

## **CBI RESPONSE TO THE DEPARTMENT FOR TRANSPORT CONSULTATION ON NIGHT FLYING RESTRICTIONS**

Night flights are an important ingredient of a competitive business environment. More than simply flights that could not be undertaken during the day, night flights form an integral part of the business models of many of the UK's key sectors, boosting exports through enhanced connectivity, increasing productivity, creating resilient supply chains and enhancing international competitiveness. At a time when the UK is looking to business investment and exports to kick-start growth and boost our performance as a trading nation, the government should be doing all it can to encourage businesses to explore their options in the global marketplace.

The current night flights regime in London is working well, incentivising aerospace manufacturers and service providers to invest in quieter aircraft, which are helping to diminish the impact of necessary night flights on local communities around airports. The industry recognises, however, that there is still more to do to address concerns, and further reductions in noise can be expected as manufacturers continue to innovate at pace and airlines and freight companies replace older planes as they reach the end of their life-cycle.

With the current imperative to get the UK exporting, the Airports Commission reporting by 2015 on the future of UK aviation capacity, and with the present regime delivering clear parameters for airlines and businesses, now is not the time to shift the goalposts. The government should maintain the existing regime, while leaving sufficient headroom in forecasting to avoid hindering economic recovery as the UK returns to growth the coming years.

In this response, the CBI argues that:

- **A competitive aviation sector is critical to the prospects of an export-led recovery;**
- **Night flights play a unique role in the economy that cannot be simply replaced by more flights during the day;**
- **Under the existing regime, industry has taken significant strides to reduce the impact of night flights on local communities, and this progress is set to continue;**
- **The current regime is working well and should be maintained until the next review period, but with sufficient headroom to avoid restricting the economic recovery as the UK returns to growth.**



Mark Dittmer-Odell Senior Policy Adviser, Infrastructure  
**DL:** +44 (0)20 7395 8142 **E:** mark.dittmerodell@cbi.org.uk

CBI Centre Point 103 New Oxford Street London WC1A 1DU  
**T:** +44 (0)20 7379 7400 **F:** +44 (0)20 7240 1578 **W:** www.cbi.org.uk

Director-General: John Cridland CBE President: Sir Roger Carr

Registered No: RC000139 (England and Wales) Registered Office: CBI Centre Point 103 New Oxford Street London WC1A 1DU

## **A competitive aviation sector is critical to the prospects of an export-led recovery**

The aviation sector is a major contributor to the UK economy. On its own, the sector generates about £10bn GVA each year, while employing as many as 120,000 people – a sum that increases significantly when taking into account the indirect jobs linked to the industry.<sup>1</sup> Night flights – allowing for the timely departure and arrival of a limited amount of passengers and freight in the period between 23.00 and 7.00 – are an important part of this economic activity. Research indicates that £1.2bn of GVA was generated by these flights in 2011, sustaining 18,700 jobs and delivering £197m in taxation.<sup>2</sup> In practice, however, the sector plays a much bigger role in the UK's economy – giving businesses access to global markets and the export opportunities they offer, while making the UK an attractive proposition for international investors.

In a changing and challenging global environment with constrained domestic demand, it has never been more of an imperative that the UK is both open for business and open to new opportunities. Over 80% of companies see the quality and reliability of transport infrastructure as significant to their investment decisions.<sup>3</sup> To facilitate this activity, the government needs to do everything it can to give businesses the ambition and confidence to venture beyond domestic markets, while making the UK the most attractive place to invest in an increasingly competitive international environment. It is vital to have infrastructure capable of forging these new links, and here it is increasingly clear that a competitive aviation network is a key piece of the puzzle. At the same time, the importance of international transport links for opening doors to new trade and exports is well established, with recent analysis published by the CBI concluding that each and every daily route to an emerging market is worth as much as an additional £128m in trade per year.<sup>4</sup>

## **Night flights play a unique role in the economy that cannot be simply replaced by more flights during the day**

Night flights play a unique and crucial role in connecting the UK to the rest of the global economy. These flights are not simply journeys that could not be undertaken during the day because of lack of capacity, but rather an essential part of the operating models of many British and international businesses, allowing for the timely movement of people and goods, getting them to where they need to be in order to facilitate exports, maximise productivity and increase competitiveness.

As such, night flights are an integral part of creating an internationally competitive business environment that supports the UK's ambitions as a trading nation. Without these flights, businesses in the UK face a critical delay to their operations and international investors may choose to go elsewhere.

There are two principal ways in which night flights enable British businesses to flourish internationally and make the UK an attractive place to invest: firstly, by meeting international passenger demands for flexible connectivity, especially to emerging markets, and secondly, by supporting the express delivery industry's ability to provide next-day delivery services. These two examples are interlinked, with a significant proportion of freight transported in the belly-hold of passenger aircraft in order to maximise efficiency and reduce the need for unnecessary additional flights.

### *The importance of night flights for attracting business passengers*

The relationship between direct flight connectivity and trade is now well-established. Based on analysis of growth in direct flights and trade between the six largest EU economies and the eight largest fast-growing economies, recent independent analysis conducted by Steer Davies Gleave for the CBI indicates that where

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<sup>1</sup> ONS (2011), *Annual Business Survey*

<sup>2</sup> Oxford Economics (2011) *The economic value of night flights at Heathrow*

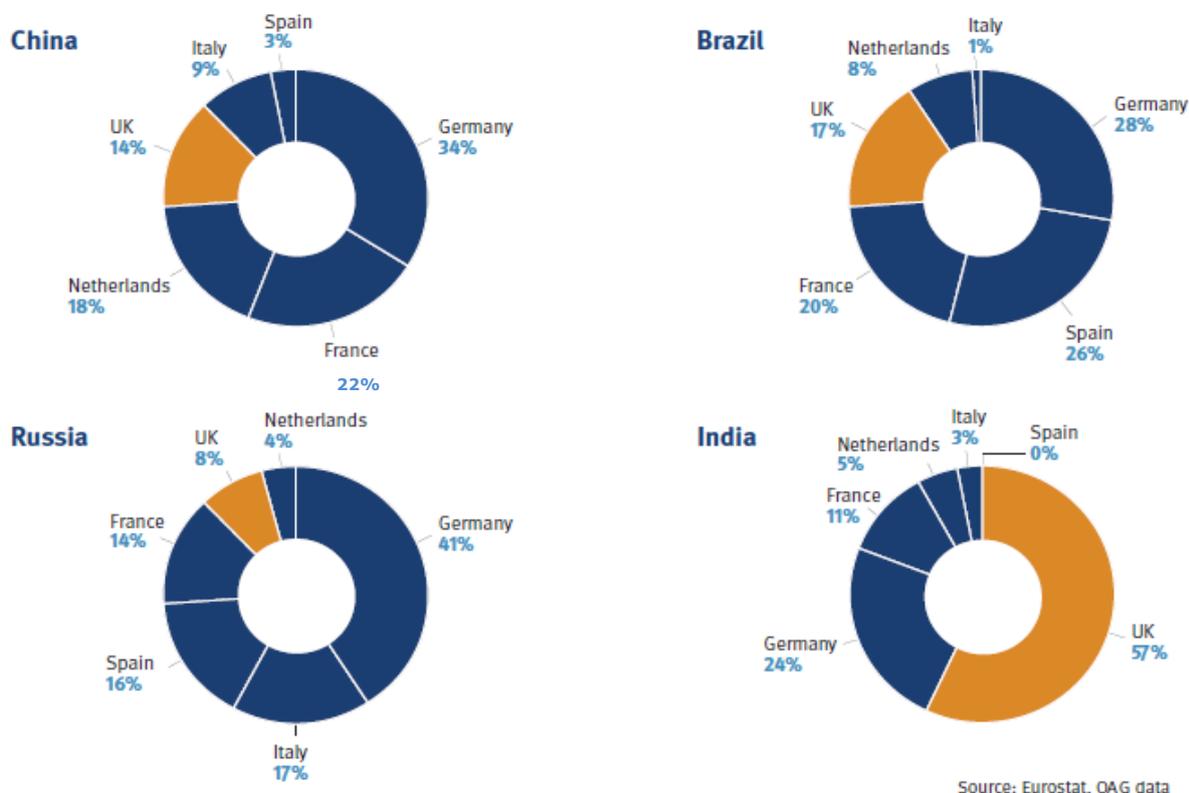
<sup>3</sup> CBI/KPMG (2012) *Infrastructure Survey*

<sup>4</sup> CBI/Steer Davies Gleave,(2013) *Trading Places: Unlocking export opportunities through better air links to new markets*

flights have flourished, so too has trade. Removing other variables such as geographical proximity, historical ties and growth rates, this analysis shows that eight additional daily routes to emerging economies could deliver a boost to trade of £1bn a year alone. At the same time, connectivity is also crucial when choosing where to invest: two-thirds (65%) of companies view international transport connections as either crucial or very important to their investment decisions.<sup>5</sup> As a consequence, creating a competitive business environment for airlines to expand their routes has a direct impact upon the UK's ability to grow exports and boost investment.

The CBI's evidence, however, suggests that businesses already feel that these links are inadequate. Looking at companies who deem direct flights to China as crucial, 54% are dissatisfied with current availability;<sup>6</sup> while the UK is falling behind in the provision of direct links to three out of four of the BRIC economies (see Exhibit 1).

**Exhibit 1: Share of new direct flights between six largest EU countries and BRICs by EU country, 1993-2011**



Night flights are essential to make the UK attractive to these new markets. Airlines operate in the night for a number of reasons, including consumer demand, differences in time zones and restrictions on night operations at foreign airports. All of these factors come into play when considering long-haul flights, especially to and from the Far-East and Middle-East, and are often outside airlines' control.

Long-haul business travellers often want to maximise their productive time by travelling overnight and arriving in a new market ready for a full day's work. In order to depart from destinations in the Far-East, for example, and arrive in the UK at a reasonable time, night flights are unavoidable to meet this passenger demand.

Early morning arrival is also critical for ensuring passengers are able to undertake onward travel to the UK's regions in time for a full day's work, spreading the benefits of international connectivity at London's

<sup>5</sup> CBI/KPMG (2012) *Infrastructure Survey*  
<sup>6</sup> Ibid

airports to the rest of the country and maximising regional growth by linking key sectors in the UK's regional economies with their global markets (see **Exhibit 2**).

### **Exhibit 2: Linking key regional sectors into the global economy**

Key sectors of the UK economy benefit greatly from the joint investment, strategic partnership opportunities and shared expertise that comes from being part of a global network. This can be seen in the way that businesses in Aberdeen partner with those in Riyadh or Lagos in the energy sector, or in the way in which Edinburgh has developed strong connections with Hong Kong and Singapore in the banking and financial services sector.

Night flights are critical in allowing these relationships to flourish, and the link between Edinburgh and Hong Kong is a useful illustration. To make this air link attractive, business passengers need to be able to complete a full day's work in Hong Kong and arrive in Edinburgh the next morning in time for the next day's work. With these requirements driving demand, early morning arrivals become necessary for a viable route:

- Currently, a typical summer flight from Hong Kong to London leaves Hong Kong at 11pm and arrives in London around 5.30am.
- Any earlier departure from Hong Kong would mean arrival in London even earlier in the night.
- Any later departure would require leaving Hong Kong after midnight, reducing passenger demand, and would arrive too late for passengers to guarantee they are able to catch onward travel to Edinburgh in time for a 9am arrival at work.
- It is for this reason that between 11pm and midnight, there are 8 departures between Hong-Kong and Europe, four of these to the UK, responding to passenger demand.

As a location becomes more difficult to access, it becomes less desirable. Without these timings, it is unlikely passengers would decide to fly into a UK airport, choosing instead an alternative European hub for onward travel. This would have a detrimental impact not only on the competitiveness of the UK airports and airlines themselves, but also on the viability of further direct links between London and Hong-Kong and London and Edinburgh.

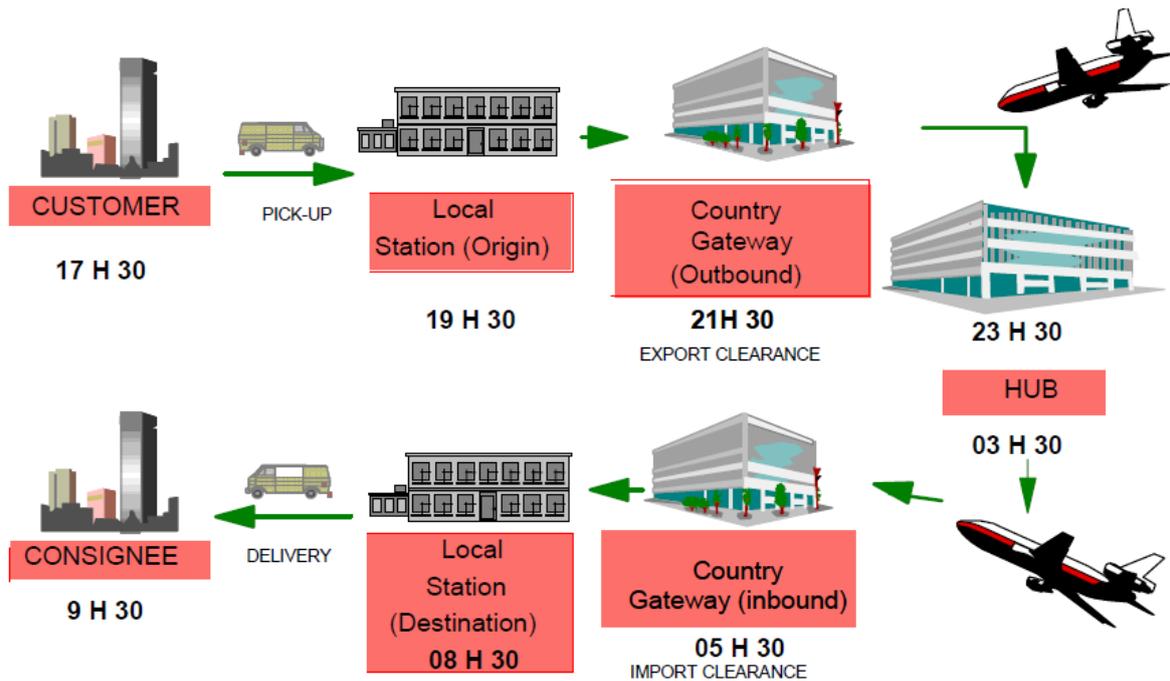
In an increasingly competitive EU aviation market, an inability to run these routes could lead to business passengers being forced to use flights from other European airports to reach UK destinations. Any curbs to the current regime at London's airports would place existing and future links with emerging markets at risk.

### *The importance of night flights for maintaining express delivery*

Night flights allow the express delivery industry in the UK to operate effective international services, with important consequences for wider British businesses for whom these services form a core part of their business models.

In order to function effectively and match customer demand, the services the express delivery industry offers – especially international next day delivery – requires shipments to be picked up at the end of the working day for delivery early the following morning. The only way this is possible from the UK, given its geographical location and lack of alternative means of transport, is by making use of night flights (see **Exhibit 3**).

**Exhibit 3: The key stages of a typical express delivery service**



Source: *Oxford Economics, The impact of the Express Delivery Industry on the Global Economy*

The UK express delivery industry contributed £2.3bn to UK GDP in 2010 and supports 82,000 full time jobs, with 38,000 in direct employment.<sup>7</sup> If night flights were to be further restricted, there would be a substantial impact not just on the sector but on the businesses that rely on these services. For many of the UK's key growth sectors identified in the government's work on industrial strategy, express delivery is critical to their ability to export, run efficient supply chains and boost productivity, and any reduction in the regime would reduce their international competitiveness (see **Exhibit 4**). Illustrating this impact, over 80% of UK businesses have stated that their operations would be affected if international next-day delivery services were no longer available, with over half expecting their sales revenue to fall by as much as 15% in the event.<sup>8</sup>

For many, express delivery is critical to export performance, delivering an important logistics link by getting goods and services to a global market in a timely manner. On average, UK businesses rely upon express services for 28% of their sales revenue, with over a quarter of businesses relying upon them for over 50%.<sup>9</sup> These services are responsible for around £11bn of UK exports each year, for most of which there are no alternative means of delivery.

For other businesses, express delivery services are central to their supply chains. They allow for the urgent delivery of spare parts for repairs, reducing production shut-downs. A fifth of UK companies have indicated that without next-day delivery, production processes would be interrupted by more than 20 days over the course of a year.<sup>10</sup> Express services mean that businesses can organise production efficiently, using 'just-in-time' inventory systems to boost efficiency and minimise warehousing costs. 58% of firms report that they operate a just-in-time inventory system to keep costs down and maximise flexibility to respond to

<sup>7</sup> Oxford Economics (2011) *The economic impact of express carriers in Europe: UK Country Report*

<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Oxford Economic Forecasting (2006) *The economic impact of express carriers for UK Plc.*

demand.<sup>11</sup> Furthermore, such services enable businesses to choose from a broader base of suppliers, building reliable and resilient supply chains and maximising competitiveness on price.

With limited growth in established markets in the EU and the UK looking to economies further afield for growth, express services via air are likely to become even more important as a means for reaching global opportunities. The UK already ships 35% of goods by value to non-EU countries in this way<sup>12</sup>, while 80% of UK businesses expect to continue or increase their spending on express services over the next five years.<sup>13</sup>

#### **Exhibit 4: Key sectors of the economy rely upon night flights**

In 2012, the CBI called for a joined-up approach to industrial strategy built around the creation of a business environment supportive of key growth sectors in which the UK holds competitive advantage. Heeding these calls, government has set out a number of areas in which the UK excels, looking to develop strategies throughout 2013 to maximise their growth. For many of these sectors, overnight delivery is an important part of their operations:

- For sectors involved in **business and professional services** or the **information economy**, express delivery ensures that time-sensitive documentation can find its way easily and quickly around the world. Business transactions, legal proceedings and financial markets rarely stay still for long, so the provision of legally required hard documents the following day can be the difference between success and failure.
- The UK's advanced manufacturing sectors, such as **aerospace** and **automotive**, rely upon express delivery in order to plug themselves efficiently into international supply chains. Many require high-value electrical and engineering components at short notice in order to keep production going; yet because of the costs, keeping high levels of stock on site is commercially undesirable. On the other side, express services also provide opportunities for advanced manufacturers to feed in to supply chains predominantly in other countries, boosting their export performance.
- In other sectors, the perishable nature of items being shipped means there is no alternative to express delivery. Recent years have seen strong growth in exports in the **food and drink** sector, especially in emerging markets, as taste for western style food grows. In sectors such as **life sciences**, shipment of samples for clinical trials that degrade over time are essential if the UK is to make the most of advantages as a knowledge-intensive economy.

#### **Under the existing regime, industry has taken significant strides to reduce the impact of night flights on local communities – and this progress is set to continue.**

The noise impact on local communities caused by night flights is a significant issue for the aviation industry. Recent years have seen significant improvements in reducing the noise footprint of flights, but the industry recognises that more still needs to be done, and so continues to invest in further technological development.

The last decades have seen a number of positive steps that have already reduced this burden on local communities around airports. Manufacturers and operators have invested heavily in quieter and more efficient modern aircraft, as well as working with airports to improve operational procedures. Modern aircraft such as the A380 show a decrease of 75% on approach noise from the planes they are designed to replace, while aircraft entering today's fleets are on average 20 decibels quieter than comparable aircraft 40 years ago. Furthermore, improvements such as continuous descent approach, low-power and low-drag

<sup>11</sup> Oxford Economics (2011) *The economic impact of express carriers in Europe*

<sup>12</sup> Department for Transport (2013) *Aviation Policy Framework*

<sup>13</sup> Oxford Economics (2011) *The economic impact of express carriers in Europe: UK Country Report*

take-off procedures and controlled surface operations have also contributed to alleviate noise impacts on the ground.

The impact of these investments by industry has been to reduce both overall noise of aircraft and the number of people exposed to any noise at all. In the UK, a review of current noise contour information at Heathrow, Gatwick, Manchester, Stansted, Birmingham and Luton airports between 1998 and 2010 indicates that despite an increase of over 5% in air transport movements overall, the number of people inside the Government's standard 57 dbA Leq noise contour has reduced by nearly 40% - something further evidenced by the fact that noise objectives at all of the London airports have been largely achieved.<sup>14</sup>

Looking to the future, the benefits of investments being made now by industry are expected to continue in the coming decades as aerospace manufacturers continue their investment in innovation at pace. A further 50% reduction of noise levels during take-off and landing is expected by 2020 alone<sup>15</sup> and the aerospace sector has committed to achieving the objectives of the EU Flightpath 2050 programme, seeking to achieve a 65% reduction in perceived noise, of 15dB by 2050.

As the industry continues to innovate, it is important that the benefits of quieter and more efficient aircraft are experienced by both the communities around airports and the airlines and freight carriers investing in new technology. While the unmitigated growth of night flights is undoubtedly unacceptable, clear signalling that government intends to allow the existing regime to develop in line with reasonable demand would ensure further investment in future aircraft, achieving both environmental and social goals, while balancing these with an economic incentive to innovate.

**The current regime is working well and should be maintained until the next review period, but with sufficient headroom to avoid restricting the economic recovery as the UK returns to growth.**

With continuing uncertainty about the future of aviation capacity, now is not the time to significantly alter the arrangements for night flights. The creation of the Airports Commission to recommend a solution for the sustainable long-term development of the aviation sector was welcomed by business, but to be effective it cannot be expected to hit a moving target. It is important that the Commission is given the space to decide how best to address the issue of capacity in the South-East without changes to the current night flights regime affecting capacity before a decision is reached.

The existing quote count (QC) system will continue to deliver benefits over the next review period and a new regime now would not speed up this process. The system is understood and internationally recognised, providing operators and manufacturers a clear basis on which to plan over time for the noise standards they need to meet in order to be able to operate at UK airports. At the same time, due to the extremely high costs involved in replacing a fleet (as much as \$240m for a modern, quiet aircraft), businesses replace them only when they reach the end of their life, regardless of any changes in the incentive structure. Any policy intervention that seeks to speed this process up would not achieve that aim, but only serve to increase ticket or cargo prices until the time at which those planes are naturally replaced, with a knock-on impact on competitiveness for business users.

For these reasons, the CBI believes the current night flights regime should be maintained until the next review period. It is considered by industry to strike a good balance with the multi-annual review process reflecting the most up-to-date economic needs and technological developments. Forecasts for the coming period, however, should take into account the current impact of the economic downturn on cargo and

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<sup>14</sup> Sustainable Aviation & Airport Operators Association (forthcoming, April 2013), *Sustainable Aviation Noise Roadmap*. The Environmental Research and Consultancy Department (ERCD) and Civil Aviation Authority estimates noise exposures around London airports depicted on maps by contours of aircraft noise levels.

<sup>15</sup> Sustainable Aviation & Airport Operators Association (forthcoming, April 2013), *Sustainable Aviation Noise Roadmap*.

passenger numbers since 2008 in order to avoid being skewed downwards, ensuring that growth is not restricted as the economy recovers. In the summer of 2007, the last period of strong and sustained growth in the UK economy, the full number of allocated aircraft movements was used, but this proportion has declined to 83.4% of movements in the summer of 2012 as a result of the economic downturn. With a return to growth forecast in the coming years, we can expect businesses to return to full utilisation of aircraft movements and as such, forecast figures for the next night flights period should start with the assumption that the existing quota is fully utilised, leaving headroom for future growth.

**CBI Business Environment Directorate**  
**April 2013**