

## Speech to Transport Times Aviation Conference

Speech by: [The Rt Hon Theresa Villiers MP \(/press/ministers/theresavilliers\)](/press/ministers/theresavilliers)

**Date delivered:** 26 January 2011

**Event:** The Transport Times 'A New Strategy for Aviation' Conference

**Location:** Central London

Thank you for that introduction Rob.

It's a pleasure to join you today for this important Transport Times Conference to discuss elements of the Government's approach to aviation. Two of the Coalition's highest priorities are to tackle the debt crisis and support growth. So it is important that we have a policy framework that allows the aviation industry to flourish in a competitive global environment.

Britain's civil aviation industry has a long and distinguished history of innovation. From the pioneering early years of the 20th century throughout its history, Britain's aviation industry has adapted successfully to meet many different challenges. The statistics are well known but it's well worth repeating some of them. Our aviation industry generates about £11 billion a year, and employs around 200,000 people. By conquering distance and bringing communities and businesses across the world closer together aviation supports hundreds of thousands of jobs elsewhere in the economy. And of course the industry stretches well beyond the passenger market to cover:

- the air freight sector
- the aerospace and engineering specialists involved in aircraft assembly and maintenance
- the legal, finance and insurance companies who support aviation related transactions

and, of course, General Aviation, which probably accounts for around 8% of the whole commercial aviation sector's economic contribution.

But aviation's success must not come at the cost of our environmental obligations. The task we face is to enable the industry to operate in a sustainable way, one that is consistent with meeting our climate change commitments, as well as reducing the impact of flying on local communities by addressing issues such as air quality and noise.

We rejected proposals for new runways at Heathrow, Gatwick and Stansted because they would have caused an unacceptable level of environmental damage particularly in relation to noise. Aviation must play its part in helping to deliver a low carbon transport system while contributing to sustainable economic growth. I am confident the industry can rise to the challenge.

### South East Airport Taskforce

In the light of the decision to reject new runways at the south east's three biggest airports, it has become more important than ever to ensure that we make the best use of the capacity we have. We need to improve our airports and improve the quality of the passenger experience within those capacity constraints. To assist us in delivering those goals we established the South East Airports Taskforce.

The remit of the Taskforce focuses on improving the passenger experience at Gatwick, Heathrow and Stansted but I hope that its work will also help other airports address issues affecting passengers. Regional airports right across the country make a vital contribution to local economies. A key part of our approach to aviation is to seek to create the right conditions for regional airports to flourish. I believe that they also have the potential to help relieve overcrowding in the south east. So it is important that the work of the South East Airports Taskforce benefits the wider industry.

Three of the issues under consideration are:

- border queues
- security
- and resilience.

Taking those in turn we are working with the Home Office and the UK Border Agency on ideas for improving the way border checks for passengers are handled. Securing our border against crime, terror and illegal immigration is vital. The impressive work being done by UKBA particularly with new technology is focused on delivering this crucial policy goal in a way which minimises inconvenience for passengers.

## Security

There is also some encouraging news on security. Although the tragic events in Moscow this week were an attack on the landside of the airport illustrate the threat to aviation as whole is one against which we need continuing vigilance. The UK's aviation security regime has performed well over the past thirty years or so and continues to do so. Nevertheless, we are analysing ways in which the regulatory framework for aviation security might be reformed with the aim of providing greater efficiency while maintaining the same high levels of passenger security or better.

The aviation industry told us that the system we inherited from the last Government can sometimes be too prescriptive and process-driven in its requirements. So we are working on a fresh approach that will set the industry very demanding outcomes to achieve but gives them more flexibility to work out the best and most efficient processes by which to deliver those outcomes. I believe this will enable airports to further improve security and deliver them in a more passenger-friendly and efficient way. I am confident that such an approach can enhance our ability to deliver our security goals as well as benefiting airlines, airports, staff and passengers. We propose to consult formally on reform proposals soon.

## Resilience and capacity management

Turning to a third key element of the work of the Taskforce we have established a sub-group on resilience and delays which is looking at ways to make better use of existing capacity both inside and outside the terminal. This could involve improving the flow of passengers through the airport or changing the scheduling and movement of aircraft on the ground. We're hoping to find collaborative solutions which see airlines and airports working more cohesively together to improve the overall journey for passengers through the airport.

We're considering the overall approach taken to capacity management. In any transport system there is a trade off between capacity and resilience. For years, the question at Heathrow was always how many more flights can be squeezed in? Arguably, insufficient regard was paid to the impact on resilience of continuing to fill up the airport ever closer to its physical capacity limits. I believe that needs to change this approach. We need to tilt the balance the other way and place a much stronger focus on resilience to see if better working practices give the airport more breathing space to recover when things go wrong. Following December's severe weather the Resilience sub-group is also considering measures to improve winter preparations in parallel with the work of David Begg's review of the problems which occurred at Heathrow which I'm sure will reach some important conclusions.

I'll deal slightly later in my speech with the Bill we are preparing on reform of airport regulation, but one element of that proposed reform is the introduction of a licensing system. This would give the CAA much more effective powers to check that regulated airports are preparing properly for severe weather. We'll also consider whether we can learn from other areas such as the railways where emergency timetables can be introduced if extreme weather conditions look set to significantly reduce operating capacity. There can't be an exact read-across but other transport systems may provide a source of ideas to try to address the problem of thousands of people turning up for flights which won't be able to take off.

## Single European Sky

Another way to tackle delays and strengthen resilience is via the Single European Sky programme. It's well known that I have a number of serious reservations about the way the EU operates. However air traffic control is an area where I am convinced that closer cooperation with our European partners would yield very significant advantages. I believe that progress on Single European Sky has real potential to reduce delays, enhance resilience, and get our airports working more efficiently.

The SES programme has the potential to cut delays and benefit safety, cost efficiency, and environmental performance. Imposing performance obligations on navigation service providers across all Member States should provide some important benefits. The UK National Performance Plan is being prepared by the CAA and will be made available for consultation during March and April. Both the UK and Irish national plans will contain a section which identifies the contribution made by our joint Functional Airspace Block or "FAB". Our FAB is the first to be operational in Europe. It's already yielding real improvements in fuel consumption and emission reductions.

In the future, I hope that the Single European Sky programme will also deliver a system which is far more resilient in the face of the industrial militancy that is a recurrent feature of air traffic control in some of our European neighbours and which can blight the holiday plans of so many travellers.

## **Airport regulation**

Closer to home updating the framework for the economic regulation of airports provides another way in which we can improve the quality of service that airlines and passengers receive. The current model was established back in the 1980s, and both the industry and the CAA agree it is outdated. We want to replace the existing framework for setting price caps at regulated airports with a more flexible system. Rather than focusing the bulk of regulatory action on a single price review every five years we propose to give the CAA the powers it needs to become a more responsive regulator throughout the control period. Whether it's security queues, passenger facilities, or aircraft stands the licence based system we propose should enhance the effectiveness of the regulator by enabling it to intervene more quickly if an airport is failing its customers. And new enforcement powers, including financial penalties, should enable the CAA to tackle poor performance more effectively.

I believe the reforms will encourage investment in the right kind of new facilities such as better baggage handling equipment and terminal improvements that are in tune with what passengers want. Giving the CAA a primary duty to promote the interests of passenger is also an important part of the regime. But let me emphasise that this does not mean that the voice of airlines will go unheard or disregarded by the regulator. We fully recognise the importance of ensuring that the reformed system is responsive to the concerns of airlines as the direct users of airports. It's very clear to me that protecting the passenger interest will often be best served by listening to the airlines whose business it is to give their customers what they want in a competitive market. I know the airline community is concerned about the decision to focus the primary duty of the new regulatory system on passengers but this is consistent with the approach in many other regulatory contexts and in the limited range of cases where the interests of airlines and their customers are not aligned it is right for the regulator to give priority to passenger concerns.

And we *have* listened to the airlines on Labour's proposal to give a role to Passenger Focus in this context. Instead we are working with the CAA to build on the work of the long-standing Air Transport Users Council to create enhanced advocacy for passengers alongside a stronger consumer focus within CAA. As a substitute for the heavy handed approach of the previous Government.

## **Consumer protection**

Consumer protection is another key area of policy that needs to be addressed. For example, the Government believes that the ATOL scheme which is supposed to protect passengers if their tour operator or travel agent goes bust needs modernising. I'm concerned that many consumers do not have a clear understanding of when they are covered and when they are not. The Courts' interpretation of a 'package holiday' in the recent Travel Republic case has compounded this problem. Following the travel company failures in the summer we also need to consider how best to stabilise and secure the long term financial sustainability of the fund. As a starting point in October, the Civil Aviation Authority announced that it would be introducing a new certificate for each ATOL protected holiday making it easier for consumers to establish whether they are covered or not. Work is now underway to

analyse what other measures are needed to make ATOL more relevant to the realities of the modern holiday market. I should also make it clear that the Government recognises that EC261 on Denied Boarding is now operating in a way that was not foreseen when the legislation was adopted. So the Department will work with the European Commission to find a more balanced solution.

## Conclusion

Ladies and gentlemen I've tried this morning to give you further insight into the Coalition's vision for aviation setting out some of our ideas for meeting the core economic, environmental and customer service challenges facing the sector. In the months ahead, we will be expanding on that vision.

March will see my colleagues at the Treasury publish their conclusions on Air Passenger Duty. I can assure you that the DfT has contributed to Treasury work on this with analysis on the impact of aviation taxation. We've also ensured the views of different industry players have been fed into the decision-making process. I know some of you may want to press me on APD but you will appreciate that it is simply not possible for me to anticipate the Budget announcement. In the same month, the DfT will publish a scoping document posing strategic questions on the way forward for aviation. A draft policy framework will be published for consultation during 2012. I would encourage you all to take part in the consultation to help us write a new chapter for aviation policy in Britain. Aviation has often been a divisive subject in recent years. The Coalition wants to try to build a wider consensus through a more open and inclusive dialogue and better mutual understanding than the last Government achieved. That won't be an easy task but with your help, I believe we can achieve it.

Thank you.

*(This speech represented existing departmental policy but the words may not have been the same as those used by the Minister.)*