



The Consumer Council

Consumer Council for Northern Ireland response to Department for Transport *Developing a sustainable framework for UK aviation: Scoping document*

Introduction

The Consumer Council for Northern Ireland (CCNI) welcomes the opportunity to respond to the Department for Transport *developing a sustainable framework for UK aviation: scoping document*.

CCNI is a Non-Departmental Public Body established by the General Consumer Council (Northern Ireland) Order 1984 and funded by the Department for Enterprise, Trade and Investment. CCNI is an independent consumer organisation, working to bring about change to benefit Northern Ireland's consumers. Its aim is to make the consumer voice heard and make it count. CCNI represents consumers in the areas of transport, water and energy. It also has responsibility to educate consumers on their rights and responsibilities and to equip them with the skills they need to make good decisions about their money and manage it wisely.

CCNI has statutory responsibility to protect and promote the interests of passengers travelling to, from and within Northern Ireland. The Consumer Council is responsible for handling complaints and enquiries from passengers travelling by bus, train, air and sea.

CCNI assists individual passengers with their complaints and works with companies at a policy level to improve systems and procedures. We have strong relationships with all main transport providers, airport operators and Government transport policy divisions in Northern Ireland and Great Britain.

The Strategic National Interest of Northern Ireland's Aviation Sector

Northern Ireland consumers' dependence on air travel

Due to the region's geographic location, Northern Ireland consumers are more heavily reliant on air travel than their GB counterparts to access other UK regions for business and leisure purposes. Our air links, both international and

domestic make an important contribution to the region's economic growth and social well-being, supporting trade and inward investment. Based on the number of passenger journeys per head of population Northern Ireland consumers travel by air 14% more than the UK average. ¹

CCNI agrees with the Department for Transport's assertion that "some parts of the country, such as Northern Ireland, will always be heavily dependent on air links". During 2010 7.1 million passengers travelled through Northern Ireland's airports; 75% of journeys were to or from UK airports. By comparison, only 18% of passenger journeys to and from all UK airports are to UK destinations, highlighting starkly the disproportionately high dependence of Northern Ireland passengers on air travel to access other areas of the UK.

The consultation document asks the question whether any areas of aviation should be considered of 'strategic national interest.' Based on the very high dependence of Northern Ireland consumers on air travel to access other regions of the UK and further afield, CCNI believes the Northern Ireland aviation sector as a whole should be considered to be of 'strategic national interest'. Accordingly, CCNI considers that all decisions that could potentially impact the Northern Ireland aviation sector or any other aspect of aviation considered to be of strategic national interest must be open to consultation with relevant stakeholder organisations before a way forward is agreed.

Given the importance of air travel to Northern Ireland consumers, CCNI believes the Government's aviation framework strategy should contain a section focusing on the specific needs of Northern Ireland air passengers. This section should take into consideration the importance of such issues as links to hub airports, airport charges and the impact of air passenger duty on Northern Ireland consumers.

Importance of links to hub airports

As Northern Ireland is geographically separate from other UK regions, air links to Heathrow are essential. These services ensure Northern Ireland passengers have direct links to the major UK hub airport, providing consumer choice and supporting development of the Northern Ireland economy by facilitating business growth, inward investment and trade. Currently Northern Ireland is served by air routes to Heathrow operated by BMI from George Best Belfast City Airport and Aer Lingus from Belfast International Airport.

Northern Ireland's Heathrow services enable Northern Ireland consumers to access a large number of global destinations by transferring onto connecting flights. In 2010, approximately 11% of passenger traffic through Northern Ireland airports was to or from Heathrow². It is essential that Government recognises in its aviation framework the importance of Northern Ireland's air

¹ Based on 2010 Northern Ireland and UK population statistics and 2010 CAA passenger figures.

² In 2010 751,214 passengers travelled on Northern Ireland's Heathrow services.

links with Heathrow or other appropriate hubs to provide this international access.

In light of the current Government's decision not to permit development of a third runway at Heathrow, CCNI believes it is essential Government takes action to ensure slots are reserved for airlines operating regional services from areas from which it is not practicable to access Heathrow by road or rail.

In order to increase consumer choice, CCNI would welcome the development of additional service to European hub airports to provide improved options for interlining. Currently Northern Ireland has only point-to-point services to European Hub airports.

Airport Charges

In December 2010 CCNI launched a lobbying campaign drawing attention to the negative impacts the restructuring of Heathrow's Departing Passenger Charge (DPC) would have on Northern Ireland passengers. The restructured tariff took effect from 1 April 2011 and disproportionately increased the cost of domestic flights. The cost of a return flight between Belfast and Heathrow increased by £8.37, amounting to a 62% increase in the DPC³. Northern Ireland passengers have also been negatively impacted by recent increases in Gatwick Airport's landing charges.

All passengers travelling on UK domestic flights from Heathrow pay the same level of DPC. However as a result of Northern Ireland consumers' heavy dependence on air travel the changes to Heathrow Airport's DPC have a disproportionately heavy impact on the region. CCNI estimates the restructuring of the DPC will cost passengers travelling on Northern Ireland's Heathrow services an additional £2 million per year⁴.

CCNI is concerned the increase in DPC for domestic passengers may have a negative impact on the number of passengers travelling between Belfast and Heathrow, undermining the economic sustainability of these services. A reduction in the frequency of services as a result of lower demand by domestic passengers will limit the amount of choice available to passengers wishing to travel to Heathrow and then connect to services travelling further afield.

Heathrow has stated its intention to develop as the "hub of choice" amongst its European competitors. Given the majority of Northern Ireland passengers

³ Heathrow Airport Structure of Aeronautical Charges Proposals a Consultation Document, August 2010.

⁴ Figure calculated based on statistics provided by Heathrow Airport concerning the percentage of passengers transferring from Northern Ireland's Heathrow services onto connecting flights and the number of passengers travelling on Northern Ireland's Heathrow routes in 2010 provided by the Civil Aviation Authority. It is unclear, however, how many passengers are booked on a 'through' ticket or two separate tickets and the total cost to Northern Ireland consumer may therefore be higher.

travelling on connecting flights travel via Heathrow it is essential that Heathrow does not disadvantage Northern Ireland passengers.

Heathrow explains that prior to restructuring the DPC tariffs it carried out an assessment of the differences in costs associated with 'European' and 'Other'⁵ passengers and used this analysis to identify the appropriate scale of differential between the DPC for each category. CCNI has repeatedly called on Heathrow to explain whether it carried out a similar assessment of the difference in costs associated with Northern Ireland and European passengers.

CCNI believes an assessment must be conducted concerning the costs of processing Northern Ireland passengers travelling on domestic routes compared to European and International passengers on account of the following factors:

- Passengers travelling domestically on Northern Ireland's Heathrow services will not have to process through customs or immigration services.
- The high proportion of business travellers on Northern Ireland's Heathrow services means many passengers will check-in online, travel without check-in baggage and spend only short periods in the airport.

CCNI believes the UK aviation framework should recognise the high level of dependence of Northern Ireland consumers on air travel and protect the region's consumers and aviation sector from disproportionate increases in GB airport passenger charges.

High speed rail

CCNI recognises that whilst much demand for domestic aviation and for near-European short-haul aviation could be met by high speed rail, under the Government's current proposals for a national high speed rail network, Northern Ireland will remain heavily dependent on air travel. Given Northern Ireland consumers will not benefit from the Government's investment in high speed rail CCNI believes special consideration should be afforded to the issues of concern for the region's air passengers identified in this response.

Air Passenger Duty

CCNI responded to the HM Treasury consultation on reform of air passenger duty (APD). CCNI believes however that it is essential that the interests of Northern Ireland passengers in relation to APD are recognised in the UK strategic framework for aviation.

⁵ All non-European International flights are included in this category

Northern Ireland passengers paid an estimated £55 million in APD in 2009/10.⁶ The high level of UK APD serves to undermine the Northern Ireland aviation sector with passengers incentivised to travel via airports in the Republic of Ireland rather than Northern Ireland in order to save money.

CCNI is concerned decreased demand for air services from Northern Ireland's airports could lead to a decline in the number of services and routes operated, reducing choice and convenience for consumers living in Northern Ireland. Furthermore, an increase in the number of Northern Ireland passengers travelling via Republic of Ireland airports rather than Northern Ireland airports will result in a loss of revenue for HM Treasury, Northern Ireland airports and the region's economy.

Northern Ireland is unique because as part of the UK it has the highest rate of aviation duty in Europe but also has a land border with the Republic of Ireland which has explained it intends to abolish its Air Travel Tax (ATT). The Republic of Ireland Air Travel Tax (ATT) is currently charged at €3 per passenger travelling on flights departing from Republic of Ireland airports; however the Republic of Ireland Government has confirmed in its May 2011 Jobs initiative it intends to remove ATT.

Removal of ATT will result in each passenger travelling on a return flight to New York from Belfast in economy class paying £60 more in duty than a passenger on a return flight from Dublin to New York.

The Republic of Ireland government has also announced its intention to reduce VAT for services relating to tourism. A new temporary second reduced rate of VAT at 9% will be introduced with effect from 1 July 2011 until end-December 2013. The new 9% rate will apply mainly to restaurant and catering services, hotel and holiday accommodation and various entertainment services such as admissions to cinemas, theatres, museums, fairgrounds, amusement parks and sporting facilities.

The Consumer Council recommended to HM Treasury that APD on flights operating to and from Northern Ireland airports should be reduced or removed to mirror the Republic of Ireland ATT. A reduction in APD would ensure Northern Ireland consumers are not disadvantaged given their high dependence on air travel, and will ensure the region's airports continue to deliver consumer choice.

CCNI has welcomed the House of Commons Northern Ireland Affairs Committee (NIAC) report *Air Passenger Duty: implications for Northern Ireland*. The report states:

“the detrimental impact of Air Passenger Duty on the Northern Ireland economy is, we believe, significant...We recommend that, as a matter of urgency, HM Treasury examines options for the

⁶ Based on Public Expenditure Statistical Analysis estimates and annual UK Air Passenger Duty receipts

mitigation of these effects by local adjustments to the application of APD in Northern Ireland, including zero-rating flights out of Northern Ireland airports, and flights into Northern Ireland from GB”.

CCNI supports the position of NIAC. The Committee’s position demonstrates the need for special consideration to be given to Northern Ireland aviation issues and reinforces our call for these needs to be recognised in the UK strategic aviation framework as being of strategic national interest.

Northern Ireland Aviation Strategy/Framework

CCNI believes that the UK aviation framework should recognise the importance of the Northern Ireland Executive developing a framework that focuses on local issues which will not be covered by the UK aviation framework strategy.

As stated above, it is essential Government recognises the unique needs highlighted in this response within the UK aviation framework. In addition CCNI believes the Northern Ireland Executive should also produce a strategy/framework to guide development of the region’s aviation sector.

A strategy is required to assist the sector develop in a manner that best serves the long term interests of Northern Ireland consumers by:

- Ensuring connectivity with and reservation of Northern Ireland specific slots at UK hub airports
- Promoting competition and choice for consumers and the development of sustainable routes
- Ensuring proposed service and infrastructural developments at Northern Ireland airports are assessed rigorously and promptly with full consideration afforded to all relevant economic, social and environmental impacts
- Addressing issues concerning surface access to airports and public transport links to towns and cities across the region.
- Ensuring the NI Executive lobbies government on aviation issues to ensure that the unique interests of Northern Ireland consumers are considered at a UK level.

Effective Regulation

In seeking to review the regulatory framework for the aviation sector and improve the passenger experience it is essential Government ensures airlines and airports adequately fulfil their legal obligations to their passengers. CCNI

research⁷ indicates the majority of air passengers have very limited knowledge of their rights and airlines and airports need to do more to provide passengers with information in relation to their rights under Regulation (EC) 261/2004 and Regulation (EC) No 1107/2006.

Passengers' lack of knowledge was starkly highlighted during the periods of widespread disruption to air travel in 2010 caused by the volcanic ash crisis and severe weather during the Christmas holiday period. CCNI received over 460 enquiries and complaints during and immediately following the period of volcanic ash disruption in 2010, representing approximately a 540% increase in complaints compared to the same period in 2009.

CCNI also draws attention to the fact the Government has yet to fully implement Regulation (EC) No. 1008/2008 (the Air Services Regulation). Currently there is no UK statutory instrument that creates penalties for infringement under the Air Services Regulation impeding the Civil Aviation Authority from fully enforcing the Regulation. We encourage the Secretary of State for Transport to address this issue as a matter of priority.

EU Emissions Trading System

CCNI accepts the inclusion of aviation in the EU Emissions Trading System (ETS) from 2012 on the basis that the polluter pays principle requires airlines to pay for the environmental externalities of air travel. CCNI believes it is essential airlines take steps, where necessary, to improve the efficiency of their aircraft to enable them to keep within their emissions allowances and avoid passing costs onto passengers. It is essential that airlines do not use the opportunity presented by the inclusion of aviation in the ETS to increase charges levied on consumers.

Framework for addressing competing interests

The consultation seeks views regarding how decision-makers should address trade-offs or competing interests. CCNI believes that DfT, through consultation with key stakeholders, should determine an agreed framework for evaluating competing interests. Taking for example the need to balance the competing interests of CO₂ emissions reduction versus local noise reduction; an agreed process should allow for a full and open consideration of all issues with input from sectoral interests including the views of air passengers, residents groups, airlines, airports, business representatives, and environmental organisations. The stages for the discussion should be clearly determined and timescales for decisions outlined at the outset of the process.

⁷ Flights and Rights – A Consumer Council Research Report into passengers knowledge of their rights and attitudes toward air travel

If you require further information or wish to discuss any of the issues raised in this response please contact Scott Kennerley on 028 90672488 or skennerley@consumercouncil.org.uk.