



Agenda Item: 14	Reference: HACC.523
Date: March 22 2008	
CAA Submission to Competition on the economic regulation of UK airports	

Report by the Technical Adviser

BACKGROUND

1. Members will be aware that the Civil Aviation Authority is the independent regulator for the civil aviation industry in the United Kingdom, except for the increasing involvement of the European Union and its agencies.
2. Over the past two years the Authority has been fulfilling one of its regulatory duties- undertaking a five yearly (quinquennial) review of price controls and some operating restrictions on the BAA London airports in consultation with the Competition Commission. The HACC has responded to a number of the consultations issued by the Authority in this process which has published its decision for the period 2008 – 2013 and which is reviewed as HACC. 522 at the Committee meeting of 26 March.
3. The Commission made recommendations to the Authority during the price control review but continues its market inquiry into the future of the UK airport industry, including what should be done about the BAA airport group, as a separate issue.
4. Now, the CAA has made a submission to the Commission which argues that there is a clear case for regulatory reform but recognises that airport investments and service quality improvements will still need to be paid for.

THE SUBMISSION

5. The CAA says that it welcomes this opportunity to contribute to the Commission's consideration of economic regulation as part of its inquiry and to the more general debate about how to develop the best framework for economic regulation of UK airports, which the Department for Transport has said it will consider following the Commission's report.
6. The regulatory framework has remained largely unchanged for 20 years. The CAA argues that it risks not keeping pace with future changes in the UK aviation market and should be modified to bring it into line with best practice regulation. This reform should include :
 - * Reforming the CAA's duties to place the interests of consumers first, recognising that effective competition provides the best means of protecting their interests, as it does at the majority of UK airports
 - * Providing the CAA with more flexibility and discretion so that it can tailor its regulation better across airports and over time, responding to the continually changing market environment. This could allow it to act more rapidly when unfair conduct is identified but also enable the CAA to enter into longer-term commitments with airports in a way that encourages appropriate investment
 - * Providing the CAA with concurrent competition powers , which most other regulators hold - so that it can make use of the existing competition law regime to balance sector- specific regulation with general competition tools

7. The CAA believes that these improvements to the framework would enhance the clarity and flexibility of regulation, without extending unnecessarily the CAA's intervention in markets: the Authority considers that the vast majority of UK airports should continue to operate free of detailed economic regulation, as competition, rather than regulation, provides the best way of ensuring that consumers receive the service they demand, offered at fair prices.

8. With this in mind, the CAA recommends that there is a case for additional measures aimed at providing a check against unnecessary regulation, including:

- An improved appeals mechanism, installing the Competition Commission as the appeals body for CAA price control decisions
- The use of time-limited licence conditions, and
- periodic reviews of the regulatory burden
-

These would build on the CAA's existing obligation to impose only the minimum of regulation necessary.

9. The Commission will be considering issues connected with its market inquiry over the remainder of this year.

10. Harry Bush, the CAA's Group Director of Economic Regulation, commented today: " There is now widespread agreement – between airlines, BAA and the regulator – that the current regulatory framework needs modernising. But there is likely to be considerable debate about the best way to do this.

The CAA has placed significant weight on passengers' interests – notably in its recent decisions on investment and service quality at Heathrow and Gatwick - but the regulatory regime could be improved by placing the interests of consumers unambiguously at the heart of the CAA's duties and by encouraging competition between airports and between airlines for their business. This would also line up the CAA's duties with those of other economic regulators.

The CAA wants smarter regulation – rather than more regulation – encouraging competition and tailoring solutions to problems rather than extending the CAA's remit to more airports or increasing the regulatory burden. The CAA therefore recommends an updated package of checks and balances to minimise the regulatory burden and to ensure that stakeholders are able effectively to scrutinise and challenge the CAA's major regulatory decisions. This would be consistent with Government's Better Regulation agenda.

But we should also be clear that regulatory reform is no magic bullet – airport investments and service quality will still need to be paid for. What a reformed regulatory regime will provide, however, is the best possible framework to meet the complex and varied challenges facing UK aviation."

11. The CAA's submission comes at a time when a number of stakeholders are calling for a reform of the regulatory framework of UK airports. The CAA says that it welcomes this public debate and looks forward to discussing these issues with the Commission as well as with airports, airlines, consumer groups and Government.

CONCLUSION

12. The Committee will, no doubt ,welcome in principle the CAA's intention to place the interests of consumers at the heart of the Authority's duties. Much will depend on how the Commission considers the CAA's submission and the recommendations it make resulting from it's market inquiry late in 2008. Members will note the statement by CAA, in para. 11 above, that it look forward to discussing these issues with, amongst others, "consumer groups" which should include the HACC.

mgh/523



Report by the Technical Adviser

Agenda Item:	Reference: HACC.525
Date: May 12 2008	
New Management Structure at Heathrow	

1. Members will be aware from press and media coverage of changes taking place in the management structure of both BAA and of Heathrow Airport.
2. The representatives of BAA who are expected to attend the next meeting of the Consultative Committee will, no doubt, tell the Committee something of this but Members may find it helpful to have the Chief Executive's announcement of these changes available to them prior to the meeting to give an opportunity of framing questions to the airport management.
3. A copy of the " Direct Airwaves" announcement is annexed to this report.

mgh/525



Report by the Technical Adviser

Agenda Item:	Reference: HACC. 526
Date : May 16 2008	
Views on the proposals for the future development of Heathrow Airport	

1. The consultation period for Government proposals on the expansion of Heathrow Airport has closed , and, according to press reports, the Secretary of State has received some 70,000 responses.
2. Although the responses to the consultation are still being considered prior to a Government decision being taken, that is not to say that considerable activity to influence that decision has stopped. The Secretariat will keep members informed of some of the more relevant of these activities.
3. The new Mayor of London, Boris Johnson MP, has said that he is opposed to the Government's proposals for Heathrow and has advocated the construction of a new airport in the Thames Estuary instead although his idea, which has been advocated and examined previously on several occasions, appears not to have been worked up in any detail.
4. This idea and another about the substitution of high speed rail for air travel, has been examined by "Future Heathrow" which is in membership of HACC and it has issued copies of Briefing Sheets on "A Thames Estuary Airport" and another "High Speed Rail instead of a third runway" which are annexed to this report.
5. The environmental group HACAN/ClearSkies is also represented on the HACC and it has sent us advice of the "Make a Noise Carnival" which is to be held over a route from Hatton Cross to Sipson Village on Saturday 31 May which some members may wish to attend. A copy of that notice is also annexed to this report.



Agenda Item:	Reference: HACC.527
Date May 17 2008	
Consultation by NATS on revision of flight paths in Traffic Control North	

Report by the Technical Adviser

1. At the meeting of the Committee on 26 March, Members considered a major document published by the National Air Traffic Service(HACC.521 " Airspace Change Proposals") containing proposals for amendment a number of flight paths for aircraft operating generally to the east and north of London. These included some minor amendments in the areas about which the Committee is normally concerned to routes operating out of Heathrow, to the north east and the north west.
2. The main areas affected by the proposed amendments, which are designed to spread noise more fairly and to remove some points of congestion in the air traffic system, are well outside of Greater London.
3. The area covered by the proposals is extensive, extending from Greater London to the east coast, up into Cambridgeshire and Suffolk, and to Northamptonshire creating a very large number of people with an interest, potentially several million, making it difficult to contact all individuals. Nevertheless, NATS has employed an environmental consultancy to handle the consultation for them, has distributed the consultation to 1500 parish councils, 141 Members of Parliament, the London Assembly, many local and county authorities, main public libraries and many environmental groups.
4. It is understood from NATS that they have made presentations to a number of local authorities in the area covered by HACC.
5. It had not been possible to arrange for NATS representatives to attend the March meeting and responses to the consultation had been required by May 22. However, in response to criticisms that a three month period was too short to permit considered responses by some people, NATS has now extended the period of consultation by four weeks.
6. We have now been able to arrange for a presentation to be made by NATS to the meeting of the Committee on 28 May which will assist in preparing a response by the revised cut-off date in June.



Report by the Technical Adviser

Agenda Item:	Reference: HACC.528
Date : May 16 2008	
DEFRA Noise Maps published for urban areas	

1. Members will recall that in 2007 the Department for Food and Rural Affairs (DEFRA) gave a presentation to the Committee about the noise mapping exercise it was undertaking of airports in the UK in compliance with the European Union directive 2002/49/EC as introduced into UK law by the Environmental Noise(England) Regulations 2006. The noise maps for 18 of the larger airports in England were published shortly afterwards.
2. DEFRA has now published complementary noise maps for 23 urban areas in England, also in compliance with EU requirements; these incorporate those noise maps for airports which were published earlier.
3. The information, covering 80,000 km of roads within urban areas, 28,000 km of major road networks and almost 5,000 km of railways, will be used to draw up action plans to reduce unreasonable levels of noise , where practical. In urban areas these will also include measures to protect designated quiet areas.
3. There is a requirement associated with these noise assessments for the preparation of action plans for airports to reduce noise levels where these have been found to exceed prescribed standards. It is understood that the timetable for agreeing these standards has slipped a little delaying preparation of the action plans which will be subject to a public consultation.
4. Members may well wish to compare the results of the noise mapping for the urban area of London and to see how that for Heathrow Airport relates to surrounding areas.
5. Maps are available on the DEFRA website at <http://www.defra.gov.uk/noisemapping> ; the existing site <http://www.noisemapping.org> will also re-direct to the new site.



Agenda Item:	Reference: HACC.529
Date : May 17 2008	
Transport Security Bill	

Report by the Technical Adviser

1. On May 14 2008, the Prime Minister announced the Government's legislative programme, "Preparing Britain for the Future" , which includes a Transport Security Bill which, inter alia, requires airports to agree local security plans and to pay the costs of airport policing.
2. If passed, the Bill will establish new arrangements for airport security by implementing the recommendations of the 2006 " Independent Review of Airport Policing" :
 - Requiring the majority of airports in the United Kingdom to agree a local airport security plan with their key stakeholders, based upon an agreed threat and risk analysis
 - Allowing the policing element of this plan to be charged to the airport operator
3. Other proposals in this area include:
 - Publishing guidance to assist airport security stakeholders in the process of threat assessment and security planning
 - Investigating the possibility of developing bespoke national performance standards for airport policing
4. A summary of the Transport Security Bill, extracted from the legislative programme, is annexed to this report.
5. Government will be undertaking a public consultation on its proposals during the Summer of 2008. As a part of that process, the Cabinet will be holding public meetings, hosting online discussions and reading comments made about the Draft Legislative Programme which can be found on the website www.commonleader.gov.uk/draftprogramme



Agenda Item:	Reference: HACC. 530
Date : May 18 2008	
Economic Regulation of Airports	

Report by the Technical Adviser

1. The Committee has received a number of reports in recent months about the regulatory review of BAA's charges at the London airports which is undertaken on a five yearly basis by the Civil Aviation authority and which has led to a decision to cover the period up until 2013. At the same time, the Competition Commission has issued reports advising the CAA of it's views about the new charging regime and of progress in the separate market review of BAA's seven airports group which it is undertaking.
2. The Commission has issued an interim report on the market review and is undertaking further research and analysis on the matter and expects to report about the end of August with it's conclusion and recommendations.
3. Additionally, there is an independent Strategic Review of the Civil Aviation Authority being undertaken at Government's request by Sir Joseph Pilling.
4. These activities have given rise to increasing criticism of the way in which economic regulation of the UK airport system is undertaken and of the increases in charges which the CAA has authorised. The Secretary of State, Ruth Kelly MP, announced on 22 April that she had commissioned a further review, this time of the regulatory regime which will be supported by a panel of experts chaired by Professor Martin Cave.
5. The announcement follows the Government response to the House of Lords Select Committee enquiry on Economic Regulation that, if particular issues were identified as part of the Competition Commissions's inquiry, it would consult at the appropriate time on the wider economic regulatory role of the CAA, including the way in which airport regulation operates.
6. Miss Kelly added that this review will complement the Competition Commission's inquiry on the market review of BAA and also the Strategic Review of the CAA. The outcome of the Review will not be followed by any changes to the basis of the current price caps at Heathrow and Gatwick airports, anything considered necessary would be dealt with in a future legislative programme.
7. The announcement says that the review panel will be seeking evidence and views from a range of key stakeholders. As the HACC is one of the CAA consultees, it can expect to be amongst those stakeholders now to be consulted.
8. A copy of the announcement and terms of reference for the review are annexed to this report.