism.⁵² But the point still stands that the public would place a value on these aspects. Indeed, the Government introduced the Aggregates Levy on the basis of studies which valued the local impacts of quarries on nearby residents at nearly £400 million.⁵³ It is not inconceivable that the public might place a far higher value on the local impacts of a major expansion in aviation.

56. If it is to be consistent with its approach in other policy areas, the Treasury should carry out thorough valuations of all the environmental impacts of an expansion in aviation—including impacts on landscape, biodiversity, tranquillity and heritage.

The cost of noise

57. *Aviation and the Environment* states that the total cost of noise impacts for all airports has been estimated at around £25 million for 2000. However, this appears to be based on outdated research. In his memorandum to the Committee, Professor David Pearce, a leading economist whose earlier work underpins some of the Treasury figures, said that “it is disappointing that the ... document did not offer more comprehensive estimates of the externalities from aircraft.” He went on to state:

“..it seems that the consultation document has used an early (2000) version of the Pearce and Pearce paper. The figures have been revised since then. For example, in their summary of Pearce-Pearce with respect to noise, HMT/DfT state ‘the total cost of impacts for all airports has been estimated at around £25 million for 2000’. But the Pearce-Pearce estimate for noise costs for Heathrow alone are £27-66 million per annum”.⁵⁴

58. We are also concerned that the methodology for quantifying noise—which is based essentially on revealed preferences—may fail to pick up underlying health related effects of constant exposure to sounds in excess of 50db. Evidence from Germany on the effects on two different local schools of temporarily moving an airport demonstrates that noise can have subtle but substantial effects.⁵⁵ Wider effects on the health of those who live around airports could be quite considerable. As far as we can see there has been little attempt to evaluate them in order to feed into the Aviation White Paper.

59. Recent work by the EU suggests that those subject to excess noise levels will increase by 40% over the next 20 years, reversing the downward trend of the last 20 years or so. The CPRE has recently concluded that in the UK 606,300 people will be seriously bothered or subject to unacceptable levels of noise in 2030—more than double the number of people affected today.

⁵² Ev45, QQ122-123.

⁵³ EAC, Fourth Report of Session 1999-2000, *The Pre-Budget Report 1999: Pesticides, Aggregates and the Climate Change Levy*, February 2000, HC 76-I, paragraphs 34ff.

⁵⁴ Ev123

⁵⁵ Sixth Report of Session 2002-03 from the Transport Select Committee, July 2003, HC 454-II, memorandum 99 from Professor Stansfeld.

Present valuation methods do not take into account the nuisance value of aviation noise experienced—albeit at lower levels—by those who live further away from airports.

60. The Treasury discussion document, *Aviation and the Environment*, seriously underestimates the impact of noise by quoting a figure of £25 million for the UK. The cost for Heathrow alone might range from £27 million to £66 million on the basis of up to date figures from the same source. Furthermore, noise may have impacts in terms of health, education, and wider nuisance value, which present methodologies make no attempt to include.

The cost of carbon

61. There is no unanimity on the environmental cost to be attributed to carbon emissions. In our Fourth Report of 2002-03 (the Pre-Budget Report 2002), we raised concerns on this issue, and the apparent commitment of the Treasury to monetary valuations.

62. The Treasury valuation of £1.4 billion (in 2000) for the environmental costs of aviation is almost entirely based on valuing carbon emissions at £70 per tonne carbon (£19 a tonne CO₂). This figure was based on research conducted some two years ago. However, there is no consensus on this value. Some of the memoranda we received (eg from Professor David Pearce) argued that a value of £70 per tonne significantly overstated the true cost, while others (eg CATE, Bartlett School of Planning etc) argued that it understated them.⁵⁶

63. In calculating the price of £70 per tonne carbon, the Government has not attempted to put a value on significant or catastrophic changes. Such estimates are only based on our current preferences and values, and—to the extent that those values could change dramatically as a result of major environmental changes—they could prove to be hugely inaccurate. They also raise major issues about inter-generational equity. Indeed, the economist Brian Pearce told us that it is impossible to quantify meaningfully the total environmental costs of emissions in terms of global warming. The climate as such is of infinite value to everyone: all one can do is to try to quantify the value people place on marginal changes.⁵⁷

64. This also raises significant issues relating to education and awareness. The preferences people will express and their valuation of carbon emissions, for example, will partly depend on the extent to which members of the public understand the connection between environmental standards and quality of life. If the impacts of climate change increase, it is likely to result in a higher valuation on environmental protection.⁵⁸ In this connection, we were disappointed that a DfT survey undertaken as part of the consultation demonstrated little general awareness of the connection between the growth of aviation and global warming.⁵⁹

⁵⁶ Ev39, 97,101.

⁵⁷ Ev44ff.

⁵⁸ *Ibid.*

⁵⁹ *The Sky's the Limit*, IPPR 2003, page 41.

65. Such arguments have huge implications for the Treasury's programme of monetarising environmental externalities. **Current valuations of carbon make no attempt to take account of significant or catastrophic changes to the atmosphere. Indeed, in practice it is impossible to calculate the total value of our climate. If climate change bites deeper, the preferences and valuations people express—whether directly or indirectly—could change dramatically, with large increases in the associated environmental costs.**

Conclusions

66. The concerns raised above give good grounds for questioning both the accuracy and the comprehensiveness of the environmental costs included in the HMT/DfT discussion document, *Aviation and the Environment*. They appear low, and indeed some organisations have suggested that they are far lower than the total external costs of the industry.⁶⁰ Moreover, it may not be enough to incorporate environmental costs even if this has little effect on demand. One might need to go far further than this in order to influence behaviour—as indeed the Government has accepted in the case of road fuel duties and the Landfill Tax.⁶¹

67. **The HMT/DfT document *Aviation and the Environment* tries to calculate the totality of environmental costs arising from aviation. The attempt to do so may be fundamentally flawed and the exercise could ultimately prove a waste of time—especially if there is a move towards emissions trading systems. At the very least we have little doubt that the level of costs identified by the Treasury is unlikely to be sufficient to stimulate significant behavioural change.**

Government policy and the future

Equalising tax treatment

68. Under the Chicago convention of 1944, states have agreed not to impose any taxes on aviation fuel used in international flights. Because of the way that this convention has been ratified through many bilateral agreements between countries, it would be difficult to do so. When compared to motoring, where fuel duty and VAT comprise 80% of the price the public pays, the absence of fuel duty on aviation fuel and fares in the UK amounts to over £9 billion.⁶² The favourable tax treatment of aviation represents, in effect, a subsidy to the industry. The size of this hidden subsidy is in the same order of magnitude as the £6 billion total external costs which AEF has identified in relation to aviation.⁶³

⁶⁰ eg. Ev36.

⁶¹ Ev9, Q63.

⁶² Ev12, 30.

⁶³ Ev36.

69. **Environmentalists argue that, by comparison with road transport, aviation is receiving subsidies of more than £9 billion through the absence of a fuel tax and VAT on tickets, and that this unfairly penalises competing forms of transport and in particular rail.**

70. A number of organisations (eg the Sustainable Development Commission) have pointed out that road transport fuels are taxed at over £150 per tonne of CO₂.⁶⁴ This compares to the value of £19 per tonne CO₂ (£70 per tonne carbon) suggested in Aviation and the Environment. We agree that this appears inconsistent. Indeed, some organisations went on to argue that if you take into account the concept of radiative forcing, then you would need to tax aviation at about £400 per tonne of CO₂ to create a level playing field with other forms of transport.⁶⁵

71. The Treasury have stated that it is not an objective of fiscal policy to equalise the tax treatment between different forms of transport.⁶⁶ The reasons for this are unclear, and the Treasury response on this specific point was completely inadequate.⁶⁷ We have previously pointed out the need for the Treasury to develop a strategy with regard to road fuel duties. It needs to do so also for the different modes of transport. **The Treasury should set out clearly what principles underpin the different tax treatment which different forms of transport attract.**

72. The aviation lobby has argued that low air fares are justified on grounds of social equity, and that the proper comparison is not with road transport but with buses and trains—both of which receive considerable subsidies. Such an argument is quite clearly justified in the case of buses and trains, as the absence of basic low-cost public transport could have a huge impact on elderly or disadvantaged members of society. Moreover, subsidies for public transport are provided largely to facilitate travel to work. By contrast, most travel by plane is for leisure purposes and evidence from the CAA shows that people from the top three social classes take, on average, more than four times as many flights per year as those in the bottom three.⁶⁸

73. It is not for the Government to discriminate between different forms of leisure activities and provide support for some rather than others. The only instance where this may be justified is in providing air services to remote parts of the UK—for which more appropriate specific mechanisms are available. **We see no reason why aviation should be treated differently to motoring in terms of fiscal policy, and why it should not be taxed to earn revenue. We do not consider that it is possible to justify the favourable treatment it currently receives on grounds of social equity.**

⁶⁴ Ev136.

⁶⁵ *Ibid.*

⁶⁶ Ev5, Q31.

⁶⁷ Ev30.

⁶⁸ *The Sky's the Limit*, IPPR 200, page 64.

Aviation taxes or charges – the scope for action

74. Although it may not be possible to tax fuel directly, various other European states have introduced emissions charges or other forms of tax, subject to some limitations. Switzerland, for example, applies a carbon tax to domestic flights, while an emissions charge has been introduced at Zurich airport. Sweden has introduced an emissions charge, while Norway has replaced its passenger levy by a National Aviation Green Tax, levied on carbon emissions.⁶⁹

75. In addition, many EU member states charge VAT on domestic air fares—including Germany (16% rate of VAT), the Netherlands (19%), Spain (6%), and France (5.5%). Germany is considering extending VAT to cover international flights insofar as they relate to its domestic airspace.⁷⁰ We also note that in March 2003 the EC agreed the “Community Framework for the Taxation of Energy Products” which specifically allows member states to tax aviation fuel for national use.⁷¹

76. Various organisations have pointed out that the existing UK tax on aviation—Air Passenger Duty—is levied at too low a rate and is in any case a poorly designed environmental tax. There is scope for the Government to introduce more effective forms of tax or charge on a domestic basis. This is particularly the case for domestic UK flights, where there is a need to promote a modal shift to rail in order to address the particularly damaging environmental effects of short-haul flights which the RCEP identified. While we accept that domestic measures can only have limited effect, they are worth exploring. They would also demonstrate the commitment of the UK to addressing these issues at an international level.

77. We recommend that the Government replaces the current Air Passenger Duty with an emissions charge levied on flights and which is clearly displayed on travel documentation. This should be set initially at a level which will raise £1.5 billion a year, but be subject to an annual escalator so that revenue will increase over time. In addition, it should consider the case for introducing VAT on ticket sales for domestic flights within the UK and set out the results in the next Pre-Budget Report.

78. Such measures, however, will be insufficient to ensure that aviation is subject to environmental limits. In order to achieve this, there would need to be agreement at an international level, or at least within the EU, to a common system of environmental charges or taxes. The aviation industry supports the development of an open emissions trading scheme, either to be incorporated within the planned EU scheme or else in the context of the second Kyoto commitment period from 2010. It also argues that pressure to introduce taxes or charges as an “interim” solution should be resisted.⁷²

79. However, in the view of many, it is unlikely that aviation could be incorporated within an international trading scheme before 2012 at the earliest. Environmentalists are also highly

⁶⁹ Ev30ff.

⁷⁰ *Ibid.*

⁷¹ Ev Ev12.

⁷² Ev58.

sceptical of the commitment of the International Civil Aviation Organisation (ICAO) and its sub-committee, the Committee on Aviation and Environmental Protection, to pursue such an agenda.⁷³ The progress it is making is very slow and there is little likelihood that it will achieve the necessary consensus. In the light of this, the EU has announced that it will take action itself if ICAO does not do so. It is carrying out further work in this area, and both the EU Commission and Parliament appears to be broadly supportive of the concept of an emissions charge as an interim measure. This stance has been reinforced by the EU White Paper “European Transport Policy for 2010”.⁷⁴

80. While it is only anecdotal evidence, one of our memoranda paints a rather dismal picture of Government commitment at an EU level. The Stop Stansted Expansion memorandum includes the following:

“As an example of [the lack of UK commitment], we recently met with the DfT UKREP in Brussels, principally to make enquiries about progress within the EU on the taxation of various aspects of air travel. Instead of a progress report we received a long explanation of the reasons why it was either ‘all too difficult’ or ‘inappropriate’ to tax aviation fuel or other aspects of air travel. After we pointed out that the Government was committed to such policies we were told that there was ‘little likelihood of progress in the short to medium term’; that it was ‘not high on the list of priorities’; and that there was ‘no Ministerial will’ to pursue such policies with any vigour.”⁷⁵

81. Evidence suggests that there is little ministerial will to pursue within the EU fiscal policies to address the impacts of aviation. **With regard to the introduction of duty on aviation fuel or alternatively an emissions charge or trading system, the Government should take a leadership role within the EU and the International Civil Aviation Organisation and commit itself to bring forward specific proposals in the next two years. It should also state whether it favours the introduction of an emissions charge at an EU level as an interim measure pending the inclusion of aviation in international trading schemes.**

82. If fiscal policies are introduced to address emissions from aviation, the price of carbon might turn out to be very much higher than expected. The Government should also give its assurance that it will not bail out the aviation industry if—after investing lots of money in extra runway capacity—it turns out that they are left with stranded assets if demand is less than projected.

Realistic pricing

83. There is another area where the Government needs to ensure that aviation pays for all its costs. A number of memoranda pointed out that the use of runways and associated facilities

⁷³ Ev36.

⁷⁴ *Ibid.*

⁷⁵ Ev135.

by airlines was heavily subsidised through the ‘single till’ arrangements and the absence of any slot auctioning.⁷⁶

84. BAA’s revenue is derived from two main sources—airport landing charges, and retail operations within the airports it owns. Currently, the “single-till” arrangements caps total revenue from airport charges and retail sales combined according to an RPI-X formula. The more money BAA earns from retail operations, the lower the landing and take-off charges will be. It is astonishing, for example, that these charges are lower at Heathrow than they are at Prestwick. Under a ‘dual till’ approach, new take-off and landing charges could be set according to aircraft size and other factors affecting their environmental impacts.

85. Airlines also do not pay for access to landing and take-off slots. Slot access is determined under EU rules based on the extent of use in previous years. We support the recent proposal by the IPPR for 20% of slots to be auctioned each year on a five year rota, though this will require a change in the EU directive governing slot access.⁷⁷

86. At present, landing charges are too low to have any real impact on airlines. **The Government should re-examine the scope for introducing a dual-till system to ensure that airlines pay a greater share of the infrastructure costs. It should also work within the EU to enable slots to be auctioned on a regular basis so that demand is reflected in the price.**

The way ahead

87. The capacity of regional airports is sufficient to accommodate over the coming decades a growth of nearly 2.5 times the present capacity. Indeed, we note that regional airports—under the constrained scenario—would handle up to 40 mppa more than they otherwise would if new runways were built in the South-East.

88. In this situation, it appears to us unrealistic that the Government should attempt to “pick winners” and decide a strategy for the next 30 years. It would be irresponsible to sanction major expansion on this basis, particularly in view of the Government’s failure to promote a public debate which is informed by a thorough understanding of the environmental implications of growth and of the assumptions underpinning DfT growth forecasts. We have no doubt that a future Government will be returning to the issue of airport capacity in five or ten years time.

89. Given the enormity of the challenge facing the world if we are to minimise the impact of global warming, the Government must commit itself to managing the demand for air travel and to decoupling the growth in aviation from overall economic growth. The DfT consultation

⁷⁶ eg. Ev131. Cf *The Sky’s the Limit*, IPPR 2003.

⁷⁷ *The Sky’s the Limit*, IPPR 2003.

fails to take on board the new direction in policy initiated by the Government's recent Energy White Paper; while the growth proposed in aviation—even on a constrained basis—would wreck the aspirations it contains.

Formal minutes

Wednesday 16 July 2003

Members present:

Mr John Horam, in the Chair

Mr Peter Ainsworth

Sue Doughty

Mr Gregory Barker

Mr Mark Francois

Mr Colin Challen

Mr Malcolm Savidge

Mrs Helen Clark

Mr David Wright

Mr David Chaytor

The Committee deliberated.

Draft Report (Budget 2003 and Aviation), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 89 read and agreed to.

Resolved, That the Report be the Ninth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

The Committee further deliberated.

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[Adjourned till Wednesday 10 September at half past Three o'clock

Witnesses

Wednesday 30 April 2003

Page

John Healey MP, Economic Secretary and **Mr Paul O'Sullivan**, Head of Environmental and Transport Taxation, HM Treasury.

Ev1

Wednesday 4 June 2003

Mr Keith Mans, Chairman, **Dr Hugh Somerville** and **Mr Colin Beesley**, Executive Members, Air Transport-Greener by Design

Ev20

Mr Tim Johnson, Director, **Mr Jeffrey Gazzard**, Project Manager, **Mr Brendon Sewill**, Economic Adviser, Aviation Environment Federation; and **Mr Nic Ferriday**, Friends of the Earth

Ev32

Mr Brian Pearce, Director, Centre for Sustainable Investment, Forum for the Future.

Ev44

Wednesday 11 June 2003

Mr Alastair McDermid, Group Planning and Environmental Director and **Mr Tim Hawkins**, Strategic Planning Manager, British Airports Authority

Ev49

Dr Andrew Sentance, Chief Economist and Head of Environmental Affairs, British Airways plc

Ev59

Mr Roger Wiltshire, Secretary General, **Mr Mike Smith**, Manager, Commercial and External Affairs, Monarch Airlines; and **Ms Vanessa Tamms**, Manager, Competition and Regulatory Affairs, Virgin Atlantic Airways, British Air Transport Association

Ev66

Tuesday 1 July 2003

Rt Hon Alistair Darling MP, Secretary of State for Transport, **Mr Roy Griffins**, Director, Aviation Directorate; and **Mr Graham Pendlebury**, Divisional Manager, Aviation Environmental Division, Department for Transport

Ev82

List of written evidence

HM Treasury	Ev11
Air Transport – Greener by Design	Ev16; Ev24
Aviation Environment Federation	Ev26; Ev30; Ev36
Brian Pearce, Centre for Sustainable Investment, Forum for the Future	Ev39
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Easyjet	Ev112
Friends of the Earth	Ev113
Gatwick Area Conservation Campaign (GACC)	Ev120
Professor David Pearce	Ev121
Royal Society for the Protection of Birds	Ev126
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Strategic Aviation Special Interest Group (SASIG)	Ev138
United States Federal Aviation Administration	Ev144
Woodland Trust	Ev145

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2002-03 Session

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Second	Johannesburg and Back: the World Summit on Sustainable Development–Committee delegation report on proceedings, HC 169
Third	Annual Report, HC 262
Fourth	Pre-Budget 2002, HC 167 (<i>Reply, HC 688</i>)
Fifth	Waste – An Audit, HC 99
Sixth	Buying Time for Forests: Timber Trade and Public Procurement, HC 909
Seventh	Export Credits Guarantee Department and Sustainable Development, HC 689
Eighth	Energy White Paper – Empowering Change? HC 618

2001-02 Session

First	Departmental Responsibilities for Sustainable Development, HC 326 (<i>Reply, Cm 5519</i>)
Second	Pre-Budget Report 2001: <i>A New Agenda?</i> , HC 363 (<i>Reply, HC 1000</i>)
Third	UK Preparations for the World Summit on Sustainable Development, HC 616 (<i>Reply, Cm 5558</i>)
Fourth	Measuring the Quality of Life: The Sustainable Development Headline Indicators, HC 824 (<i>Reply, Cm 5650</i>)
Fifth	A Sustainable Energy Strategy? Renewables and the PIU Review, HC 582 (<i>Reply, HC 471</i>)
Sixth	Buying Time for Forests: <i>Timber Trade and Public Procurement</i> , HC 792-I, (<i>Reply, HC 909, Session 2002-03</i>)

2000-01 Session

First	Environmental Audit: <i>the first Parliament</i> , HC 67 (<i>Reply, Cm 5098</i>)
Second	The Pre-Budget Report 2000: <i>fuelling the debate</i> , HC 71 (<i>Reply HC 216, Session 2001-02</i>)

1999-2000 Session

First	EU Policy and the Environment: An Agenda for the Helsinki Summit, HC 44 (<i>Reply, HC 68</i>)
Second	World Trade and Sustainable Development: An Agenda for the Seattle Summit, HC 45 (Including the Government response to the First Report 1998-99: Multilateral Agreement on Investment, HC 58) (<i>Reply, HC 69</i>)
Third	Comprehensive Spending Review: Government response and follow-up, HC 233 (<i>Reply, HC 70, Session 2000-01</i>)
Fourth	The Pre-Budget Report 1999: pesticides, aggregates and the Climate Change Levy, HC 76
Fifth	The Greening Government Initiative: first annual report from the Green Ministers Committee 1998/99, HC 341

Sixth	Budget 2000 and the Environment etc., HC 404
Seventh	Water Prices and the Environment, HC 597 (<i>Reply, HC 290, Session 2000-01</i>)

1998-99 Session

First	The Multilateral Agreement on Investment, HC 58 (<i>Reply, HC 45, Session 1999-2000</i>)
Second	Climate Change: Government response and follow-up, HC 88
Third	The Comprehensive Spending Review and Public Service Agreements, HC 92 (<i>Reply, HC 233, Session 1999-2000</i>)
Fourth	The Pre-Budget Report 1998, HC 93
Fifth	GMOs and the Environment: Coordination of Government Policy, HC 384 (<i>Reply Cm 4528</i>)
Sixth	The Greening Government Initiative 1999, HC 426
Seventh	Energy Efficiency, HC 159 (<i>Reply, HC 571, Session 2000-01</i>)
Eighth	The Budget 1999: Environmental Implications, HC 326

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First	The Pre-Budget Report, HC 547 (<i>Reply, HC 985</i>)
Second	The Greening Government Initiative, HC 517 (<i>Reply, HC 426, Session 1998-99</i>)
Third	The Pre-Budget Report: Government response and follow-up, HC 985
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