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**Deputy Leader of the Council**

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Dear Mr Osborne

**Economic Regulation at Heathrow from 2014: Initial Proposals  
Response of the London Borough of Hounslow**

Please find enclosed our submission in response to your consultation on future economic regulation at Heathrow.

Within the response there are a number of questions which we trust the CAA will be able to answer prior to the next round of consultation.

Should you have any queries regarding this matter please feel free to contact Rob Gibson ([rob.gibson@hounslow.gov.uk](mailto:rob.gibson@hounslow.gov.uk) telephone 020 8583 5217) or myself.

Yours faithfully,

**Councillor Colin Ellar  
Deputy Leader of the Council**

# **Economic Regulation at Heathrow from 2014: Initial Proposals**

## **Response of the London Borough of Hounslow**

### **Introduction**

The Council of the London Borough of Hounslow (“Hounslow”) represents approximately 256,000 residents and 10,000 businesses within the boundaries of this densely populated, socially vibrant and economically dynamic part of west London. Heathrow estimate that 11,000 Hounslow residents (14% of our working population) are directly employed either by Heathrow itself or by businesses operating within its perimeter

Hounslow recognise that the process for the derivation of the Q6 airport charges is based under the Civil Aviation Act 2012. In this context, issues that concern local authorities and the communities they represent do not appear to be given due consideration. Decisions taken at a national level ultimately impact locally yet there appears to be no recourse for the potential negative effects economic regulation of Heathrow with regard to the local community.

Hounslow would like to be recognised as a stakeholder in this process to ensure that community issues are incorporated within the debate on economic regulation. In this instance Hounslow is in general support of the Heathrow position because the results of the CAA’s proposals mean that any consequential decision taken by the airport to reduce expenditure may have a ripple effect on the local economy.

Currently these community issues do not seem to be taken into consideration.

Our submission seeks to redress this on behalf of the communities that live, work and particularly those who are educated in the London Borough of Hounslow.

### **The Hounslow Position**

Hounslow believe that Heathrow should be better not bigger and community related issues should be at the forefront of the aviation industry’s thinking.

The Council recently undertook a comprehensive community engagement exercise. This revealed that 84% of respondents believe that Heathrow is either very, or slightly, important to the local economy. An overwhelming 94% believe that residents, schools and community buildings should be offered better noise mitigation and insulation measures. Moreover, 89% of respondents are either very or slightly concerned about poor air quality and high levels of pollution in the Borough.

Heathrow is an important market for businesses based in our Borough: It is estimated that 10-15% of businesses have some kind of supply link to the airport and as much as 20% of employment in the Borough depends on the Heathrow supply chain. Heathrow also has a significant influence in relation to the provision and cost of ‘Employment Land’ and premises, particularly in the west of the Borough.

Hounslow desires to use the economic engine of Heathrow to enhance the skills and, therefore, the earnings potential of its local population. As it is Hounslow people who bear the brunt of the environmental impact of Heathrow, we believe it is Hounslow people who should enjoy the best employment opportunities there.

It is our duty to improve living conditions for our residents. Therefore Hounslow continually campaign for a better offer of mitigation to offset the environmental effects of living near one of the world’s busiest airports.

Heathrow and Hounslow discuss a wide range of issues on a regular basis and where possible we work together to resolve mutual areas of concern. Current areas of particular interest are aircraft noise, school buildings, surface transport, skills and training and air quality. Inevitably there are significant differences between us however, we do recognise that Heathrow make a financial investment in all of the above areas and this benefits the London Borough of Hounslow.

### **The CAA Price Cap Proposal**

Hounslow note that the CAA is proposing a maximum average price cap of Retail Price Index minus 1.3% per year in Q6. The objective of which is to encourage the airport towards becoming a more efficient, cost effective operation, ultimately to the benefit of passengers.

Hounslow does not feel that it is in a position to comment on how this figure was determined however, such restraint does have the potential to limit or curtail investment within the local community depending on how Heathrow choose to accommodate the reduction of their revenue stream.

Hounslow's immediate concerns are outlined below.

#### **Reductions in the offer of skills training**

The Council value the efforts that Heathrow have taken to up-skill the local workforce in the communities Hounslow represents. It is essential that any changes to the economic regulation of the airport do not result in Heathrow having to slow down or cut the skills improvement programmes outlined in their Q6 Full Business Plan.

#### **Limiting the ability of Heathrow to invest in noise mitigation schemes**

Hounslow have a long held aim of reducing the effect of noise on the local community via the implementation of noise mitigation schemes. We do not agree with the current noise insulation schemes particularly the point a where they start. We want a more generous offer for all of the noise insulation schemes, homes or community buildings. We are particularly concerned about our schools where we have a legal duty to provide the proper conditions for learning.

Whilst not expecting Heathrow to absolve themselves of their noise mitigation responsibilities due to financial constraint, it must be recognised that reducing the revenue raising ability of the airport will not will not assist in our negotiations.

#### **Limiting the ability of Heathrow to make its contribution to improving air quality so that European Union limit values are achieved and maintained.**

The EU directive on air quality looks to protect communities from the adverse health effects of being located next to an airport. However, the level of nitrogen dioxide concentrations within the Heathrow area is much higher than the permitted EU limit. This has long been the case.

Stakeholders including Heathrow and the Local Authorities are working together to develop plans and programmes that reduce pollution levels. It is inevitable that as some stage these plans will require further investment. For example, the ability of Heathrow to invest in and promote the use of alternatively fuelled vehicles is seen as invaluable. In times of financial constraint such initiatives are easy targets for termination.

## **Driving down wages and reducing the flow of money into the local economy**

The apparent desire to drive down wages paid to airport employees is noted however there is a failure to recognise that this will result in less money being available to the local economy. Hounslow view this as undesirable.

## **Surface access**

Making Heathrow better not bigger requires a significant change in the way the majority of passengers and workers access the airport. The use of sustainable transport modes must increase radically, thus reducing the many negative impacts on Hounslow from surface access by private car.

Hounslow is concerned that existing measures and efforts to improve surface access to the airport could be curtailed should the CAA price cap be brought to bear.

In summary, Hounslow is concerned about the impact on planned improvements for the local community should the CAA decrease the charges Heathrow is able to levy.

For the avoidance of doubt we are not inferring that this is a course of action that Heathrow **will** take but we recognise that when reconsidering its Q6 business plan Heathrow will consider all available options.

## **Other Regulatory Issues**

### **Increased Landing Charges**

Hounslow have concerns that the single-till operation at Heathrow leads to artificially low landing charges which in turn drives the “need” for airport expansion.

Heathrow operates a differential landing charge based on noise and air pollution emissions. Hounslow would like to see the differential increased so that heavily, polluting aircraft and noisy aircraft pay more. A significant increase in the financial differential between those aircraft charged the lowest rate and those charged the highest would put fiscal pressure on airline operators to phase out the usage of the heaviest polluting and noisiest models.

Facilitating this behavioural change would reduce the negative effects of poor air quality and constant noise pollution for all individuals living in close proximity to Heathrow, and would therefore improve these residents’ quality of life from a strategic perspective.

### **Car Parking**

The Council has a particular concern around the issue of car parking spaces, which total over 46,000 at Heathrow. If the airport is serious about improving the local air quality then it should consider reducing the number of available spaces for cars and look to encourage modal shift onto public transport. Treating car parking as a significant revenue scheme reduces Heathrow’s ability to this and runs contrary to the objective of bringing air pollution levels into compliance with the EU directive on air quality. In this context, Hounslow requests that the CAA reconsider the treatment of car parking revenue with a view towards further incentivising reduced car use.

### **Punctuality**

We note the consideration of punctuality within the Q6 proposals. Hounslow appreciates why there is a desire to improve punctuality however we are concerned that this may result in a

further deterioration in the noise environment in Hounslow via the implementation of Operational Freedoms. We remain to be convinced that some aspects of operational freedoms, if implemented, will result in Heathrow effectively operating in mixed mode within the 480,000 air transport movement cap. We have requested that the Government gives specific consideration to this concern when evaluating the results of trials.

Initial proposals from the CAA appear to place additional emphasis on passengers and punctuality, yet any changes to operational procedures will have an impact of resident's quality of life and the attractiveness of the Borough as a place to do business.

Despite assurances to the contrary, the Council remains concerned that the programme of work being undertaken with regard to Operational Freedoms is predicated on an assumed conclusion that the Government will decide to grant these freedoms on a permanent basis.

## **Role of CAA**

Unlike other regulated industries – notably rail – there is an absence of centrally-held and easily accessible data for the aviation industry even on such basic information as flight schedules. This makes it difficult for tightly-resourced public bodies such as local authorities to make realistic assessments of the claims of the industry on, for example, an alleged lack of global connectivity.

In our view, a strengthened CAA should be responsible for providing such data and also for acting as regulator in the public interest rather than to the any one sectors particular advantage.

## **The Licence**

Hounslow seeks clarification from the CAA on the following issues:

Should the average price cap of  $-1.3\%$  per year in Q6 be agreed, what role does the CAA have within the Q6 period with regard to where efficiencies will be made and will this be included within the operating licence?

Is it within the CAA's remit to include community protection issues within the licencing regime?

## **Conclusion**

It remains the aspiration of Hounslow to develop a genuinely collaborative relationship with our largest local employer and to work with them to increase the success of Heathrow sustainably within the existing infrastructure and operational regime.

Hounslow would also welcome the opportunity to received feedback on this submission in person from relevant CAA staff and look forward to further engagement on these issues.