

Royal Aeronautical Society Brabazon Lecture

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Introduction

In a month's time, we will reach the second anniversary of the publication of the Government's *Future of Air Transport* White Paper. This far-reaching strategic framework is the most ambitious and comprehensive policy ever to be established for UK aviation. Its great achievement is to look beyond the short-term political cycle that so often bedevils Government policy making, and to set out a vision for the UK air transport industry 30 years ahead. And it is absolutely right for the Government to do that. Because the providers of aviation infrastructure, like BAA, make decisions over major capital investments that pay back only over decades, not years. So for us, and our shareholders, to commit billions of pounds to the projects that will create new capacity for our growing airline customers, we need stability and something approaching certainty, and this White Paper – for the first time – provides that.

And while I will shortly come on to the detail of the White Paper, I want to say at the outset how impressed BAA has been at the consistency of commitment shown by the Department for Transport, and by Alistair Darling, to the White Paper. In a Government which has seemed on occasion to chop and change its policies in response to media and public opinion, the DfT has been resolute in defending its White Paper – indeed, has shown pride in the White Paper – and that gives us in the industry considerable confidence.

The core of the question I hope to answer this evening is: with growing concern about aviation's impact on the environment and the new, streamlined major projects planning process as yet untested, are the White paper's objectives deliverable in reality? To answer that, I intend to talk about where the responsibility for successful delivery lies. Because the achievement of the White Paper's long-term objectives of sustainable aviation growth depends on a much wider array of players than ourselves and other airport developers.

Among those sharing the responsibility are the airlines and air traffic service providers; the Government – both national and local; the regulator; and surface transport agencies and providers. There's even, if I may say so, a responsibility on each of us as citizens. It's no good our behaving as if we want both all the economic growth and consumer freedom we can get, alongside immunity to environmental impacts. What we need is a grown-up debate that really connects with people. If we have that, we will have a much better chance of sustaining mature political decisions.

What the White Paper said

But first, I will just recap on what the White Paper's objectives are that we are looking to deliver. The White Paper said that all airports should maximise the capacity of their existing runways, subject to planning approval. This must be the right starting point from a sustainability perspective. Because making the most out of existing infrastructure will deliver growth at a lower environmental and social impact, and generally also be more economically efficient. This is probably the least controversial of the White Paper's objectives, though at Heathrow, where maximising capacity may involve using the two runways in mixed mode, this is a very major local issue.

The White Paper also said that:

- A new, full-length runway should be built at Stansted by 2011-12, subject to planning approval
- A new, short runway should be built at Heathrow by 2015-2020, but only if local environmental and planning conditions can be met, particularly in relation to air quality, noise and surface access
- If a third Heathrow runway is not possible, then the Government said that a second runway should be built at Gatwick after the legal agreement expires in 2019, subject to planning approval
- A new runway may be built in Edinburgh, after 2020, subject to planning approval, while land at Glasgow can be safeguarded, in the event that demand requires a second runway there.
- The White Paper also provides for expansion at Luton Airport and for a second runway at Birmingham, again subject to planning approval.

To meet the environmental and social impacts of these developments, the White Paper set out a number of conditions and initiatives:

- Road and rail capacity must be sufficient to cope with the transport demands of expansion
- All airports should bring forward voluntary schemes to address the noise and property blight impacts of expansion
- All airports should produce a master plan, setting out their short, medium and long-term development and growth visions, to provide local and regional authorities and communities greater understanding about the airport's future.
- Finally, aviation must address its impacts on climate change, and the Government will use its Presidency of the European Union to push for aircraft emissions to be included in the EU Emissions Trading Scheme.

There is a clearly a lot to go through, so this evening I will try to provide a detailed assessment of where BAA has got to in delivering those parts of the White Paper in which we have a role to play, and then provide an overview of the progress that we believe other players are making. Then, hopefully, I will be able to give you a view of whether the White Paper is deliverable in reality.

Master plans

At all of our airports apart from Aberdeen so far, we have published draft master plans for consultation, and Aberdeen's consultation is due to follow shortly. These master plans provide communities and planners with short, medium and long term clarity – where we are able to give it – as to the likely development of our airports, highlighting future potential impacts, and identifying land which might be needed, and potential off-airport developments, such as roads and rail.

Making the best use of existing capacity

At all of our airports, we are pressing ahead with expansion based on our existing runways, as we have set out clearly in the master plans.

At **Heathrow**, where we currently handle just under 68 million passengers, we have been investing ready for the A380 super-jumbo next year, with a number of dual-deck stands already built. Terminal 5 is on budget and on schedule to open on 30 March 2008, providing new, world-class facilities for an additional 30 million passengers. We have committed a further £3 billion to redeveloping the existing four terminals, to transform Heathrow from good, to great.

You may have noticed that earlier today we unveiled the latest stage of our thinking about Heathrow. What we've put on the table is a plan which would bring the whole of the airport up to T5's standard of fit-out; a plan which will enable Heathrow really to justify its claim to being not only the busiest international airport in the world, but also the best.

The move by BA to T5 and the airlines moves supporting Alliance relocation creates space in the central terminal area. This presents a once-in-a-lifetime opportunity for a truly bold redevelopment of Heathrow. So what we have discussed with our airlines is the idea of demolishing Terminal 2 and the Queen's Building to build a new terminal the size of Terminal 5 on the site. We are calling this project **Heathrow East**. It would provide capacity for 30 million passengers, and potentially be used by Virgin and the STAR Alliance, which includes bmi. It's too early to say what the cost would be, but based on T5 – without the rail stations, tunnelling and satellites – it could be £1-1.5 billion, on top of the £3 billion already earmarked for Heathrow redevelopment. We could probably begin construction in early 2009, subject to securing planning permission. And alongside this, we will, of course, be refurbishing and developing Terminals 3 and 4.

The decision to go ahead with Heathrow East would depend on two things: First, whether airlines want us to do it – and we will continue our discussions with them. Second, whether the regulator supports the investment – by ensuring that the investment will have the support of our shareholders and lenders. I am really excited by this. It is an example of how BAA's commitment to customer service, to excellence in delivery and to innovative thinking can combine to come up with a left-field idea which could radically transform Heathrow. And it offers a major contribution to BAA's vision of improved customer service at all our airports, and improved value for money for all our customers. We'll keep you posted on Heathrow East.

The more immediate White Paper issue for Heathrow, though, is whether the runways should be used more flexibly, in **mixed mode**, to increase the number of movements that they can handle. At present, the runways operate in segregated mode, with one used for arrivals and one for departures, and they alternate at 3pm every day. This gives local communities relief from noise for half the day. The Government said in the White Paper that it would investigate and consult on the scope for greater utilisation of Heathrow's two existing runways, such as through limited mixed mode operations, and work is currently going on to this end. We expect a Government consultation to start by the middle of next year.

At the heart of this issue is the difficult balance that the Government has to strike between the needs of the economy and the needs of the community. There is no doubt that increasing Heathrow's movement capacity would be a tremendous benefit

for the economy, increasing the range and frequency of services from the airport, maintaining Heathrow's, airlines' and the UK's international competitiveness. It could also help to reduce delays, which impose significant costs on both airlines and passengers. But there is also no doubt that mixed mode – whether for part of the day or all day – will have a significant impact on those communities living under arrivals and departures flight paths.

BAA participates fully in the detailed research needed to assess the potential for different forms of mixed mode, and in the public consultations. As always, our aim will be to provide the Government with the fullest understanding of the community and environmental costs as well as the economic and operational benefits of this option. But it will be the Government, ultimately, which will have to make the judgement call on the right balance. BAA cannot, unilaterally, raise the capacity of the Heathrow runways, which are subject to planning conditions limiting the airport to 480,000 movements a year. With the current level of movements already over 470,000 a year, clearly growth will not be a simple process.

At **Gatwick**, we already have support in principle from our local authorities to develop the airport to grow from 32.5 million passengers today to around 40 million, and we have a £685 million programme for that development. This year, we opened Pier 6, unlocking new stand capacity on the airfield and providing direct access from the terminal with the world's widest air passenger bridge across a live taxiway.

At **Stansted**, where we currently handle almost 22 million passengers, we are consulting in advance of a planning application to make the best use of the single runway. We have permission to grow to 25 million passengers, and given the improvements we are constantly making in efficiency, we have so far achieved growth without building all of the facilities we originally believed we needed for this current phase of development. So at the heart of our application will be a request to abolish the planning condition limiting passenger throughput, rather than a raft of requests for new infrastructure, so that we can truly make the best use of the runway we already have, and the facilities which we already have permission to build. We will need some additional facilities, but these will be very minor, over and above those for which we already have approval. We will submit our formal planning application next spring.

At the time of the consultation in advance of the White Paper, we did not believe that **Southampton** Airport had much growth potential beyond 2.5 million passengers a year. Since then, though, we were able to buy a large piece of land next to the airport, and this will unlock much greater potential for growth – from 1.8 million passengers today, to around six million passengers. This may mean building an additional terminal on the other side of the runway, as well as continuing to develop the existing terminal.

In **Scotland**, we are continuing with our £500 million investment programme at our three airports, coupled with our £95 million route development fund. We are planning to expand **Edinburgh's** single terminal in three directions, to provide short-term growth potential beyond the 8.4 million passengers who currently use the airport. We have already built a new control tower, completed one terminal extension, built full-length parallel taxiways and opened a new multi-storey car park.

At **Glasgow**, where we are currently handling 8.7 million passengers, we have already launched a £13 million capital investment programme for this year, involving

a new international extension to the terminal. This is the first stage of a £50 million redevelopment of the main terminal, which will ultimately see a second international pier and 10 new aircraft stands built.

And at **Aberdeen**, which handles 2.8 million passengers, while development plans are more modest, we have already built a new aircraft stand and reconfigured existing ones for the new generation of aircraft, and we have secured 24-hour operational flexibility, to allow the airport to remain open for limited services at night.

Stansted Generation 2

The first big project to emerge from the White Paper is the delivery of the second runway and associated infrastructure at Stansted, which will support Stansted's growth from around 35 million passengers on one runway to between 70 and 80 million on two. We call this project Generation 2, because it is about so much more than two miles of concrete. It is a runway, yes, but it is also the huge earth-moving and levelling that is needed so that there is something flat to put the runway on. It is the building of taxiways and aprons, the terminal and satellites, the baggage systems and utilities, the air traffic control tower, the cargo facilities, the road and rail infrastructure, the ecology and landscaping, the purchase of land, the compensation for homeowners whose properties are taken, and the financial support for people whose properties are blighted by the proposed development.

The Government suggested that the entire project could cost up to £4 billion. We have already said that we will build the development in phases, and that the first phase will be done for no more than £2 billion. We're working very hard to bring these numbers down. But when Michael O'Leary suggests he can get the job done for £400 million, he's in a world of his own. It's not even possible to do the airfield work for that sum, given the scale of the earth-moving involved, and it doesn't begin to touch issues like compensation and investment in road and rail transport. You may have noticed that Luton's recently published master plan suggested a headline figure of £1.5 billion for the development of a new runway there. I'm not talking about gold-plating and marble-floored terminals here – I'm talking about providing decent, fit-for-purpose standards for a 21st century airport. Sixty years ago, Heathrow started out its post-war life as a civil airport with marquees for terminals: I think that in the 21st century, passengers rightly expect, deserve and should get more than that.

Before Christmas, we will announce our preferred option for the location of the second runway and will launch a public consultation on it. We'll also, at that point, give some indicative cost estimates. Next spring, we will launch a consultation on the road and rail schemes which we will need to support the Generation 2 project. And in 2007, we will submit our formal planning application for Generation 2, both for the runway, terminal and airfield developments, and for the associated road and rail schemes. Our hope is that the reformed planning process for major infrastructure projects will deliver a decision within a couple of years, rather than in the seven years it took from formal application to decision for T5. But more on that later. If everything goes right, we believe that we can open the new runway in 2013.

Project Heathrow

There is still a lot of work to do before we can know whether a third, short runway at Heathrow is deliverable. The Government is leading a series of studies, called the Project for the Sustainable Development of Heathrow, into three main environmental issues: air quality, noise and surface access. In a nutshell, the Government must be convinced that the air quality in the area around Heathrow with a third runway will

meet the air quality limits that the EU is introducing. This is a real difficulty for Heathrow, especially since the majority of the air pollution problem in the area is actually caused by commuter and other traffic moving around the M25 and in and out of London on the M4; only a small proportion of this traffic is bound for the airport.

The Government must also be certain that the total area around Heathrow exposed to noise of 57 decibels or above does not exceed 127 square kilometres. And it must be sure that the road and rail systems can support an airport handling some 120 million passengers a year. Only if there is a tick in the box for each of these three issues will the Government give BAA the go-ahead to start planning for the third runway development.

Project Heathrow, as we call the process, aims to complete its studies and come up with answers, possibly by the end of 2006, and BAA is playing a full and active part in these studies, along with the DfT, airlines, local authorities, academics, consultants, transport providers and others. As and when these and other preconditions are met, BAA can move ahead the work on the terminal facilities which would be needed for a third runway.

At our other airports where a runway remains a possibility – Gatwick, Edinburgh and Aberdeen – we have taken steps to safeguard the land that would be needed, to ensure that it is not given over to residential development, and so that any potential industrial developer is aware that the prospect of a runway exists. So that is where we are with actual and planned development, in line with the White Paper. I now want to move onto the conditions that need to be met to realise these developments, starting with noise and blight schemes.

Noise and blight

At all of the airports where there is the prospect of major development, BAA has – in line with the White Paper – developed and published schemes to deal with property blight. Stansted was first off the mark in 2003, because we announced immediately after the White paper was published that we would proceed with plans for a new runway, and quickly drew up a scheme to offer to purchase the homes we would need to take to make way for the development. Already, over half of the properties we may need to buy are either already bought or are being bought, as residents have been quick to take us up on the scheme, which offers the full, unblighted market value for the property, plus legal and removal costs, plus stamp duty and a further 10% premium payment once we secure planning permission. And we launched a second scheme last year to provide support for properties which would potentially be exposed to noise from the second runway above 66 decibels.

This year, we extended similar schemes to the communities around Heathrow, Gatwick, Edinburgh and Glasgow. At this stage in development, these schemes do not provide for BAA to buy any properties, because at this stage we have no firm runway development plans. But once firm projects are under way, these schemes begin to kick in.

On noise, we were asked to provide noise insulation for community buildings with the 63 decibel noise contour of any airport with more than 50,000 movements, and to offer financial assistance to move for homeowners living within the 69 decibel noise contour. We consulted on how to implement these schemes earlier this year, and published revised schemes in the summer. They went live at the beginning of last month.

Surface access

Perhaps the biggest issue which will determine the deliverability of expansion is outside BAA's direct control, and this is in the provision of the road and rail infrastructure and services that will support passenger and staff travel to our airports. BAA is, of course, a major player in the surface access debate, and we have proved, time and again, our commitment to providing funding for transport, whether in funding free buses around Heathrow, in contributing to the £32 million Crawley-Horley-Gatwick Fastway guided bus service, or in building and operating, at our own cost, the £750 million Heathrow Express and Heathrow Connect services.

Where road and rail is concerned, we fully accept our responsibility to provide funding for developments which support our expansion and which benefit our passengers and staff. But we cannot and will not fund such developments exclusively, when non-airport users are major or in most cases, majority beneficiaries. Our regulator will not let us charge airlines for the cost of improving commuter services. In such cases, we need to be a partner with local and national Government, not a funder of last resort – or worse, a cash cow of first resort.

We have been working for some time on the surface access needs of our airports, and a few things are emerging which it is worth sharing with you. At Heathrow, Crossrail would be potentially beneficial at the margins as a supplement to the Heathrow Express, but if a stopping commuter Crossrail service were to replace the Heathrow Express, it would lead to passengers switching back to cars. So, while we strongly support Crossrail in principle, because of the wider benefits to London, we have highlighted the importance of the right kind of integration with existing rail services to Heathrow, and we are pleased that our concerns have been heard by the Government.

Also at Heathrow, our view is that Airtrack – a rail scheme linking T5 south of the airport with Surrey and Waterloo, via Clapham Junction and Staines – would be potentially useful to support a third runway. Airtrack would open up rail access to Heathrow from the south coast, the south west and the west, providing a significant boost to rail usage.

We also believe that some form of road user charging is likely to be needed at Heathrow – whether an area-wide congestion charge, taking in the M25 and M4 – or a localised Heathrow-only access or forecourt charge. This would both discourage driving where there are alternatives, and provide an important source of revenue for investment in public transport. We will be exploring the feasibility of such schemes at Heathrow over the coming months.

At Stansted, the needs of the airport must be set in the context of the Government's plans for the economic and residential development of the M11 corridor, which will also impact on transport demand. We are working closely with the DfT, the Highways Agency and transport providers to ensure that Stansted's needs and impacts are fully understood, that Stansted is taken into account in infrastructure planning, priority setting and timetabling, and that a reasonable and fair share of funding is agreed.

At Gatwick, we have for some time been at odds with elements of the Government or its agencies over the future of the Gatwick Express. One of the last gasps of the now-defunct Strategic Rail Authority was to propose the abolition of the Gatwick

Express – the UK's first dedicated air-rail connection – as part of a planned reorganisation of commuter services on the Brighton main line. BAA has fought these proposals, first with the SRA and latterly with the rail part of the DfT, and has proposed compromises, in which the Gatwick Express survives, with modifications which help boost capacity on the Brighton line. This is still being played out. But the issue is a serious one, because if the Government is to deliver the surface access objectives set out in its air transport policy, then it must ensure that its rail policy is properly joined up.

Up in Scotland, Edinburgh airport has provided detailed technical input into the promoters of an airport rail link, which the Scottish Executive hopes will link the airport with Aberdeen, Dundee, Inverness, Fife, Glasgow, Perth and Sterling. And in Glasgow, a draft Bill has already been submitted to the Scottish Parliament on a potential rail link between the city and the airport, and BAA has been closely involved in this.

That pretty much brings you up to date with progress in planning the on-airport and off-airport developments needed for expansion.

Other players

What I now want to talk about is the part that other players are playing or need to play in delivering the White Paper's objectives. Let me start with the rest of the aviation industry. **Air traffic providers** are important, as they need to plan for and provide the airspace infrastructure to allow for growth in a way which does not compromise safety. In the UK, we are fortunate in having the best air traffic controllers in the world, and we are working with NATS on the airspace planning they need to do at all of our airports. I am confident that if it can be done, they will deliver.

Airlines have a really critical role to play in securing the continuous improvements in environmental performance which will allow aviation to grow yet environmental impacts to be contained – and in some cases reduced. Particularly in three key areas – local air quality, noise and climate change – airlines are the drivers and must take responsibility for helping to design solutions. In the UK this year, the aviation industry – airlines, airports, manufacturers and air traffic control – came together with Government to devise and launch a Sustainable Aviation strategy. At the core of this strategy are three commitments. For all new aircraft introduced in 2020, the strategy aims for:

- an 80% reduction in NOx emissions, relative to new aircraft in 2000
- a 50% reduction in perceived noise levels, relative to new aircraft in 2000
- a 50% increase in fuel efficiency, relative to new aircraft in 2000.

This establishes a good foundation, but in a very dynamic situation it's crucial that the aviation industry delivers on these commitments, because society will continue to demand environmental progress at the same time that it demands more air travel. The airlines bear a very particular responsibility here. If they want society's approval for expansion, they must not be seen to be environmental laggards, dragging their feet in meeting standards, or fighting against airport initiatives (such as noise and NOx charging) to incentivise performance improvements.

But I am very pleased to say that UK airlines lead the world on **climate change**. BA has lobbied alongside BAA to bring European aviation into the EU Emissions Trading Scheme as a first step towards a global scheme. Initially, we were delighted

that the UK Government included this in the White Paper. And we have stood shoulder-to-shoulder with the Government at an EU-level since 2003. We have worked hard to help deliver the EU airports industry's support for this initiative, and BA has helped deliver Air France/KLM, SAS, Iberia and others in the EU airline industry, alongside themselves, Virgin, bmi and easyJet. The Commission issued a Communication in September proposing aviation's inclusion in the EU ETS after 2008, and that is due to be debated at Environment Council next month. EU legislation will be initiated next year. This was an important environmental test for the aviation industry, and with a few exceptions – notably in Germany – I would say that the industry has passed the test, embracing both its responsibility to face up to climate change and to work for the right solution.

Going forward, what we would like to achieve within the aviation industry is a culture of strategic partnership, rather than the culture of tactical confrontation which has often characterised our behaviour. This is especially important on the issues which cause most quarrels in business: who pays for what.

Regulator

Which brings me to the question of regulation. We are coming up to the opening round in the review on regulated airport charges at Heathrow, Gatwick, Stansted and Manchester, and issues of the funding and pre-funding of major infrastructure will be among the issues to be debated. We look to airlines to be constructive in their engagement on these issues.

The CAA's prime responsibilities in all this – as set out in the Airports Act are:

- to further the reasonable interests of users of airports
- to promote the efficient, economic and profitable operation of such airports
- to encourage investment in new facilities at airports in time to satisfy anticipated demands by users of such airports
- to impose the minimum of restrictions
- to take account of the UK's international obligations.

If BAA, a regulated company, is to deliver for airlines and passengers the infrastructure they need, then the regulator must ensure that we have the incentive to do so. Broadly, the CAA has done a good job in executing its duties, and providing the remuneration BAA has needed to invest. Over three regulatory reviews, it has built up a level of trust which has allowed us to invest with confidence that it will allow us to charge rates which will recover these investment costs. Thus, we were able to start building T5 as soon as we could secure permission to build it, on a clear policy of the CAA that it would provide for a ten-year programme of price rises at Heathrow to pay for it.

At the upcoming review, the CAA must deliver the second five years of these price rises, or the cycle of trust will be broken. This will be critical to the confidence we need to drive forward the building of the second Stansted runway. The Government is clear that it wants this runway as soon as possible – and with good reason. Early delivery will allow airlines to compete, aviation to grow, air fares to stay low and the economy to prosper.

But the CAA has made it clear that it is not its duty to implement the air transport White Paper to the timescale defined by the Government, and that it may take an independent view. This has created a risk that the CAA's policies, and its

interpretation of its duties could conflict with Government policy. We can infer from the CAA's most recent statements that the development of Stansted should be undertaken not necessarily as soon as possible for broad national policy reasons, but only when local demand from Stansted airlines and passengers makes it financially self-sufficient. The danger for BAA is that we find ourselves in no-man's land, between the Government and the regulator.

In truth, we can live with either the Government's or the CAA's policy, but we cannot meet both, if they imply different development schedules. While CAA independence is important and a degree of tension with Government is probably healthy, the organisation needs to incorporate in its activities mechanisms for resolving its differences with Government. Our preference is that the CAA should support the early delivery of Stansted, through a set of decisions at the next pricing review which give us the reassurance to continue our drive to be open in 2013.

How this is done will no doubt be the subject of hard negotiation, ideally uncluttered by the misleading language of 'system' and 'stand-alone' pricing. But it does need to be done, one way or another, if the UK is to have the transport infrastructure it needs, if the White Paper is to be delivered. Having set the right incentive structure for investment, I am of the opinion that the less the regulator intervenes, and the more freedom we have to negotiate with our customers, the better will be the outcome. Light-touch regulation – stopping short of deregulation, but only intervening where there are market failures or a clear need to step in – has worked well in Scotland.

The same thinking underlies the CAA's policy of constructive engagement between airlines and airports, which very much fits with our own business vision of a culture of strategic partnership. We strongly support more direct commercial discussions, and we will be trying our best with airlines to make this work. We also believe that the Airports Act requires the CAA to take into account the interests of air passengers in general, as well as the interests of airlines. In its opening paper for the upcoming airport charges review, the CAA started from the proposition that the interests of airlines normally coincide with the interests of passengers. This may not always be clear to regular air travellers. And the CAA has established no process for properly evaluating how passenger interests are best met in airport development. My view is that new capacity promotes competition among airlines and lowers air fares – which are clear passenger benefits. So I would like to see a more central role in the regulation debate for considering the interests of passengers.

The coming regulatory review is a great opportunity for aviation regulation. When BAA was privatised, the regulatory regime administered by the CAA was the model for the world. It has proved to be tremendously successful, and BAA has been a great example of how to get regulation right, while the regulation of Railtrack has been a spectacular example of how things can go disastrously wrong. But as regulators get more involved in their businesses, the sheer administrative cost of regulation increases. All models must evolve with time, and time has moved on since the mid-1980s. If the regulation of BAA's and Manchester airports can evolve, rather than just grow, in response to the Government's clear objectives and the needs of the 21st century aviation industry, then we can re-establish our regulatory lead, which we seem in recent years to have lost to the Australians, whose move to lighter touch regulation, shadow regulation and deregulation has been tremendously successful.

Government

But BAA's technical expertise and eagerness to get on with development, and a sensible regulatory outcome won't deliver expansion without the active vigilance of the Government. I have mentioned before the important role that the Highways Agency and the rail industry – DfT, but also Network Rail and rail companies – have in delivering the strategic framework and on-the-ground investment in surface access for our airports, in partnership with BAA. The Government's vigilance over rail and road agencies, especially those in their direct control in DfT, is needed to keep this part of the equation in balance with the on-airport planning. And the Government must also make sure that its transport policies are joined up, and help deliver and not undermine the surface access objectives set out in the White Paper.

But the big unknown is how the reformed **planning** system will work when it is faced with a major planning application, such as Stansted Generation 2. Following the granting of permission for Terminal 5 – a project which, at the hands of an arcane planning system, will have taken 23 years to deliver from inception to opening – the Government rightly said “never again”. The planning system under which T5 was considered encouraged conflict rather than compromise, time-wasting rather than solution-seeking. The T5 inquiry lasted four years – the longest in history. No-one really wants to go through that again.

But the reforms that the Government has introduced to major infrastructure projects are, as yet, untested. In theory, the Inspector will be informed by clear Government policy statements, such as the White Paper, and therefore not need to spend months in debating whether a project is in line with policy. In the case of Stansted, for instance, the Government could not be clearer that a runway is needed and should be brought forward. There can also be a number of inspectors appointed to deal with different aspects of an application simultaneously, rather than have all aspects dealt with by just one inspector. Moreover, the inspector could lay down a strict timetable and the parties would be expected to keep to it.

So far, so good. But, in a twist of irony, it is possible that the first truly major infrastructure project to test the new planning system will be BAA's application for Stansted Generation 2. So we need the Government to understand that if we are to deliver the major share of its infrastructure objectives for air transport for the UK, we expect the Government to make sure that the planning system works the way it should – providing a proper voice for communities, but preventing the abuse of the system that delayed T5 for so long.

Local Government also has an important role to play. There was little, in reality, that the London Borough of Hillingdon gained from four years of fighting BAA in the T5 public inquiry that wasn't essentially on the table at the beginning of the process. Local councils should work to secure the best deal for their communities and use their electors' council tax more wisely than they sometimes seem inclined to do. If developers are responsible and honest, communicate transparently and can clearly be engaged with, then confrontational opposition by local authorities does not seem to me to be the right response.

I believe that BAA is the sort of developer that community representatives can, and should, be able to do business with. We are committed to high standards, to transparency of communication, to proper consultation and to working to find solutions to the impacts of our developments. In a project like Stansted G2, I hope that when we have detailed proposals about which we can engage in a public discussion, the local authorities will act responsibly and work with us for the best

community outcome. We, as a company, are always keen to discuss with local authorities the appropriate level of community investment associated with our developments.

But let's be clear, in a situation in which councils take the confrontational route through the planning process, they should not expect us to open our cheque books voluntarily beyond the conditions which would be imposed upon us following a public inquiry. It may sound tough, but they can't have it both ways. If they help us to deliver the best outcome that can be achieved for their communities, while allowing us to meet our needs, then they can play a constructive part in delivering the Government's White Paper objectives. But if they take the path of deliberate opposition and delay, then they should expect no more than the planning process mandates.

Conclusion

I was asked to say whether I think the White Paper's objectives are deliverable. There are clearly many obstacles which have to be overcome, and many players who have to play their part, but I think that the vision that the Government set out for the UK aviation industry two years ago is ambitious, right and deliverable. But this was never just about how many miles of concrete and square feet of terminal space is to be delivered over three decades. It is about creating the conditions for the UK aviation industry to meet the needs and aspirations of citizens and business in a globally-competitive 21st century Britain.

For BAA, this means moving even further away from the old notion that we are just the provider of airport infrastructure. For BAA, it means providing a quality of customer service that meets the aspirations of all our customers and which delivers value for money. This means having clear business strategies, which are well understood and rigorously implemented. It means brilliant execution of everything we do – on the day, every day. It means excellence in our management of capital projects and top-class stakeholder management. Put these together, and BAA will be well placed to deliver everything that is asked of us by our stakeholders. A transformed Heathrow, that is truly great and deserves its place on quality and service as well as size as the jewel in the crown of global aviation. A Stansted that is built out to make the best of its current runway, then transformed again with a second runway and terminal.

The right rail-air connectivity between our airports and the cities they serve. A real step change in customer service – for passengers as well as for airlines. All delivered against increasingly rigorous demands to find long-term solutions to our critical environmental impacts, and in the context of supporting a competitive, globalised UK economy. That's a level of ambition you'd expect from the world's leading airports company.

Ends