

BRITISHAMERICAN BUSINESS INC'S AVIATION FORUM SUBMISSION ON NIGHT FLIGHTS AT HEATHROW, GATWICK AND STANSTED

BritishAmerican Business Inc's Aviation Forum

BritishAmerican Business Inc (BABI) is the leading transatlantic business organisation dedicated to helping its 800-plus member companies [Appendix A] build and expand their transatlantic business. As part of our organisation we have an active and committed group of member companies that form a BABi Aviation Forum [Appendix B].

BABI's Aviation Forum is made up of representatives from major UK and US airlines (passenger and express delivery), as well as representatives from airports, the travel industry and leading consulting firms. It is BABi's policy that all Forums concentrate on proposals that would benefit transatlantic business.

By participating in this consultation the Aviation Forum continues to engage with government on issues of concern, having completed an earlier submission on the expansion of airports in the South East and BABi's successful "Flight Path to Prosperity" conference in September 2002.

Consider:

- With an average of 242 flights a day, the US/UK air travel market represents the largest intercontinental flow between two countries in the world¹.
- The number of international scheduled air passengers to and from the UK was more than 111 million in 2002, second only to the US (with 130 million passengers).
- Air passenger duty receipts for the year 2002/03 were £816 million.
- There were 16.6 million US/UK passenger journeys in 2003, or an average flow between the two countries of 45,000 passengers a day. Sixty four per cent of these passengers flew from or to Heathrow and 24% flew from or to Gatwick. The remaining 11% of passengers flew from or to regional UK airports.
- In Summer 2004, flights scheduled at night² accounted for about 27% of all scheduled flights from the US to the UK. There are 71 US to UK night flights scheduled a week at Gatwick and 139 at Heathrow.
- In Winter 2004, flights scheduled at night account for about 28% of all US to UK scheduled flights. There are 48 US to UK night flights scheduled each week at Gatwick and 148 at Heathrow.³

¹ Summer 2004 season. Scheduled freight and passenger flights US-UK and UK-US.
Source: OAG

² The "night" is defined as 2300-0700. An allowance of 15 minutes is included from landing time (on which regulations are based) and the arrival time as published in schedules. Similarly, 15 minutes is allowed between departure time and take off time.

³ The following airlines operate at night at LHR: United Airlines, American Airlines, British Airways and Virgin Atlantic.
The following airlines operate at night at LGW: Continental, American Airlines, Delta Airlines, British Airways, and Virgin Atlantic

- A CBI survey result in 2002 showed that 16% of companies surveyed would seriously consider leaving the UK should they no longer be able to have a next-day express service.
- In 2002, Oxford Economic Forecasting calculated that the express industry directly accounts for £550 million of UK GDP but through its impact on competitiveness, investment and productivity supports £1.2 billion of total output a year.
- The aviation industry contributes 1.4% of the UK's GDP and directly employs around 180,000 people in the UK

Key Messages:

Air travel provides the essential infrastructure to support UK-US trade and investment flows. Night flights are an essential component, especially overnight flights arriving from the East coast US cities or express flights that allow businesses to have access to every main US city by the following day. Express services are used primarily to achieve the next day delivery of goods and documents to customers. This has led to huge savings with regard to inventory costs for many British businesses and has allowed small businesses to compete on an equal footing with multinationals.

Other contributing factors to the need for night flights are the scheduling difficulties caused by different international time zones, working with the operational restrictions at other airports and the need for more runway capacity. Forum members emphasise that night flights are not undertaken through choice but through necessity. Therefore it is clear that night flights facilitate the needs of business and tourism, whilst contributing to the economy and services of airlines, express carriers and airports and the wider national economy.

London as a business location:

The competitiveness of London and UK is dependent on international accessibility. Companies are attracted to London because it is a global city and the hub of businesses in Europe. Many companies establish an initial operation in London, and go on to set up elsewhere in the UK. One third of the world's largest companies with European headquarters have chosen to locate in London. It is the home of 130 Fortune Global 500 companies compared with only 35 in Paris.

According to UK Trade and Investment, the UK was the top investment location in Europe in 2003, with 23% of all foreign inward investment in Europe. The UK was the top European investment location for Research and Development, headquarters operations, software, electronics, pharmaceuticals, financial services and telecommunications, including call centres. The US accounted for 37% of the stock of total FDI in the UK at the end of 2003.⁴

Of the 272 Fortune 500 Global companies with an office in London 207 have their origins outside Europe. Access to these locations and others is essential to their operations.⁵

⁴ Source: London First Centre 2000

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Economic importance and operational need for night flights

Passenger services:

Scheduled air transport also provides the UK's international transport network, which is used by many sectors of the UK economy as well as by a great variety of outward-looking organisations and individuals. The UK's openness to international trade and competition has been an important factor in driving improvements in national economic performance and has helped to make the UK a major centre for inward investment. UK exports of commercial services in 2002 have grown to almost 45% the size of its exports of goods, a higher share than in any of the other major global economies. This an area that is especially dependent on international passenger travel.

Importance of US tourism to the UK economy

The USA is the most important source of in-bound tourism to the UK, contributing almost 20% of revenue, according to the following figures from Visit Britain.

Country	Visits (000)
USA	3,346
France	3,073
Germany	2,611
Irish Republic	2,488
Netherlands	1,549

Country	Spend (£m)
USA	2,315
France	820
Germany	694
Irish Republic	681
Netherlands	535

Some of the revenue generated by these visits goes to the airlines, but the vast majority is spent in the UK as the following table shows:

Spending by overseas Residents	£ Billion
Visits to the UK	11.7
Fares to UK carriers*	3.3

Express services:

Three of the four worldwide express operators (UPS, FedEx and TNT) use Stansted as a gateway through which businesses can have next-day access to the USA, Europe and beyond. Express customers require shipments to be picked up at the end of the working day for delivery the following day. If night flights were restricted, many next day consignments currently carried on those services would not in future travel as businesses would consider relocation (16% of CBI members in 2002 indicated they would move abroad if they could no longer have next-day delivery into and out of the UK). The resultant trade would be lost to the economy as the geographic location of the UK means that trucking is not always a viable option. That loss would be significant as according to Oxford Economic Forecasting, the wider economic benefit of an express flight is £58,000, about four times greater than the average passenger flight at Stansted. However, express operators do send volume by truck when time allows - night flights are only used when no other alternatives are available and night flights are kept to a minimum. For instance, at Stansted, TNT

and FedEx have a maximum of two flights per night and UPS has no more than one a night.

Heathrow, Gatwick and Stansted also rank in first, third and fourth place respectively among UK airfreight ports. 55% of all UK airfreight is carried from or to Heathrow, predominantly as bellyhold cargo on passenger flights. Gatwick accounts for 10% and Stansted accounts for 9% of UK airfreight. However, with blackout periods at Heathrow and Gatwick, Stansted is strategically important for the main express operators such as UPS, FedEx and TNT in order to provide next day deliveries for London and the South East.

The UK is an island and with a growing demand for next-day delivery of high value documents and goods, which differentiates express from cargo and airfreight. Night flights at Stansted the only way to satisfy this demand.

Environmental issues:

In principle, BABi understands and supports the Government's efforts to protect the environment. However, we further argue that in the case of aviation it may be possible to find technological solutions to the environmental issues. To impose restrictions before those solutions are explored could harm the aviation industry, business generally and London's premier investment position unnecessarily while potentially doing actual more harm to the environment by forcing industry to continue to use less than up to date technology.

[We note that in the Department for Environment, Food and Rural Affairs (DEFRA) Digest of Environmental Statistics in 2002 the number of people disturbed by noise around Heathrow (around the Government's 57 decibel contour) has dropped from 2 million in 1974 to 300,000].

An operational ban of Quota Count 4 aircraft at night could lead to an environmental issue with increased emissions if passenger airlines and express operators had to fly smaller aircraft but more frequently in order to sustain current package volumes and passengers.

Consultation questions:

Because of BABi's focus we have chosen to respond to the following two questions:

Question 6c:

Quota Count 4 (QC4) aircraft operations at night

We seriously question the need for an operational ban of QC4 aircraft. There are already strong incentives to depart flights before the night quota period. A ban would cause real operational difficulties. Boeing 747-400 aircraft are still in production and an operational ban on this type of aircraft at night would be economically detrimental.

Question 7b:

Extension of the Night Quota Period (NQP)

Extending the NQP to 0700 would severely constrain the scope for growth in US-UK flights. There is already strong demand for increased UK-US flights at Heathrow

airport and we expect that the opening of Terminal 5 and the conclusion of long standing open skies talks will remove current barriers to growth.

It is important that no new barriers to trade are erected in the early morning, which is the most important time for many flights arriving from the USA. We believe that limiting flight numbers up to 0700 would be an unprecedented and disproportionate response to environmental concerns. Aircraft noise is being addressed by other means, including:

- The phase out of Chapter 2 aircraft which was completed by 2002;
- The agreement of a new Chapter 4 manufacturing standard for new aircraft;
- Operating improvements, including continuous descent approaches;
- Alterations in the patterns of runway usage including the ending of Westerly preference in the night quota period at Heathrow.
- Aero engine and aircraft manufacturers are actively working towards further noise reductions for future aircraft, with the ACARE target being to half perceived noise by aircraft in 2020 compared to 2000.

An extension could also have an adverse impact on nighttime express operations, as low cost passenger airlines at Stansted were allocated about 25% of the Quota Count (QC) during the last winter season in case they ran late into the NQP. If the NQP were extended to 2300 then low cost airlines may be allocated an even higher percentage of the QC to cover the additional 30 minutes. This could have an adverse impact upon express, which has to fly at night.

Recommendations:

- The Forum believes that there should be no additional night restrictions until there has been a real assessment of the impact and efficiency of the current measures to reduce noise at the three London airports. Failure to conduct a real assessment of the impact of the different elements of the balanced approach could just lead to further operating restrictions when they may not be necessary.
- We would urge the government to take account of the sustainability issues and also the points regarding economic importance and operational need when reviewing the status of night flight restrictions at Heathrow, Gatwick and Stansted.
- To seriously consider the need for an operational ban of QC4 aircraft. There are already strong incentives to depart flights before the night quota period. A ban would cause real operational difficulties.
- Add no further extension of the NQP as it would severely constrain the scope for growth in US-UK flights. It is important that no new barriers to trade are erected in the early morning, which is the most important time for many flights arriving from the USA

