Environmental concerns and politics have combined to put the brakes on expansion at London Heathrow and, across the continent, airports are hitting their limits.

The UK is proud of London Heathrow’s position as the world’s busiest international airport, but for the coalition government currently in power, it is turning into a poisoned chalice. The decision to rule out a third runway at the airport, which has been operating at full capacity for many years, was one of the defining policies of the coalition agreement between the Conservatives and the Liberal Democrats. The coalition also ruled out new capacity at other airports around London, including Stansted and Gatwick.

However, with a review of aviation policy under way, the third runway is back on the agenda, along with an alternative idea for a new airport in the Thames estuary.

The view that the UK is losing ground to its European competitors, while the economy will be harmed if it does not invest in more capacity, is becoming increasingly prevalent. In his 2012 budget speech, Chancellor George Osborne said the UK has to confront the lack of capacity after increased lobbying from BAA, owner of Heathrow, business groups such as the Confederation of British Industry and airlines such as British Airways.

“While we have sat on our hands for decades, other countries like China and Middle East states have made strident efforts to build up their aviation industry, benefiting not only the industry but their economic standing in the world,” says Willie Walsh, chief executive of BA parent IAG.

“For example, China is building 70 airports between 2011 and 2015, with another 97 airports to be built by 2020. As we stagnate, our counterparts in Europe and around the world...”
rub their hands with glee. We have no strategy. We are disconnected when it comes to linking the value of aviation to wider UK benefits and we are suffering as a result.”

Katja Hall, the CBI’s chief policy director, adds: “As the global economy moves east and south, constraints at a hub airport running at 99% capacity are preventing airlines from meeting demand for flights to growth markets in emerging economies.

HEATING UP

“Every day, we’re ceding ground to competitors. There are now seven major cities in China served by the airports in Frankfurt, Paris or Amsterdam that aren’t served by direct flights from the UK. Germany now has 60 direct air links a week with China, twice as many as the UK.”

With capacity constrained, Heathrow landing slots have become a valuable commodity, meaning airlines focus only on the most profitable routes, says Colin Smith, head of airports at consultancy PwC: “This has reduced Heathrow’s effectiveness as a hub because the rise of the low-cost carriers has reduced margins on short-haul flights, leaving airlines such as BA to focus more on long-haul traffic. If Heathrow had more capacity, and slots were cheaper or free, the budget airlines could step in to take over the short-haul routes that BA has dropped.”

But is the capacity issue unique to the UK or are other European markets constrained as well? In the UK, many think rival airports are taking traffic away from Heathrow. “Schiphol, Frankfurt and Charles de Gaulle are displacing Heathrow as the airports most business passengers choose to transfer through,” says Smith.

Yet Eurocontrol, the European Organisation for the Safety of Air Navigation, predicts that in Europe “between 0.7 million and five million flights will be unaccommodated in 2030, representing from 5% to 19% of the demand”. Recession in Europe cut traffic in 2008 and 2009, easing the pressure on airport capacity, but in the longer term, demand will return and airports will not always be able to fully respond.

“We should consider extending the airspace in the UK, especially in the south,” he says. “But we’ve got nowhere to move it.”

Yet he acknowledges that the UK is not alone in struggling to meet demand. For example, Dubai airport is being enlarged to accommodate 75 million passengers, a second airport – Al Maktoum International – opened recently and is still expanding. This new facility will ultimately have five runways with a total capacity of 120 million passengers, nearly twice the number of passengers presently handled by Heathrow, ACI asserts.

EMERGING PLAYERS

The changing balance of power in global aviation is clear from ACI’s figures. In 1995, 10 of the top 20 airports in terms of international airports were in Europe, with four in the USA and six in Asia. In 2010, while Heathrow managed to hold on to its top spot and nine of the top 20 were European, seven were from Asia, two from the Middle East and only two from North America.

“Europe has a budget to invest in expanding capacity, whereas the Middle East and Asia are state- owned,” says Simon McNamara, deputy director-general, ERAA. “There are now seven major cities in China served by the airports in Frankfurt, Paris or Amsterdam that aren’t served by direct flights from the UK. Germany now has 60 direct air links a week with China, twice as many as the UK.”

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