



Aviation: London Heathrow Airport

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This note looks at issues surrounding the development of London Heathrow Airport, including Terminal 5, which opened in March 2008; plans for expanding the airport; the position of the airport's parent company BAA; and the possible future for the airport following the 2010 General Election.

More detail on the proposed expansion of Heathrow up to February 2009 can be found in [Library Research Paper 09/11: Expansion of Heathrow Airport](#). Information on the other airports in the South East and London can be found in HC Library Standard Note [SN/BT/2893](#); this and other briefings on aviation can be found on the [Aviation Topical Page](#) of the Parliament website.

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1 History

London Heathrow Airport officially opened in May 1946 after it had been transferred from the military to civilian control in January of that year. The first aircraft to land there was a BOAC Lancastrian from Australia. There were no terminal buildings and passengers checked in at a temporary tent village on the north side of the airfield. International communications needs were handled by a row of telephone boxes and a mobile post office. The only facilities were armchairs, a bar, a WH Smith shop and chemical toilets. By the end of its first year of operation, Heathrow was serving 18 destinations, with 60,000 passengers and 2,400 tons of cargo passing through the airport. As traffic grew the tents were replaced by pre-fabricated concrete buildings.

In April 1955 Heathrow's first real terminal, the 'Europa Building' (the current T2), opened for short-haul flights. In April 1968 a new short-haul building (now T1) was opened - at the time the largest airport terminal in Europe. Terminal 3 was expanded in 1970 to accommodate the new Boeing 747s and in 1976 Concorde began operating from the airport.¹ Terminal 4 was opened in April 1986. In 1998 the Heathrow Express rail link from Paddington was opened and in November 2001 permission was granted to proceed with the building of Terminal 5 (see below).

The British Airports Authority was established by the passing of the *Airport Authority Act 1966*, to take responsibility for four state-owned airports at London Heathrow, Gatwick and Stansted and Prestwick in Scotland. In the next few years, the authority acquired responsibility for Glasgow, Edinburgh and Aberdeen airports. Thirty years later, the [Airports Act 1986](#) restructured the Authority into a main holding company, BAA plc, with seven separate airport companies operating London Heathrow, Gatwick and Stansted; Edinburgh; Glasgow; Aberdeen; and Southampton airports and an intermediate holding company over the four Scottish airports. It was privatised in July 1987. In June 2006 the [Ferrovia Consortium](#), a Spanish construction firm, bought BAA for £10.3 billion.²

2 Demand

The demand for air travel is not spread evenly across the UK. It is greatest in the capital and the South East. In real terms, there were some 120 million journeys through South East airports out of a national total of around 200 million in 2003.³ Figures from the Department for Transport estimate an unconstrained capacity demand by 2030 of 500mppa (million passengers per annum). In the South East, the unconstrained demand would be 300mppa in

¹ for more information on Concorde, see HC Library Standard Note [SN/BT/2764](#)

² "Ferrovia lands BAA with final offer of £10.3bn", *The Guardian*, 7 June 2006

³ Department for Transport, [The Future of Air Transport](#), Cm 6046, December 2003, para 11.1

2030, 60 per cent of the UK-wide total.⁴ The substantial demand in the South East reflects not only air trips by UK residents in the South East but also trips by foreign residents, many of whom are visiting tourist attractions, are on business or are visiting friends and relatives. London is the area with the largest demand for air travel. There is also considerable demand for air travel from the M4 corridor between London and Reading.

Figures from 2000 show the huge numbers of people coming into London and South Eastern airports compared to other regions of the UK – some 40 million into London and another 30 million in the South East compared to, for example, 15 million in Scotland and 10 million in the North West – the next highest totals.⁵ While traffic at London and South East airports continues to rise, compared with similar airports in Europe, Heathrow is ill-equipped to deal with projected future rises in passenger numbers. For example, the table below compares passenger traffic and the number of runways at Heathrow, Paris Charles de Gaulle, Amsterdam Schiphol and Frankfurt:⁶

European hub airports	Number of runways	Number of passengers per year	Efficiency of runway use - Average number of passengers per flight	Current air traffic movements per hour (and targeted)
London Heathrow	2	67.7 million	146	80
Frankfurt/Main	3	51.9 million	113	80 (120)
Paris Charles de Gaulle	4	53.5 million	113	120
Amsterdam Schiphol	5	44.1 million	112	90 (120)

The pressures on existing capacity in the South East of England are already more severe than those in the rest of the country. At Heathrow, for many years now the demand for runway capacity has exceeded the available supply for virtually all hours of the day - and there are very stringent controls on the number of flights permitted at night. At the same time, the South East is the most densely populated part of the United Kingdom. As a result, the pressures from competing land uses are greater, and the likelihood of airport growth impacting on people, and on protected land such as green belts, will often be greater.

3 Expansion: a third runway?

3.1 Policy of the Conservative-Liberal Democrat Coalition Government, 2010-

Before the 2010 General Election both the Conservative and Liberal Democrat parties had indicated that they were opposed to a third runway and a sixth terminal at Heathrow and had long campaigned against it. When the then labour Government announced in January 2009 its intention to invite BAA to put forward a planning application for a third runway and a sixth terminal, the then Shadow Transport Secretary, Theresa Villiers, said that the Conservatives would “fight them every step of the way”.⁷ In a separate press notice Ms Villiers stated that

⁴ *ibid.*, para A.18

⁵ *ibid.*, para A.19

⁶ DfT, *The Future of Air Transport Progress Report*, Cm 6977, December 2006, para 5.18

⁷ [HC Deb 15 January 2009, c360](#)

an incoming Conservative Government would stop the further progress of a third runway.⁸ Normal Baker for the Liberal Democrats expressed his Party's opposition to the plans and indicated that the Liberal Democrat manifesto would include a commitment to reverse the decision.⁹ The Conservative Mayor of London, Boris Johnson, also stated his opposition to the scheme.¹⁰

Subsequently, the Conservative Party Manifesto for the 2010 election stated:

Our goal is to make Heathrow airport better, not bigger. We will stop the third runway and instead link Heathrow directly to our high speed rail network, providing an alternative to thousands of flights.¹¹

The Liberal Democrat manifesto stated: "We will cancel plans for a third runway at Heathrow".¹²

Following the general election and the formation of the Conservative-Liberal Democrat Coalition Government, the initial Coalition Agreement stated:

The parties agree to implement a full programme of measures to fulfil our joint ambitions for a low carbon and eco-friendly economy, including [...] The cancellation of the third runway at Heathrow.¹³

This would appear to be a firm commitment to refuse any planning application BAA might put forward for the expansion of Heathrow. However, following Labour's changes to the planning system the Secretary of State for Transport is not the final arbiter of infrastructure planning decisions— that falls to the Infrastructure Planning Commission (IPC). The legislation will need to be changed to return that final say to the Secretary of State. Further, the IPC will take its planning decisions based on a National Policy Statement (NPS); there is currently no NPS on aviation and the key policy document remains Labour's 2003 Aviation White Paper.¹⁴

3.2 Policy of the Labour Government, 1997-2010

In 2002 the previous Labour Government published a series of consultation documents seeking views on the future development of air transport in the UK. One of the consultation documents covered the South East of England.¹⁵ The consultation sought to solicit opinion on three central questions: whether new airport capacity should be provided in the South East and if so, how much; where new capacity should be located; and what measures should be taken to mitigate the environmental impacts of growth. On the question of where any new airport capacity should be located, the Department proposed a new short runway for Heathrow.¹⁶ Stakeholder responses to the consultation process were mixed. While organisations representing the aviation industry were keen to emphasise the material and

⁸ Conservative Party press notice, "[Third runway at Heathrow will be an environmental disaster](#)", 15 January 2009

⁹ [HC Deb 15 January 2009, c363](#)

¹⁰ Mayor of London press notice, "[Statement from the Mayor on Heathrow expansion](#)", 15 January 2009

¹¹ Conservative Party, [Invitation to join the government of Britain: General Election Manifesto 2010](#), April 2010, p23

¹² Liberal Democrats, [Liberal Democrat Manifesto 2010](#), April 2010, p42

¹³ [Conservative Liberal Democrat coalition negotiations: Agreements reached](#), 11 May 2010, p6

¹⁴ further information on the planning issues surrounding Heathrow can be found in [Part III of Library Research Paper RP 09/11](#)

¹⁵ DfT, [The Future Development of Air Transport in the UK: South East, Second edition](#), February 2003; see also: DfT, [South East and East of England Regional Air Services Study \(SERAS\): Appraisal findings report](#), April 2002

¹⁶ *ibid.*, [The Future Development of Air Transport in the UK: South East, Second edition](#), paras 7.4-7.6

commercial benefits to significant airport expansion in the South East,¹⁷ conservation and consumer groups contested the need for air transport expansion at all.¹⁸

The December 2003 White Paper, *The Future of Air Transport*, offered support for the development of Heathrow, including a new runway, provided that stringent environmental limits could be met. The White Paper stated that demand for Heathrow was 'very strong' and would always like to be 'far in excess' of capacity. Overall, the White Paper stated that Government supported a third runway at Heathrow, to be built after a second runway at Stansted, probably in the period 2015-2020. BAA stated in their submission to the consultation preceding the White Paper that a third runway would require the building of a sixth terminal outside of the current airport boundary. With that in mind, the White Paper recommended that BAA carry out work on further proposals for terminal capacity and an appraisal of the potential impacts, on the basis of which a further consultation would be required.

The White Paper also recommended that airport operators should maintain a 'master plan' document detailing development proposals. It went on to state: "We will expect airport operators to produce master plans or, where appropriate, to update existing master plans to take account of the conclusions on future development set out in this White Paper".¹⁹ The Department produced a guidance document for the development of master plans in July 2004.²⁰ Further to this recommendation, BAA Heathrow published its interim master plan in June 2005. The plan mapped out BAA Heathrow's vision for accommodating increased passenger growth and catering for expanding airline businesses. Aside from the £4.2 billion investment in Terminal 5, the Plan set out how a further £3 billion would be spent to 2015. The plan also outlined possible further developments beyond the ten year timeframe, including the safeguarding of an interim boundary for a possible third runway. The plan was prepared as a consultation document with the intention of publishing an updated version sometime in 2006; this did not happen. Instead, BAA Heathrow decided to await the conclusions of the technical work being undertaken by Project Heathrow and the Government's decision on whether a third runway could go ahead.²¹

On 22 November 2007 the Government published its consultation document on the future of Heathrow, and, in particular, whether a third runway should be built and whether mixed mode should be introduced. All of the documents pertaining to the consultation, which closed in February 2008, are available on the [Department for Transport's archived website](#). The main issues outlined in the document were as follows:

- Support for a third runway and sixth terminal, conditional on no increase in the size of the area significantly affected by aircraft noise (as measured by the 57dBA Leq noise contour in 2002); being confident of meeting European air quality limits around the airport, in particular for nitrogen dioxide (NO₂) which is the most critical local pollutant around Heathrow; and improving public transport access to the airport;

¹⁷ see, for example: [BAA, Responsible Growth: BAA's response to the Government's consultation on the future of air transport](#), May 2003

¹⁸ see, for example: [The response of HACAN ClearSkies to the The Future of Air Transport in the United Kingdom: South East Consultation Document](#), November 2002; and: London Sustainable Development Commission, [Response to the Government's consultation on the future of air transport in the UK - South East](#), June 2003

¹⁹ op cit., [The Future of Air Transport](#), p141

²⁰ DfT, [Guidance on the Preparation of Airport Master Plans](#), July 2004

²¹ BAA Heathrow press notice, ["Transforming Heathrow"](#), 6 June 2005; the draft plan is available on the [BAA website](#) [warning: large document]

- A revised proposal by BAA for adding a third runway north of the A4 (2,200 metres (m) operational length compared with the original 2,000m proposal), with associated passenger terminal facilities and access to the road and rail networks. This could potentially enable the airport to handle around 700,000 air transport movements (ATMs) a year, nearly 50 per cent more than today;
- Proposals for introducing mixed mode on the existing two runways, either with or without additional ATMs, as an interim measure ahead of a third runway. Runway alternation would have to cease during mixed mode operations; and
- Whether adding a third runway at Heathrow could provide capacity to increase movements in the night period.²²

Shortly after the consultation was published, anti-expansion groups, lead by HACAN, stated that they would challenge the building of a third runway on economic as well as environmental grounds.²³ Later, in March 2008 *The Sunday Times* ran a story, based on documents obtained under the Freedom of Information Act, to the effect that “the airports operator BAA colluded with government officials to “fix” the evidence in favour of a new third runway at Heathrow”.²⁴ The Government repeatedly stressed that this was not the case.²⁵

On 15 January 2009 the then Secretary of State for Transport, Geoff Hoon, announced the Government’s support for a third runway and new terminal at Heathrow, conditional on environmental and air quality criteria being met and additional ground transport capacity being added:

Having considered all the evidence, I have decided that all three of the Government’s conditions for supporting a third runway at Heathrow can be met. I can therefore confirm that an additional terminal and the slightly longer runway proposed in the consultation are the best way to maximise the efficiency of a larger airport. However, I want there to be a limit on the initial use of the third runway so that the increase in aircraft movements does not exceed 125,000 a year rather than—at this stage—allowing the full additional 222,000 aircraft movements on which we consulted. I have also decided that any additional capacity available on the third runway will, after consultation, be subject to a new “green slot” principle to incentivise the use at Heathrow of the most modern aircraft, with further benefits for air quality and noise—and, indeed, carbon dioxide emissions.²⁶

He also indicated that the Government had concluded that mixed mode should not go ahead, but that the Cranford Agreement should end, permitting easterly take offs from the northern runway.²⁷

The Labour Party manifesto for the 2010 General Election stated:

Heathrow is Britain’s international hub airport, already operating at full capacity, and supporting millions of jobs, businesses and citizens who depend upon it. We support a

²² DfT, [Adding capacity at Heathrow Airport: consultation document](#), 22 November 2007, pp8-9

²³ “Report attacks Heathrow expansion”, *The Times*, 2 December 2007

²⁴ “Revealed: the plot to expand Heathrow”, *The Sunday Times*, 9 March 2008; the documents in question are available from *The Times*’ website as [FOI 1](#), [FOI 2](#), [FOI 3](#), [FOI 4](#) and [Doc 08-03-09](#)

²⁵ see, e.g.: [HC Deb 2 April 2008, cc880-881](#); and [HC Deb 11 November 2008, c674](#)

²⁶ [HC Deb 15 January 2009, cc357-358](#); the documentation published alongside the Secretary of State’s statement, including a report on the consultation responses, is available on the [DfT archive website](#)

²⁷ *ibid.*, c357

third runway at Heathrow, subject to strict conditions on environmental impact and flight numbers.²⁸

Six local authorities, Greenpeace and the Campaign to Protect Rural England (CPRE) sought a judicial review of the Government's plans and in March 2010 Lord Justice Carnwath concluded that the public consultation process used was invalid as it was based on out-of-date figures. The decision does not itself rule out a third runway but it did indicate that Government policy should be reviewed.²⁹

4 Terminal 5

4.1 Overview

Terminal 5 opened on 27 March 2008 to a slew of bad headlines after the baggage system failed.³⁰ British Airways cancelled a number of flights from T5 over the following days and delayed moving all of its operations to the new terminal.³¹ The problems cost BA approximately £20 million.³² In November 2008 the Transport Select Committee published a short report into the opening and concluded:

The opening of Terminal 5 revealed serious failings on the part of both BAA and British Airways. Like both organisations, we acknowledge the inevitability of 'teething problems' but deeply regret that so many were allowed to bring the operation of Heathrow's newest terminal to a halt. Nevertheless, we are glad that our inquiry has enabled the BAA, British Airways and Unite to describe how they are working together to make Terminal 5 a success.³³

The public inquiry into the building of a fifth terminal at Heathrow airport began on 16 May 1995 and closed on 17 March 1999 making it the longest in UK planning history. The Inspector told the inquiry that he expected to take up to two years to produce his report;³⁴ in the end he delivered it to the then Department for the Environment, Transport and the Regions (DETR) in December 2000.³⁵ On 20 November 2001 the then Secretary of State for Transport, Stephen Byers, announced that the Labour Government had given its approval to the development of Terminal 5. He said that conditions had been imposed to protect the interests of those living in the vicinity of the airport.³⁶

BAA claimed that the terminal was needed to cope with the projected rise in numbers of passengers from around 58 million then to 80 million in 2013, to maintain Heathrow's position as a world airport hub. BAA argued that because aircraft were getting larger the number of flights would only increase by eight per cent. BAA told the public inquiry that it was prepared to accept a cap on aircraft noise at 1994 levels and a limit on the number of night flights at then current levels. It maintained that noise would not increase because engines were getting quieter and noise monitoring was improving. BAA said that if Terminal 5 was rejected

²⁸ Labour Party, *A future fair for all: the Labour Party manifesto 2010*, April 2010, p1:8

²⁹ *London Borough of Hillingdon & others vs. Secretary of State for Transport*, 26 March 2010 [Case No: CO/3334/2009]

³⁰ see, e.g., "Disastrous start at Heathrow embarrasses BA", *Financial Times*, 28 March 2008; and "Making history? It is memorable, but for all the wrong reasons", *The Times*, 28 March 2008

³¹ "BA postpones shifting flights to T5", *Financial Times*, 12 April 2008

³² "Terminal chaos costs BA £20m", *The Daily Telegraph*, 31 March 2008

³³ Transport Committee, *The opening of Heathrow Terminal 5* (twelfth report of session 2007-08), HC 543, 3 November 2008, para 22

³⁴ [HC Deb 26 May 1999, c173W](#)

³⁵ [HC Deb 16 January 2001, c185W](#)

³⁶ [HC Deb 20 November 2001, cc177-79](#)

the South East of England would run out of airport capacity in five years with damaging effects on the economy. BAA also claimed that opinion polls showed a growing number of local residents supported the terminal.³⁷

The London Chamber of Commerce launched a campaign, Business for T5, to promote the benefits of expanding the airport.³⁸ It claimed that overseas visitors would spend an estimated 10 million fewer nights in Britain if Terminal 5 did not go ahead with a loss of about £1 billion to the hotels sector and another £500 million to the wider tourist industry.

HACAN (the Heathrow Association for the Control of Aircraft Noise) made the case to the inquiry that the arguments used by BAA were fundamentally flawed for a number of reasons, including:

- The proposed terminal was designed to handle an extra 30 million passengers per annum with better facilities and without the need for additional runway or night flying – but the runways were already close to full capacity;
- The Government promised an end to Heathrow expansion when it agreed to the construction of Terminal 4;³⁹
- The Government had promised to limit air transport movements to 275,000 per annum but in 1992 these were already 375,000 per annum; and
- Heathrow already imposed more noise on more people than any other international airport in the world and the increased flights required to justify Terminal 5 would add enormously to noise pollution, air pollution, ground congestion and to the real risk of mid-air collision.⁴⁰

Another major objection of local authorities and residents was the effect of any additional traffic caused by Terminal 5 on the already over-stretched infrastructure.

4.2 Public inquiry

BAA plc and Heathrow Airport Ltd lodged a planning application on 17 February 1993 to the London Borough of Hillingdon for a fifth terminal building to be constructed on land which was then occupied by the Perry Oaks sewage sludge works.⁴¹ The applications referred to:

- the development of an additional passenger terminal complex together with the provision of aircraft aprons, taxiways and associated facilities including an aircraft hangar;
- infrastructure for aircraft maintenance and other tenants' developments;
- hotel accommodation, car parking, rail station for facilities for Heathrow Express and London Underground;

³⁷ *The Heathrow Terminal Five and Associated Public Inquiries: Report by Roy Vandermeer QC*, 21 November 2000; in two volumes, available for MPs and their staff to view here: [Chapters 1-20](#) and [Chapters 21-34](#)

³⁸ "Go-ahead urged for fifth Heathrow terminal", *Financial Times*, 10 February 2000

³⁹ the decision on Terminal 4 was taken by the incoming Conservative Government in late 1979

⁴⁰ HACAN, *Opening Statement to the Public Inquiry into a Fifth Terminal at Heathrow by the Chairman of HACAN, Dermot Cox*, 16 May 1995

⁴¹ an earlier public inquiry into expansion plans at Heathrow and Stansted, held between 1981 and 1983, had already identified the Perry Oaks site as land onto which the airport should be able to expand

- connections to the airport road system and the public highway network;
- an aircraft visual control room;
- re-alignment of rivers and landscaping; and
- the development of a fuel farm comprising tankage for storage and supply of aviation fuel together with the provision of associated facilities including office accommodation, car parking, the construction of roadways and hard-standing and landscaping.

The then Secretary of State for the Environment, Michael Howard, wrote to the Director of Hillingdon Council on 15 March 1993 stating that, as the proposals related to a development of considerable regional and national importance and would give rise to substantial controversy, it was an application that should not be dealt with by Hillingdon. It should instead be dealt with jointly by the Secretaries of State for Environment and Transport under section 77 of the *Town and Country Planning Act 1990*. The letter also announced plans for a public inquiry.⁴²

The public inquiry started on 16 May 1995. The Inspector for the inquiry was Mr Roy Vandermeer QC, assisted by Mr Michael Brundell BA DipTP FRTPI. As outlined above, the inquiry's scope included not just the plans for a new terminal building and taxiways, but also the associated transport infrastructure including a spur to the M25 link roads, proposals for the Heathrow Express railway and an extension to the Piccadilly Underground line. Plans put forward by Thames Water to relocate their Perry Oaks sewage works to Iwer South in Buckinghamshire were also considered. The public inquiry was expected to last about 18 months but actually lasted almost four years. The total cost of the inquiry to all participants is estimated at over £83 million of which the private sector is estimated to have spent some £64 million with the rest borne by central and local government. Government Departments and their agencies spent approximately £11.8 million on the inquiry.⁴³

The main organisations opposing the construction of the terminal were HACAN and the all-party coalition of 12 local authorities around Heathrow, Local Authorities Against Terminal 5 (LAHT5). The local authorities are estimated to have spent £6.5 million on the inquiry⁴⁴ and because of budgetary restraints had to tell their lawyers to stop attending for a time although they returned at the end of the inquiry to make written submissions. Lawyers from Hillingdon, the local planning authority, apparently stayed.⁴⁵

A press report claimed that a decision had been made to build Terminal 5 despite the fact that it had been discovered that the building project could cause flooding;⁴⁶ the terminal building would be partly built on the flood plain of the Colne River. Two rivers, the Duke of Northumberland and the Longford, which run parallel to each other, would be diverted. The article claimed that BAA had been asked to carry out water flow tests on the two rivers. A

⁴² Letter from Michael Howard to Director of Planning, London Borough of Hillingdon, 15 March 1993 [HC DEP 5317(3S)]; see also: Department of the Environment press notice, "Michael Howard calls-in planning application for a fifth terminal at Heathrow Airport", 17 March 1993 [PN 175/93]

⁴³ [HC Deb 19 December 2000, c117W](#)

⁴⁴ [HC Deb 17 December 1997, c196W](#)

⁴⁵ "Inquiry caught up in a holding pattern", *Financial Times*, 15 May 1998

⁴⁶ "Flooding risk hits Heathrow terminal plans", *Sunday Times*, 22 July 2001

Parliamentary written answer on 23 October 2001 stated that BAA's revised proposal for the diversion of two rivers round the proposed terminal site was still being considered.⁴⁷

4.3 Government decision

In his statement to the House of Commons in November 2001 announcing the Government's approval for the construction of Terminal 5, the Secretary of State for Transport, Mr Byers, explained that the delay in announcing the decision was due to BAA's decision to revise the twin rivers scheme which was a part of the original application. He highlighted the benefits of going ahead with the scheme, as identified by the inspector in his report, as Heathrow's contribution to the economy and more practically the relief of pressure of the existing terminals. He also referred to the problems identified by the inspector, such as: noise; extra road traffic; air quality; intrusion into the green belt; and the effects of construction. The inspector concluded that the benefits would outweigh the environmental impact as long as the effects were properly controlled. Mr Byers also outlined the following conditions attached to the development of Terminal 5:

- A limit on the number of flights each year of 480,000;
- The noise effects of Terminal 5 to be limited by a condition restricting the area enclosed by the 57-decibel noise contour to 145 sq km as from 2016;
- Stricter control on night flights via an extension of the night quota period;
- Promotion of the use of public transport (the extension of the Piccadilly line and Heathrow Express would be required before the new terminal opened);
- Reduction in the provision of car parking places for the airport as a whole below that in the original proposals;
- Rejection of the proposal to widen the M4 between junctions 3 and 4b; and
- Work should not start before approval had been given for the scheme to divert the twin rivers.⁴⁸

4.4 Construction

The construction cost of Terminal 5 was estimated at around £2.5 billion in 2001.⁴⁹ In 1996 the CAA supported BAA's proposal for a pricing formula which would allow it to pre-fund construction of Terminal 5. This followed a core recommendation of the Monopolies and Mergers Commission that BAA's revenues from landing fees at Heathrow and Gatwick should be allowed to rise by the rate of inflation minus three per cent for the five years from 1 April 1997. The figures assumed that BAA would be able to pre-fund £230 million of the cost of the terminal. The MMC left the option open to the CAA to back an RPI-8 formula from 1997 to 2002 followed by a sharp increase in landing charges when the terminal opens.

The final cost was £4.3 billion.⁵⁰ In addition to the main terminal building, T5 also consists of two satellite buildings (the second of which will be completed by 2011), 60 aircraft stands, a new air traffic control tower, a 4,000 space multi-storey car park, the creation of a new spur

⁴⁷ HC Deb 23 October 2001, c199W

⁴⁸ [HC Deb 20 November 2001, cc177-79](#)

⁴⁹ "Flooding risk hits Heathrow terminal plans", *Sunday Times* 22 July 2001

⁵⁰ ["Heathrow's Terminal 5: a great leap forward"](#), The Daily Telegraph, 26 January 2008

road from the M25, a 600-bed hotel, the diversion of two rivers and over 13km of bored tunnel, including extensions to the Heathrow Express and Piccadilly Line services.⁵¹

5 Environment/noise

Detailed information about the environmental issues surrounding any expansion of Heathrow is given in [Part II of Library Research Paper RP 09/11](#); more general information about aviation and climate change is given in [Library Research Paper RP 08/08](#).

In May 2007 BAA launched a noise website for its airports, a press notice said:

The system is part of a £1.8 million investment programme by BAA to upgrade its noise and track keeping and complaints handling systems at its London airports and includes the launch of 'Webtrak.' 'Webtrak' is an innovative on-line tracking system that at a scroll of a mouse allows local residents to track aircraft arriving and departing from the airport, and displays their height, allowing them to make more detailed enquiries about aircraft noise.⁵²

Heathrow is a 'designated' airport for the purposes of Section 78(3)(b) of the *Civil Aviation Act 1982*, which allows the Secretary of State to specify the maximum number of occasions on which specified aircraft may be permitted to take off or land during specified periods. As a result, although night flights are not banned, (except for the noisiest types of aircraft), restrictions are imposed on the number of night departures and arrivals. The Department for transport currently imposes movement limits and quotas between 2330 and 0600. There are also restrictions on the noisiest types of aircraft between 2300 and 2330 and 0600 and 0700.⁵³

6 Surface transport

Another of the central problems for Heathrow is public transport access. At present one can access LHR using any of the following methods: London Underground, via the Piccadilly Line; Heathrow Express and Heathrow Connect from Paddington; a number of bus and coach services from London and other towns and cities; taxis and private hire cars; and the private car. Further expansion of Heathrow will lead, necessarily, to increased pressure on the ground transportation systems which will ferry passengers to and from the airport. LHR must also be connected to central London and to the rest of the UK and the continent. While this could be achieved with short haul and internal flights from the airport itself, environmental considerations have led to persistent calls to improve the public transport infrastructure to the airport. Detailed information about the surface access issues affecting Heathrow is given in [section I.E of Library Research Paper RP 09/11](#).

7 Service levels

A 2007 report by the Transport Select Committee looked at the passenger experience of air travel and concluded that much of the misery of modern air travel is a consequence of scruffy, over-crowded, badly managed airports. The Committee highlighted BAA's belief that the best way to improve the passenger experience of its airports is to build more of them and to extend the ones which exist. They argued that this would mean larger passenger check-in

⁵¹ transport proposals initially mooted by BAA in a 1996 public transport strategy document: BAA, *Making Tracks - Airports as catalysts for public transport*, 1996

⁵² BAA press notice, "[BAA launches noise websites](#)", 25 May 2007; the [Heathrow noise website](#) is available to view online

⁵³ for more information on night flights, see [Library Standard Note SN/BT/1252](#)

areas, better security provision and more commercial space airside. The Committee pointed particularly to the ongoing problems at Heathrow where the primary cause of poor customer experience is lack of runway, terminal and apron capacity. Heathrow is permanently under stress because of its high utilisation. The effect of this is that when there is disruption of any type – be it weather, security, air traffic control problems, etc. – the airport fails to cope.⁵⁴ The recent problems caused by the eruption of Iceland's Eyjafjallajökul volcano is one such example.⁵⁵

There have been a series of press reports in recent years about the poor levels of service at Heathrow and the threat that this may pose to the UK's economic prosperity.⁵⁶

7.1 Regulatory control

UK airports are regulated under Part IV of the [Airports Act 1986](#). Section 40 requires the CAA to make quinquennial references to the Competition Commission under section 43, relating to designated airports, including Heathrow. The references cover two aspects: firstly, the maximum amount that should be capable of being levied by way of airport charges; and secondly, whether the airport has pursued a course of conduct which has operated or might be expected to operate against the public interest in relation to airport charges or operational activities. Section 36 of the 1986 Act defines airport charges as:

- (a) charges levied on operators of aircraft in connection with the landing, parking or taking off of aircraft at the airport (including charges that are to any extent determined by reference to the number of passengers on board the aircraft, but excluding charges payable by virtue of [section 73 of the Transport Act 2000 (charges for services)]); and
- (b) charges levied on aircraft passengers in connection with their arrival at, or departure from, the airport by air;

Under section 40 of the 1986 Act the CAA is required to impose conditions on the operators of designated airports to regulate the maximum they may levy in charges over a five year period (or quinquennium). The quinquennial review has been in place since the privatisation of BAA plc in 1987. The CAA's review of charges for the fourth quinquennium was published in February 2003 for the period 2003 to 2008. It concluded that the price cap would be RPI+6.5 per cent per annum at Heathrow. The CAA's review of charges for the fifth quinquennium, running from April 2008-April 2013 set the following for Heathrow:

- £12.80 per passenger in 2008/09
- 23.5 per cent increase in real terms from 2007/08 price cap (like-for-like basis)
- equivalent to an extra £2.44 per passenger
- allowed charges subsequently increasing in each of the following four years by no more than retail price index (RPI) inflation plus 7.5 per cent each year.⁵⁷

⁵⁴ Transport Committee, [Passengers' experiences of air travel](#) (eighth report of session 2006-07), HC 435, 26 July 2007; this comment made by one of the airport's main clients – British Airways, see para 60

⁵⁵ see, e.g.: ["Volcanic ash cloud: Heathrow and Gatwick reopen but travel chaos continues"](#), *The Daily Telegraph*, 17 May 2010

⁵⁶ see, for example, ["Hassle of Heathrow' takes toll on City"](#), *Financial Times*, 30 July 2007; ["Heathrow delays hurting London's financial status"](#), *The Daily Telegraph*, 31 July 2007; and ["London cannot afford this Heathrow chaos"](#), *London Evening Standard*, 31 July 2007

⁵⁷ CAA, [Airports price control review: CAA briefing](#), 11 March 2008, slide 5; all [supporting documentation](#) available on the CAA website

As the Transport Committee pointed out, the CAA also regulates the levels of service quality at Heathrow (and Gatwick). The Heathrow service quality scheme covers both passenger and airline aspects such as security queuing, baggage claim availability, cleanliness, wayfinding and flight information. If any terminal at the airport fails to meet any service level target in a given month, then the airport is required to pay rebates of airport charges to the airlines using that terminal, according to a formula specified by the CAA. The total amount of rebate at each airport in a given financial year is capped at three per cent of annual airport charges, comprised of 1.5 per cent for the directly measured standards, 0.5 per cent for standards measured by passenger survey responses, and one per cent for aerodrome congestion. The CAA told the Committee that things have been improving since 2003 “with some notable exceptions such as Heathrow’s failure to meet security queuing standards at all terminals in the first quarter of 2006...”.⁵⁸ Between 2003 and 2007 BAA Heathrow paid between £600 million and £1.8 billion, compared to between £180 and £835 million for Gatwick and £130 and £335 million for Manchester.⁵⁹

7.2 Security

Passing through airport security is one of the areas that has a severe detrimental effect on the air traveller and Heathrow is facing some of the toughest challenges, due partly to the fact that it operates close to maximum capacity and also due to the high levels of transfer passengers that pass through the airport.⁶⁰

In the early hours of Thursday 10 August, police acted to stop a suspected plot to blow up several planes leaving the UK, possibly using liquid explosives carried on-board in hand-luggage. More than 20 people were arrested – a few of whom would subsequently be released without charge – and the Joint Terrorism Assessment Centre (JTAC) upgraded the UK security threat level to ‘critical’, indicating that they believed an attack to be imminent.⁶¹

Immediate restrictions on hand luggage were introduced, with passengers only being allowed to carry a small range of essential items, such as prescription medicines in necessary quantities for the flight, and infant formula, onto aircraft. The sudden introduction of these restrictions caused widespread disruption to flights departing from all UK airports, including the cancellation of many flights. On 14 August, the security threat was downgraded from ‘critical’ to ‘severe’ and passengers were allowed to take one small bag, not containing any liquids or gels, onto their flight. However, the large airports operated by BAA were unable to implement the new restrictions until the following day.⁶² On 22 September, the restrictions were further relaxed. The maximum permitted size of cabin baggage was increased and musical instruments and solid cosmetics were also allowed to be taken on board.⁶³

On 25 December 2009, on a Northwest Airlines flight from Schiphol Airport in the Netherlands to Detroit Metropolitan Airport in the United States, Umar Farouk Abdulmutallab used a syringe to combine a liquid with powdered chemicals strapped to his thigh, causing a

⁵⁸ op cit., *Passengers’ experiences of air travel*, para 72

⁵⁹ ibid., para 73

⁶⁰ for more information on aviation security, see HC Library Standard Note [SN/BT/1246](#)

⁶¹ see, for example: “London terror attack drama”, *London Evening Standard*, 10 August 2006; “Air bomb plot failed, say police”, *Financial Times*, 11 August 2006; “[Anger, frustration and chaos as hundreds of flights are cancelled](#)”, *The Guardian*, 11 August 2006

⁶² see, for example: “[Ban on hand luggage lifted as BAA cuts flights](#)”, *The Guardian*, 14 August 2006; “Pressure mounts to end airport chaos”, *Financial Times*, 14 August 2006

⁶³ see, for example: “[Restrictions eased on air passengers’ hand luggage](#)”, *The Guardian*, 22 September 2006

fire to break out on the plane 20 minutes from landing in Detroit.⁶⁴ Following the attempted attack, the US Transportation Security Administration (TSA) issued a directive for additional security measures to be implemented for last point of departure international flights to the United States, such as increased gate pat-downs and bag searches. On 3 January 2010 the TSA issued new security directives to all United States and international air carriers with inbound flights to the US, effective from 4 January 2010.⁶⁵

As to the impact of the attempted terror attack on airports and aviation security in the UK, on 1 January 2010, in a statement to the House on 5 January 2010, the then Home Secretary, Alan Johnson, confirmed that there will be increased hand searches, explosive trace detection equipment, the use of behavioural analysis techniques by airport staff and body scanners at UK airports. The latter would be rolled out at Heathrow by the end of January.⁶⁶

8 Position of BAA

As outlined in section 1, above, the British Airports Authority was established by the *Airport Authority Act 1966*. The *Airports Act 1986* restructured the Authority into a main holding company, BAA plc, with seven separate airport companies operating. It was privatised in July 1987. In June 2006 the Ferrovial Consortium, a Spanish construction firm, bought BAA.

Although BAA clearly has its supporters, over the years the voices in favour of breaking up BAA have grown louder, in particular as regards the effective monopoly position it holds over the main London airports, including Heathrow.

Following a referral by the Office of Fair Trading (OFT) the Competition Commission (CC) announced an investigation into BAA in March 2007.⁶⁷ In April 2008 the Commission published a report on its 'emerging thinking' and in December 2008 it reported on its 'provisional findings'. The final report was published on 19 March 2009 and ordered BAA to sell both Stansted and Gatwick and one of either Glasgow or Edinburgh airports within the next two years.

[BAA's immediate response](#) was that while accepting the need to change and having initiated the sale of Gatwick, the CC's analysis "is flawed and its remedies may be impractical in current economic conditions". This was followed in May by an [announcement](#) that BAA would apply to the Competition Appeal Tribunal (CAT) to review the CC's report. The two grounds for this were:

The first ground is that the Report is affected by apparent bias. This is because of links between a member of the Competition Commission panel and an organisation interested in acquiring the airports that BAA is required to sell.

BAA will also appeal on the grounds that the Competition Commission failed to take into account the adverse financial impact of introducing competition, in particular by requiring BAA to sell three airports within two years in the current financial and economic circumstances.

⁶⁴ "Hell, are you trying to kill all of us? Passengers heard a popping sound and saw flames - and jumped on the would-be bomber", *The Sunday Times*, 27 December 2009

⁶⁵ TSA press notice, "[TSA Statement on New Security Measures for International Flights to the U.S.](#)", 3 January 2010

⁶⁶ [HC Deb 5 January 2010, cc29-30](#)

⁶⁷ OFT press notice, "[OFT refers BAA airports to the Competition Commission](#)", 30 March 2007; and CC press notice, "[Competition Commission airports investigation: invite for evidence](#)", 3 April 2007; [all material associated with the investigation](#) is available on the CC website

The CAT hearing took place on 19-22 October and the Tribunal's decision was handed down on 21 December 2009. The Tribunal concluded that "in the light of the material facts a fair-minded and informed observer would conclude that there was a real possibility of bias affecting the deliberations, thinking and ultimate outcome of the Investigation" but it rejected BAA's challenge on the grounds of proportionality, stating that "BAA had not demonstrated that the Commission had failed to take account of relevant considerations when deciding upon the timescale for the divestments in question".⁶⁸ The CC has confirmed that it will appeal the judgement.⁶⁹

BAA has said it has "no intention" of selling Heathrow.⁷⁰

The Transport Select Committee has consistently published reports calling for BAA to be broken up.⁷¹ The Committee has also looked at how to introduce competition within Heathrow itself.⁷²

⁶⁸ CAT, *BAA Limited v Competition Commission*, 21 December 2009 [Case number: 1110/6/8/09]

⁶⁹ CC press notice, "[CC to appeal BAA judgement](#)", 10 February 2010

⁷⁰ "BAA 'should sell three airports' ", *BBC News Online*, 20 August 2008

⁷¹ for example: *The future of BAA* (fourth report of session 2007-08), HC 119, 15 March 2008, para 85; op cit., *Passengers' experiences of air travel*, para 64; *The work of the Civil Aviation Authority* (thirteenth report of session 2005-06), HC 809, 8 November 2006, paras 141-142; and *Aviation* (sixth report of 2002-03), HC 454, 17 July 2003, paras 108-117

⁷² ibid, *The future of BAA*, paras 75-78