

'Now more than ever, business needs to fly'

By Baroness Jo Valentine

London is the trading capital of the world. Without access to its world markets, London could lose its crown to New York or to increasingly influential Dubai or Shanghai. So London business is ever more reliant on international travel.

On the other hand, the global environment can be ignored. International emissions trading agreements should soon give aviation and its customers every incentive to play a part in reducing man's impact on the global environment. With the growth of video conferencing, business carbon-reduction programmes and massive volatility in the price of oil, air travel is a tough business to be in, as confirmed by the fate of Alitalia and XL. But any halt to the inexorable rise in demand for business travel looks temporary.

Bluntly, business needs to fly.

Business needs to meet its clients, customers, peers and suppliers. It needs to be able to welcome those same people to the UK. New relationships in Far Eastern markets are best cemented by personal contact. Direct flights to second and third cities in India, Malaysia and Pakistan give London the edge over Frankfurt or Chicago. When footloose and credit-crunched global business is reconsidering its foreign investments and the location of headquarters, Heathrow mustn't be some sort of environmental hairshirt on its back, when Paris and Frankfurt offer silk dressing gowns.

UK business needs a world class Heathrow. Time-precious executives can't afford an hour in a security queue. Being delayed in the air waiting for a landing slot or on the ground while luggage is delivered is an expensive inconvenience. Visiting business leaders shouldn't be unnecessarily roughed-up by border control. Each month enough travellers to fill a Premiership football stadium wait more than 45 minutes in the immigration queues alone. The airport needs to offer reliably comfortable departures and consistently welcoming arrivals. London business needs Heathrow to be an asset, part of its globally competitive offering.

How can the airport become better at meeting those needs? Let's be clear, if regulation of Heathrow continues as it is, then nothing will fix 'Heathrow Hassle'. Even the competition caused by selling off Gatwick won't solve that conundrum. Heathrow will still be saddled with the same out-dated regulation that has failed the passenger first time round. Perverse incentives squeezing flights into Heathrow will continue to drive the airport to bursting point. Quantity will still be rewarded over quality. Heathrow regulation needs a complete overhaul if better customer service is to mean putting the passenger interest first.

What about the longer term route to world class passenger experience at London's premier airport? Reform of regulation won't be enough. Whether it's the fault of regulation, Government policy or failure to invest, there is insufficient airport capacity in the South East. Expansion is part of the solution to restoring Heathrow to the world class aspirations of its owners and passengers. But a business case for a third Heathrow runway must incorporate strict conditions:

Mixed Mode operations must be used to reduce delays

Using both runways continuously for takeoffs and landings could bring 5-10% additional capacity by 2013. The first call on capacity must be to reduce delays, not increase flights - allowing enough time between take-offs and landings to ensure greater reliability and fewer delays, and improving Heathrow's ability to recover from short term disruption.

Don't sweat the assets to standstill

Finding the right balance between sweating the assets and reducing delays is the starting point for any increase in flights. Scheduling and slot allocation must be managed so that runway use doesn't always ratchet upwards, squeezing more flights in and damaging reliability. A standard should be set for delays which, if breached, would require flight numbers to reduce. This would provide a shared commercial incentive for airport, airlines, baggage handlers and ground staff to work together to minimise delays.

Regulation must put the passenger first

Passengers must be central to airport regulation, so that hard-biting penalties and effective incentives promote high quality service, especially in queuing, delays and terminal comfort; and the Government must do its bit in meeting immigration queuing targets.

Introduce a new ratchet - on air pollution and noise

A cap on noise and air pollution levels should be accompanied by credible, externally verified measurements. Better still, noise and air pollution should be subject to a ratchet downwards, encouraging technological and other innovation, so in time the local environmental impact goes down, not up.

The word *credible* is important. Previous experience has not encouraged public trust. The key to winning the argument for a third runway is rebuilding that trust.

I reiterate: while regulatory reform on its own won't be enough to transform the quality of the Heathrow passenger experience, neither will unfettered expansion. I'm not in favour of a third runway in some dogmatic, evangelical way. I want what is best for business in London – the engine room of the UK economy. To maintain its competitive edge, London needs a world class airport, a 21st century bridge to its markets. A third runway at Heathrow, subjected strictly to the conditions I have set out, offers a solution.

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A London First study, published in June, concentrated on what Government, regulators and airport owners could do in the short term to improve Heathrow's offering to passengers and business passengers in particular. Short term improvements depend on: giving one body the responsibility of reducing queues, providing proper incentives to maintain airport facilities to the standard sought by passengers and creating capacity headroom in terms of number of flights, therefore reducing delays.