

## ABTA response to the Department for Transport Call for Evidence on a new Aviation Strategy Beyond the horizon – the future of UK aviation

### About ABTA

ABTA – The Travel Association - was founded in 1950 and is the largest travel trade association in the UK, with around 1,200 members and over 4,400 retail outlets and principal offices. Our Members range from small, specialist tour operators and independent travel agencies specialising in business and leisure travel, through to publicly listed companies and household names, from call centres to internet booking services to high street shops. ABTA's focus is ensuring that Members can operate their businesses in a sustainable and successful manner, enabling their customers to travel with confidence.

The success of ABTA Members' businesses is directly reliant on the UK's aviation infrastructure; several of ABTA's larger Members are themselves part of groups that own airlines. ABTA Members provide 90% of the package holidays sold in the UK, with Members also selling millions of independent travel arrangements. Annually, ABTA Members' turnover is in excess of £37 billion. The business of our Members is the provision of quality, efficient and competitively priced passenger travel.

### Introduction

The UK has one of the largest aviation networks in the world – third after China and the USA, contributing £20 billion to the UK economy a year and directly creating 230,000 jobs and connecting UK businesses and consumers to the rest of the world. UK aviation is also vital to the UK tourism mix of domestic, inbound and outbound, along with many other industries, such as creative industries and financial services – all dependent on UK aviation for their survival. The CEBR's study for ABTA on the economic size and the impact of leisure air travel – one such sector dependent on UK aviation – on the UK economy<sup>1</sup> makes a powerful case for the importance of leisure aviation to the UK economy.

Economic analysis found that in 2010, leisure aviation directly contributed £14.1bn to the UK economy, an equivalent of 1.1% of annual GDP, and £35bn (2.8% of annual GDP) when indirect and induced contributions to the wider economy are considered, through increased demand on suppliers and so on down the supply chain. Leisure aviation alone directly accounted for 289,000 workers in 2010 across the UK, and 684,000 when indirect and induced impacts are considered. Aviation operates as an 'aviation mix' with leisure, business and visiting friends and relatives (VFR) passengers all flying on the same aircraft on the same routes. The different mix of aviation models all contribute to the UK's economy: scheduled, charter, no-frills, leisure, business and freight.

The wider UK aviation network directly affects the leisure aviation's impact on the UK economy and on the job market, and improved connectivity is crucially beneficial to this sector, as well as the wider economy and UK global competitiveness. Improved connectivity would also allow UK business and leisure travel to thrive, and make the UK an accessible place to do business and invest. As the UK moves

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<sup>1</sup> [Value of Leisure Aviation](#) (July 2013)

towards building a new relationship with the EU, additional capacity and improved connectivity is essential for a successful global Britain that continues to meet growing demand. According to the Civil Aviation Authority (CAA), UK airports across all UK regions are among the worst in the world when it comes to on-time departures, as runways are now more utilised due to demand. Airports capacity constraint in the South East, for example, has already led to a reduction in the overall number of destinations serviced, hindering the ability for UK businesses to expand and serve emerging markets.

Monarch's failure has reignited the debate about the effectiveness of the current UK financial protection regime for air travellers. It highlights flaws in the current consumer protection for air travellers, especially following the Government's decision to repatriate all of Monarch's customers, regardless of whether they were ATOL-protected or not. Whilst not initially considered, there is an opportunity, as part of a wider and longer-term review of holiday-based consumer protection, for a market based solution such as a statutory obligation to protect flight-only consumers against the cost of repatriation in the event of an airline insolvency.

As have been so clearly demonstrated, the exclusion of airlines from a scheme of protection not only fails to provide consumers with protection from financial loss but also adds to their continuing confusion and frustration when failure occurs. It creates a market distortion between airlines and travel companies, with the latter incurring additional costs as part of their ATOL licences.

ABTA's response, following consultation with Members, will predominately focus on questions 4 and 5 of the Call for Evidence, stressing the need for the consumer to be at the heart of the new Aviation Strategy and ensuring the protection enjoyed as a result of the UK's membership of the EU is not inhibited due to Brexit.

### **Executive summary**

- Consumers must be at the heart of this strategy. ABTA therefore welcomes that a main aim of the strategy is improving the consumer experience and protection. However, whether this aim can be achieved is very much dependent on the UK's future relationship with the EU. We urge that a deal for the aviation sector is reached imminently to remove the uncertainties around whether airlines and consumers can continue to fly post-Brexit.
- A key element to improving consumer protection is addressing some of the regulatory gaps in the UK's existing consumer protection landscape, and bringing together duplications in regulations that disproportionately cost travel companies significantly. Crucially, Monarch's failure has demonstrated the need to look again at the financial protection for air travellers.
- Improving surface access to airports is an important part of making use of existing capacity. Effective, efficient, high quality and resilient surface transport to airports not only benefits air passengers and airport staff, but also the local population. Surface access is an instrumental part of the customer experience and is crucial in the choice of a passenger's departure airport.
- As we begin the process of leaving the EU, additional capacity and improved connectivity is essential for a successful global Britain that continues to meet growing demand. According to the Civil Aviation Authority (CAA), UK airports across all regions are among the worst in the world when it comes to on-time departure as runways are more utilised.

- ABTA has continued to call for airport expansion in the South East and beyond, ensuring there are no further delays in finalising the Airports National Policy Statement for a new Northwest runway at Heathrow.
- The cost of delivering the new runway and associated infrastructure must be efficient, affordable and represent value for money.
- ABTA remain concerned that high levels of Air Passenger Duty (APD) continues to inhibit the contribution of the travel and tourism sector to growth and employment and are damaging the position of the UK as a hub for global air travel.

#### Questions 4 and 5

- 4     *In what order of importance should the policy challenges listed below be tackled? Please tell us why you have suggested this order of importance.*
- 5     *What are your views on the proposed aim and objectives?*

#### ABTA's response

ABTA is supportive of the general approach taken to developing a new Aviation Strategy, particularly the strategy's aim to achieve a safe, secure and suitable aviation sector that meets the needs of consumers and of a global outward facing Britain. To meet its objective of ensuring that airports make use of existing capacity, surface access to airports must be improved. Effective, efficient, high quality and resilient surface transport not only benefits air passengers and airport staff, but also the local population. Surface access is an instrumental part of the customer experience and is crucial in the choice of a passenger's departure airport.

As we begin the process of leaving the EU, additional capacity and improved connectivity is essential for a successful global Britain that continues to meet growing demand. ABTA would urge the Government to place the following objectives that seek to address the policy challenges identified in the following order of importance:

- Objective 1, which seeks to keep pace with consumer expectations;
- Objective 5, which seeks to meet increasing demand through sustainable growth;
- Objective 3, which seeks to expand market access;
- Objective 4, which seeks to encourage competitiveness
- Objective 6, which seeks to develop innovation, technology and skills; and
- Objective 2, which seeks to improve aviation security.

The next section of our response will take each objective in turn, setting out ABTA's reasoning for suggesting this order of importance.

#### *Objective 1*

As noted above, ABTA is supportive of the proposals aimed at improving passenger and business consumer experiences, including better protection for when things go wrong, and improving

accessibility. On accessibility, ABTA will be feeding into the Department for Transport's consultation on the draft Accessibility Action Plan.

ABTA welcomes the proposals set out in **objective 1** to move the ATOL scheme further towards a more market and risk-based approach to protection. ABTA believes longer-term reforms of the holiday-based consumer protection regime that is sustainable and risk-based, beyond the implementation of the EU Package Travel Directive, is essential for both the consumer and travel businesses. ABTA calls on the Government, as part of this strategy, to address some of the regulatory gaps in the existing consumer protection landscape, such as a single government department, preferably the Department for Transport, being responsible for a simplified regulatory structure, bringing together duplications in regulations, such as the overlap of the Package Travel Regulations, the ATOL Regulations and the Consumer Credit Act. This overlap has led to the same customer money being protected multiple times at unnecessarily high cost to travel companies, and the travel customer. More fundamentally, and as mentioned above, Monarch's failure demonstrates the need for a scheme of protection, at the very least in relation to the repatriation risk, which could be achieved through a market based solution such as a statutory obligation to protect all air travellers. The exclusion of airlines from a scheme of protection not only fails to provide consumers with protection from financial loss but also adds to their continuing confusion and frustration when failure occurs. It creates a market distortion between airlines and travel companies, with the latter incurring additional costs as part of their ATOL licences. ABTA will be responding to the consultation exploring these objectives as part of phase two of the strategy process.

Successive governments have felt obligated to protect UK citizens following a major airline failure at a cost to taxpayers. ABTA would urge the Government to consider putting in place a mechanism for protecting the taxpayer from cost risks in relation to future repatriation operations.

We note the proposals to look at new models, such as "luggage portering and city check-ins" to make the customer journey easier. ABTA would caution against too much Government intervention. Whilst ABTA agrees that there are instances where the Government could do more to help improve the consumer experience, intervention must absolutely be necessary, market-led and only utilised to prevent market failures.

#### *Objective 5*

ABTA has continued to call for airport expansion in the South East and beyond, ensuring there are no further delays in finalising the Airports National Policy Statement for a new northwest runway at Heathrow. More generally, planning decisions must be reached in a timely way and by an independent body, such as the National Infrastructure Commission (NIC). ABTA would not wish to see a repeat of the decisions around Heathrow, which we believe was unnecessarily delayed due to political interests and which impacted negatively on the UK's capacity to build and sustain the necessary infrastructure for the strategic and economic wellbeing of the UK. We believe the NIC has an independent role to play in relation future capacity needs and planning decisions.

Expansion in the South East offers the best economic benefit – both to the UK economy and, crucially, to the consumers. It delivers greater competition and connectivity, ensuring the full benefits are realised through lower ticket prices, and consequently more people travelling. This would bring significant

associated economic benefits for the UK tourism sector. ABTA however believes that to achieve the full benefits, expansion both at Heathrow and beyond must be cost-efficient and deliver increased competition. Users should not be required to meet the cost of delivering the scheme as a whole until the new runway is operational.

Linked to this is the need to continue to encourage the industry and airlines to better utilise alternative sustainable aviation fuels as we continue to see growth in demand. Aircraft today are 70% more fuel efficient than 40 years ago with airlines adopting a voluntary fuel-efficient goal to reduce fuel and CO<sub>2</sub> emissions by at least 25% by 2020. The industry has continued to invest in sustainable aviation, introducing quieter aircraft and programmes designed to reduce carbon emissions and improve local air quality. Since the development of the Sustainable Aviation Noise Road-Map in 2013, there has been a 14% reduction in airport noise contour areas, with 359 cleaner and quieter aircraft currently on order with UK airlines.

ABTA welcomes the ongoing work of the Sustainable Aviation, in collaboration with local authorities, to minimise noise sensitive developments near airports, as well as the Government's commitment to strike a fair balance between the negative impacts of noise and the positive economic impacts of flights.

#### *Objective 3*

Building a global Britain that is outward looking and embraces the world is heavily dependent on the direction of the Brexit negotiations. ABTA welcomes the commitment to put in place alternative arrangements for air services where market access is tied to the EU Air Services Agreements (ASAs). However, in the short-term, the Government's top priority must be to secure an agreement to maintain continued access to EU aviation markets immediately post-Brexit, an agreement that must be reached as soon as possible to remove uncertainty around whether consumers can continue to fly. Securing a short-term agreement would give the industry time to adapt to longer-term arrangements that are similar to the Air Services Agreements, such as the Open Skies Agreement.

#### *Objective 4*

Competition is extremely vital for ensuring the aviation market works well for consumers. Increased competition has led to a reduction in air travel costs, with passengers having a greater choice of destinations and airlines. However, ABTA is concerned that high levels of Air Passenger Duty (APD) continues to inhibit the contribution of the travel and tourism sector to growth and employment, and are damaging the position of the UK as a hub for global air travel. The UK has the highest aviation tax in Europe. A reduction would help the Government's goal of a "global Britain" post-Brexit. We look forward to working with the relevant government department as it explores the impact of APD on competitiveness and how aviation taxation policy could support the objectives of the strategy.

A reduction in APD would result in additional demand and encourage airlines and tour operators to introduce new services and routes, boosting business connectivity as well as increasing the mix of outbound, inbound and domestic tourism. Consumers will also benefit from a reduction in the cost of holidays. ABTA welcomes the Scottish Government's commitment to a 50% reduction in APD from 2018,

but notes that this could create a situation of tax competition within the UK that risk creating detriments for airports and passengers elsewhere. Any cuts in Scotland must be matched by the UK Treasury.

#### *Objectives 6 and 2*

ABTA welcomes the general approach set out for nurturing and maintaining the UK's position as world-leader in innovation in the aerospace sector, and to enhance aviation security and safety. ABTA notes, particularly as we leave the EU, the opportunity for new technological developments that would allow UK and EU citizens to continue to fly between the UK and EU countries. However, we urge the Government to work with the industry, who has significant expertise in this area, in developing new technology and ensuring that businesses are able to adapt and plan for the implementation of new regulations effectively and without unnecessary operational burden.

#### **Question 6 and 7**

*What are your views on the proposed principles?*

*What are your views on the proposed policy tests?*

ABTA is supportive of the proposed policy principles, which will be applied to a set of simple policy tests used to guide the Government's approach to developing the strategy. We particularly welcome the principles to work with the industry to ensure that the market works efficiently. As mentioned above, ABTA believes the Government should fully utilise the industry's expertise as part of any new developments resulting from the strategy.

#### **Question 8**

*What are your views on the government's proposal to support airports throughout the UK making the best use of their existing runways, subject to environmental issues being addressed?*

ABTA welcomes the proposals to consider planning applications from airports with planning restrictions who wish to take forward plans to make better use of their existing capacity, taking into account environmental issues, such as noise and air quality. With Heathrow operating at full capacity, Gatwick full at peak times, and all London airports expected to be at full capacity by 2040, ABTA welcomes the move to consider planning applications before the publication of the final Aviation Strategy. A number of regional airports and in the South East have identified ways of maximising runway capacity and this proposal would ensure that these options are given full consideration.

Key to making better use of the existing capacity is surface access improvement, ensuring that passengers are able to get to their airport of choice and to easily move between and to regional airports. It is an important aspect of the passenger experience and is instrumental in the choice of a passenger's departure airport. A modern integrated transport system can play a decisive role in attracting international investment, offering greater accessibility for Passengers of Reduced Mobility (PRMs) – a growing percentage of the population – and easing surface transport disruptions for the local population near transport hubs.

ABTA notes that work is already underway to introduce direct access to Heathrow via Crossrail (the Elizabeth line) in 2018; upgrade the Piccadilly line; and introduce direct rail access to the Great Western Main Line as part of the National Infrastructure Plan. ABTA welcomes the Transport Secretary's plans to accelerate the development of a new Southern Rail link to Waterloo and the South West trains network.

**Question 9**

*This document sets out the questions that the government would like to explore in developing the Aviation Strategy, within each of the six objectives that have been identified. These can be found at the end of chapters 3-8.*

*Are there any other specific questions on the six objectives that you think should be included in the planned consultations?*

ABTA believes the objective looking to keep pace with the consumers should include questions looking at the scope for a statutory obligation for flight-only sales, including those sold by airlines, to protect the consumer against the cost of repatriation in the event of an airline insolvency.

**Question 10**

*Are there any other sources of information or evidence that the government should bear in mind when developing the strategy?*

Yes

**Question 11**

*If yes, please give us some details of the sources of information or evidence.*

ABTA has produced a number of reports highlighting the importance of outbound tourism to the UK economy as well as the impact of aviation on the tourism sector. Please refer to the links below for these, and further information can be found on our [website](#).

- [Tourism and aviation – how flights to, from, and within the UK underpin a growing tourism industry](#)
- [The economic value of outbound travel to the UK economy](#)
- [The UK's leisure aviation economy](#) – a study of the economic size and the impact of leisure air travel on the UK economy
- [What Brexit might mean for UK travel](#)
- [Making a success of Brexit for travel and tourism – priorities for the Brexit negotiations](#)

**Question 12**

*Does the proposed timetable (set out in chapter 2), provide enough time to examine the issues in sufficient depth?*

No

**Question 13**

*If no, please provide feedback on the timescale here.*

ABTA notes that the proposed timeline is very tight, particularly given the additional level of work needed on the specific issues identified as part of the strategy process. ABTA also advises against stretching Government resources, already constrained by Brexit, as well as placing additional burden on businesses, both in terms of available resources to engage with the various consultations expected over the coming months efficiently and implementing new changes.

**Question 14**

*What action could the government take in order to ensure that the maximum number of people, communities and organisations are engaged in the process and are able to have their views heard?*

ABTA would call on the Government to ensure the process and the expected consultations are conducted over a sufficiently long period time, giving the public, particularly those living close to airports, an opportunity to engage with the process. As was done with the draft Airports National Policy Statement consultation, the Government could hold a number of local events, particularly in areas likely to be more affected by any new changes, to explain the implications of the strategy to individual airports. There is also a role for Airport Consultative Committees who can work with airlines, the local transport networks and the local communities affected by changes to airports.

**Question 15**

*Would your organisation be willing to take part or help organise events to help the development of the strategy?*

Yes – particularly on behalf of ABTA Members and the travel and aviation sector.

**Question 16**

*Are there any issues which we have not covered in this document which you think should be included in the consultation process? If yes, please describe what you think these issues are.*

ABTA has no further comments.

**Question 17**

*Do you have any other comments on the issues raised by this call for evidence? If so, you can either give these in your response to this consultation, or in the themed consultations which we have planned for each of the objectives.*

ABTA has no further comments.

**Further information**

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