

Research Briefing

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# Regional Airports



## Summary

- 1 What is a 'regional airport'?
- 2 Who owns regional airports?
- 3 Regulatory Issues
- 4 Conservative Government Policy 2015-2021
- 5 History of Government policy, 1997-2015
- 6 Devolved administrations

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# Contents

<b>Summary</b>	<b>4</b>
<b>1 What is a ‘regional airport’?</b>	<b>6</b>
1.1 Trends in regional airport use	7
<b>2 Who owns regional airports?</b>	<b>9</b>
2.1 Current ownership of UK regional airports	9
2.2 The history of airport ownership	14
<b>3 Regulatory Issues</b>	<b>16</b>
3.1 Public Service Obligation Routes (PSOs)	16
3.2 Start-up aid	19
3.3 Slot allocation	21
3.4 Expansion: planning issues	23
<b>4 Conservative Government Policy 2015-2021</b>	<b>26</b>
4.1 Airports National Policy Statement	26
4.2 Airspace Modernisation and Noise	27
4.3 Pandemic Response	28
4.4 Union Connectivity Review	30
4.5 Air Passenger Duty Reduction	32
4.6 Climate change and airports	33
<b>5 History of Government policy, 1997-2015</b>	<b>39</b>
5.1 Labour, 1997-2010	39
5.2 Coalition Government 2010-2015	40
<b>6 Devolved administrations</b>	<b>45</b>
6.1 Scotland	45
6.2 Wales	48
6.3 Northern Ireland	49

## Summary

There are 50 UK airports that can be considered as ‘regional’, defined here as any airport outside of London with scheduled passenger services. As well as contributing to regional, national, and international connectivity, these airports are often significant providers of employment for their local communities. Noise and carbon emissions generated by flights to and from regional airports are often controversial issues, especially when airports wish to expand.

### Airport ownership

Regional airports can be fully privately-owned (e.g. Edinburgh, Glasgow, Southampton, Leeds Bradford), a mix of public and private ownership, whereby an airport is owned by both local authorities and private investors (e.g. Birmingham, Manchester and Newcastle), or fully publicly-owned (e.g. Scottish island airports, Cornwall). The general trend since the 1980s has been a move towards private ownership, [an explicit aim of the Thatcher Government](#). However, local authority (co-)ownership remains common and has seen some increases in recent years.

### Public Service Obligation (PSO) Routes

It is possible to ring-fence regional flights to a national hub (such as London, Glasgow or Cardiff) by creating a Public Service Obligation (PSO) route. PSOs subsidise routes that might not otherwise be commercially viable. PSO routes are currently used to connect Scottish Islands airports and Glasgow; Cardiff and Anglesey; Newquay and London Gatwick; Dundee and London Stansted; and Derry and London Southend. PSOs have generally replaced other forms of ‘start-up’ aid for regional air routes. In the [2021 Union Connectivity Review](#), conducted for the DfT by Sir Peter Hendy, one recommendation to Government was to revise existing PSO rules to allow routes between regional airports outside of London.

### Slot Allocation

Some airports are congested because they do not have enough capacity to meet demand from the airlines and other aircraft operators who wish to use them. Slot allocation is used, at the most congested airports (known as Level 3 or ‘coordinated’ airports), to allocate and manage limited capacity. All London airports, plus Manchester and Birmingham, are coordinated airports. Bristol is also coordinated from 23:00 to 07:00 in the summer season. The Government has loosened the ‘80:20’ or ‘Use it or Lose it’ rules in place for coordinated airport slots due to pandemic flight disruption. [In 2022 it said it](#)

[was actively looking at reform of the airport slot allocation process](#) to improve use of airport capacity.

## Airport expansion and carbon emissions

Many regional airports have had ambitions or formal plans to expand their capacity. Expansion proposals which are deemed Nationally Significant Infrastructure Projects (NSIPs) require Development Consent Orders, where the Secretary of State makes the decision. Decisions over smaller expansion proposals are determined locally by local planning authorities.

In its recommendations on the [sixth carbon budget](#), published in December 2020, the Climate Change Committee argued that caps on airport expansion and/or passenger growth are necessary for the UK to meet its carbon emission reduction targets. [In 2021 the Government said](#) that it can meet these targets through new aviation fuels and technology instead.

## Impact of Covid-19 pandemic and Government support

In 2020 and 2021, all UK airports saw [passenger numbers and revenues decline](#) due to the Covid-19 pandemic. The Government [has spent around £8 billion pounds in pandemic support](#) for the aviation industry up to February 2022, via economy-wide measures including the Covid Job Retention Scheme (or 'furlough' scheme) and Covid Corporate Finance Facility (CCFF), and sector specific support such as the Airport and Ground Operators Support Scheme and Business Rates relief to airports.

In October 2021, the Government also announced [a reduction in Air Passenger Duty \(APD\) for domestic flights](#) in a bid to improve domestic aviation connectivity. The reduction will come into force in 2023.

## Airspace Modernisation and Noise

Under the May Conservative Government, a programme of [Airspace Modernisation began in 2017](#), coordinated by the Civil Aviation Authority (CAA). The intention of this ongoing programme is to streamline aviation routes between UK airports, to reduce delays, noise and unnecessary aircraft emissions.

## Devolved Administrations

Civil aviation is a reserved matter and all UK airports and airlines are regulated by the Civil Aviation Authority (CAA). However, devolved administrations do have powers to fund PSO routes and provide other support for flights, which can help increase traffic at regional airports. In Northern Ireland for example, APD is partially devolved. Unlike other nations of the UK, direct [long-haul flights to and from Northern Ireland are not subject to APD](#).

Further information on related topics can be found on the [Aviation topical page](#) of the Commons Library website.

## 1

## What is a ‘regional airport’?

The term ‘regional airport’ is not a statutory or legislative one, although it is very widely used in writings about UK airports. Developments in the aviation sector have somewhat weakened the usefulness of the term ‘regional airports’ as formerly understood, largely because regional airports increasingly serve international as well as domestic routes.<sup>1</sup> There are different ways to define airports. But its definition does provide a way of thinking about how to classify airports.

The Transport Sub-committee of the Environment, Transport and Regional Affairs Select Committee conducted an inquiry into regional air services in 1997.<sup>2</sup> In that report, ‘regional airports’ included UK airports other than the five London airports (Heathrow, Gatwick, Stansted, Luton and City), and the airports on Guernsey, Jersey and the Isle of Man (on whose behalf the UK Government conducts international aviation relations). The 2002 Regional Air Services Co-ordination Study (RASCO) looked at the 25 largest regional airports outside the South East and East of England, in terms of passenger traffic in the year 2000.<sup>3</sup>

The Airports Commission’s December 2013 interim report referred to the following as ‘regional airports’ for the purposes of its report: Southampton, Norwich, Southend, Bristol, Cardiff, Bournemouth, Birmingham, East Midlands, Coventry, Manchester, Newcastle, Liverpool, Leeds, Bradford, Durham Tees Valley, Doncaster – Sheffield, Humberside, Blackpool, Glasgow, Edinburgh, Aberdeen, Prestwick, Inverness, Belfast International and Belfast City. This is consistent with the approach taken by the DfT aviation forecasts.<sup>4</sup>

This paper adopts a broad definition of regional airports similar to the 1997 committee inquiry. Here regional airports are defined as being any UK passenger airport with scheduled passenger services, other than London airports (Heathrow, Gatwick, Stansted, London Luton, Southend and London City).

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<sup>1</sup> Part of the broader trend from ‘Hub-and-spoke’ to ‘point-to-point’ air routes enabled by low-cost airlines. See Dobruszkes, F [The geography of European low-cost airline networks: a contemporary analysis](#) (2013) *Journal of Transport Geography*, Volume 28

<sup>2</sup> ETRA Select Committee, [Regional Air Services](#) (eighth report of session 1997-98), HC 589, 28 July 1998

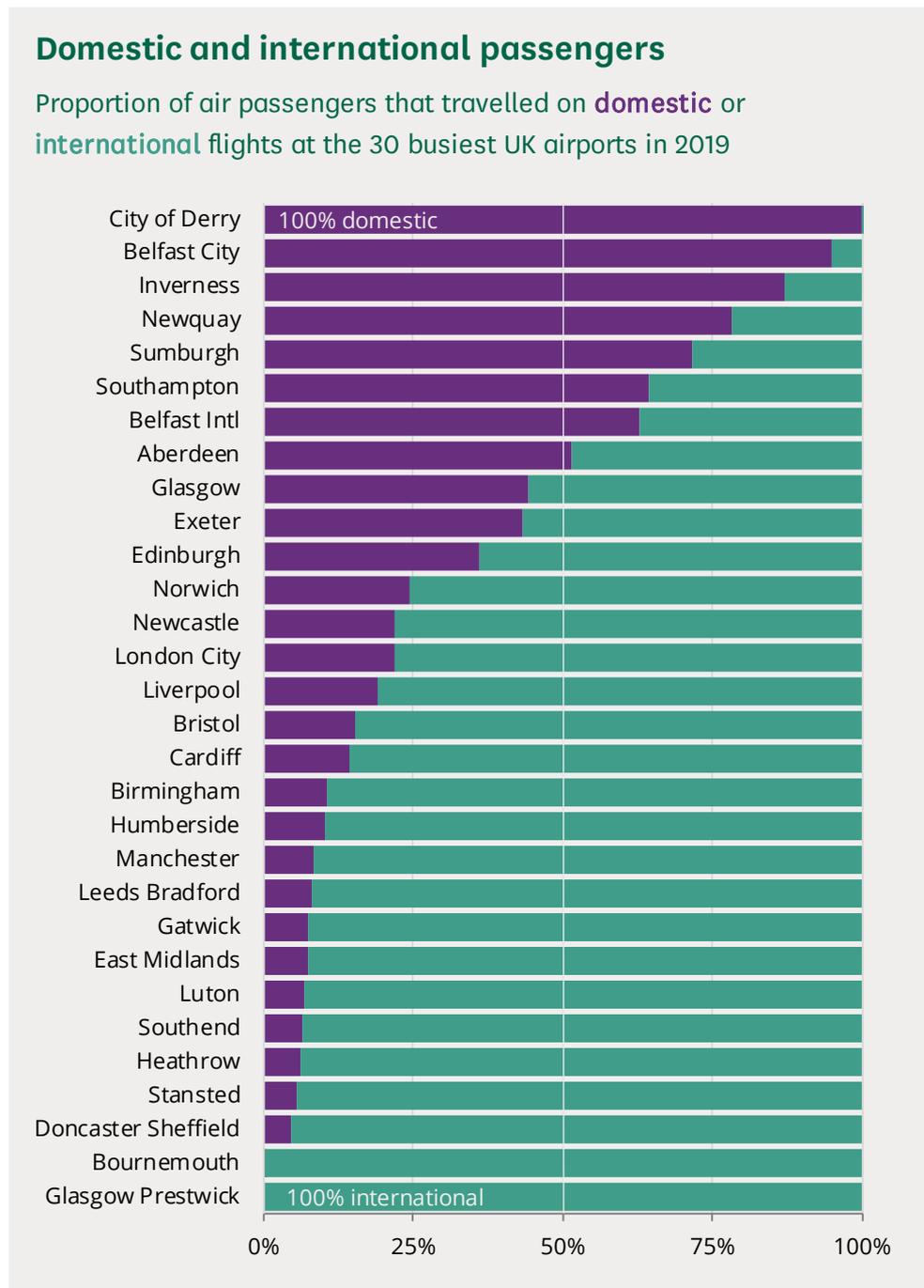
<sup>3</sup> DfT, [Regional Air Services Co-ordination Study \(RASCO\): Final Report](#), July 2002

<sup>4</sup> Airports Commission, [Interim Report](#), December 2013, p220

## 1.1

## Trends in regional airport use

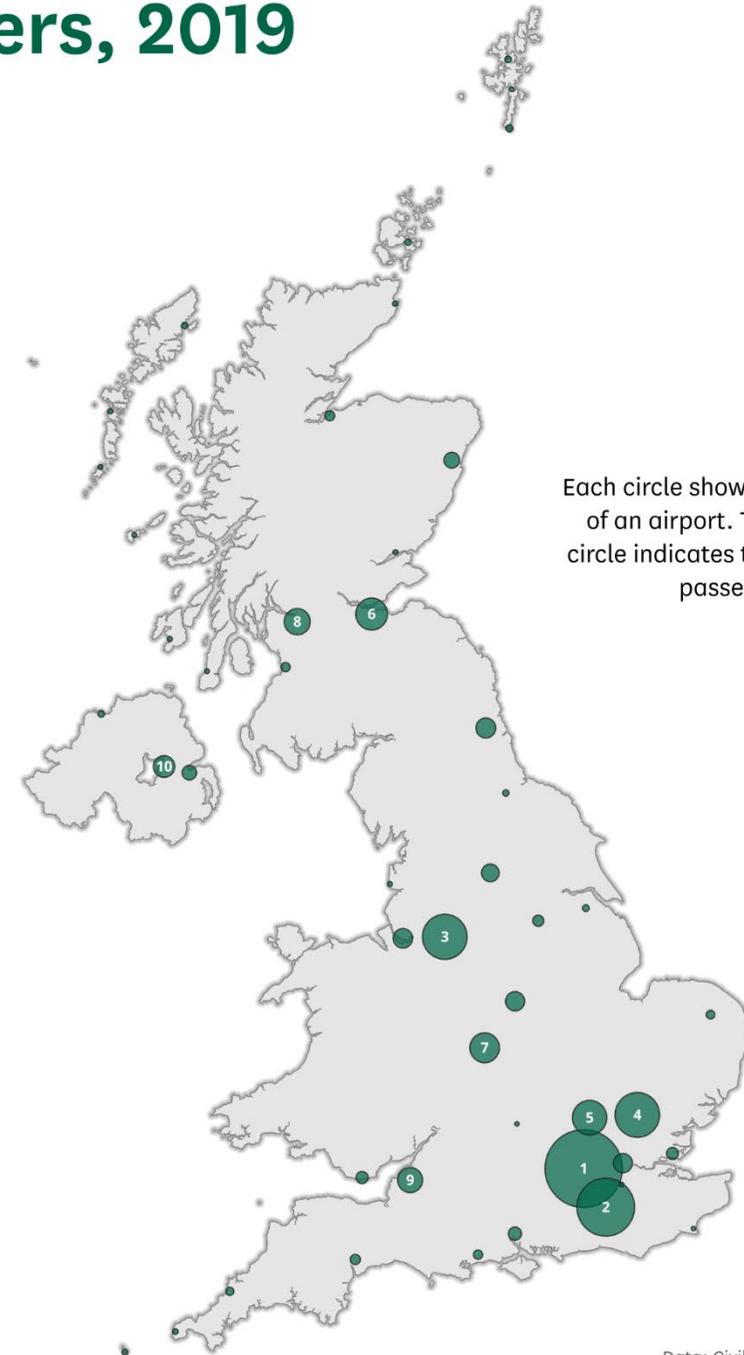
The following tables illustrate which, of the busiest 30 UK airports, rely most heavily on domestic flights, and which airports are busiest overall in terms of passenger numbers, using pre-pandemic Civil Aviation Authority (CAA) data from 2019. London airports are included in these tables for comparison purposes.



Source: Civil Aviation Authority, [UK Airport Data](#)

# UK airports by passenger numbers, 2019

1	Heathrow	80,222,807	
2	Gatwick	46,187,347	
3	Manchester	28,373,158	
4	Stansted	28,123,608	
5	Luton	16,889,070	
6	Edinburgh	14,374,349	
7	Birmingham	12,489,467	
8	Glasgow	9,598,642	
9	Bristol	8,730,875	
10	Belfast Intl	6,310,423	
11	Newcastle	5,323,732	
12	Liverpool	5,036,679	
13	East Midlands	4,876,168	
14	London City	4,841,056	
15	Leeds Bradford	4,040,721	
16	Aberdeen	3,042,453	
17	Belfast City	2,509,201	
18	Southampton	1,981,621	
19	Cardiff Wales	1,582,007	
20	Southend	1,487,302	
21	Doncaster Sheffield	1,220,615	
22	Exeter	933,563	
23	Inverness	894,794	
24	Bournemouth	679,462	
25	Prestwick	678,388	
26	Norwich	536,272	
27	Newquay	459,696	
28	Sumburgh	246,904	
29	Humberside	192,222	
30	City Of Derry	185,784	
31	Scatsta	170,141	
32	Kirkwall	168,879	
33	Durham Tees Valley	138,851	
34	Stornoway	131,988	



Each circle shows the location of an airport. The size of the circle indicates the number of passengers in 2019.

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## 2 Who owns regional airports?

Regional airports can be fully privately-owned (e.g. Edinburgh, Glasgow, Southampton, Leeds Bradford), owned by both local authorities and private ownership (e.g. Birmingham, Manchester and Newcastle), or fully publicly-owned (e.g. Scottish island airports, Cornwall). The general trend since the 1980s has been a move towards private ownership. However, local authority (co-)ownership remains important and has seen some increases in recent years.<sup>5</sup>

### 2.1 Current ownership of UK regional airports

Table 1 outlines the owners of 50 regional airports in the UK and notes those that have a public sector stake.<sup>6</sup>

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<sup>5</sup> L Budd, S Ison “[Public utility or private asset? The evolution of UK airport ownership](#)” (2021) Case Studies on Transport Policy, Volume 9, Issue 1

<sup>6</sup> This number of 50 is based on Library analysis of active UK airports (excluding London airports Heathrow, Gatwick, Stansted, London Luton, Southend and London City) running scheduled flights at the time of publication, informed by [CAA Airport data](#).

**Table 1 Airport Ownership**

	<b>Airport</b>	<b>Owners</b>	<b>Public sector stake</b>
1.	Aberdeen	AGS Airports Ltd., a partnership between Ferrovial and Macquarie Infrastructure and Real Assets (MIRA) (100%) <sup>7</sup>	n/a
2.	Anglesey	Isle of Anglesey County Council, on land leased from the RAF/Defence Infrastructure Organisation <sup>8</sup>	Isle of Anglesey County Council 100%
3.	Barra	Highlands and Islands Airports Limited (HIAL) (100%). HIAL is a public corporation wholly owned by owned by Scottish Ministers <sup>9</sup>	Scottish Ministers 100%
4.	Belfast International	VINCI Airports (100%) <sup>10</sup>	n/a
5.	Benbecula	Highlands and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
6.	Birmingham	Birmingham Airport Holdings Ltd (100%). BAHL is owned by seven West Midlands district councils (49%), the Ontario Teachers' Pension Plan and Australia's Victorian Funds Management Corporation (48.25%) and the Employee Share Trust (2.75%).	7 West Midlands district councils 49%
7.	Blackpool	Blackpool Council (100%) <sup>11</sup>	Blackpool Council 100%
8.	Bournemouth	Regional & City Airports (RCA), the airports management division of Rigby Group plc <sup>12</sup>	Manchester City Council 35.5%; 9 Greater Manchester Councils 29%
9.	Bristol	Ontario Teachers' Pension Plan (100%) <sup>13</sup>	n/a
10.	Campbeltown	Highlands and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
11.	Cardiff	Welsh Government (100%) <sup>14</sup>	Welsh Assembly Government 100%
12.	City of Derry	Derry City and Strabane District Council <sup>15</sup>	Derry City and Strabane District Council 100%
13.	Coll	Part of Oban & The Isles Airports	Argyle and Bute Council 100% <sup>16</sup>

14.	Colonsay	Part of Oban & The Isles Airports	Argyle and Bute Council 100% <sup>17</sup>
15.	Cornwall Airport Newquay	Cornwall Council (100%) <sup>18</sup>	Cornwall Council 100%
16.	Doncaster Sheffield	The Peel Group (100%) <sup>19</sup>	n/a
17.	Dundee	Highlands and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
18.	East Midlands	Manchester Airports Group (MAG) (100%), owned by Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%)	Manchester City Council 35.5%; 9 Greater Manchester Councils 29% <sup>20</sup>
19.	Eday	Orkney Islands Council <sup>21</sup>	Orkney Islands Council 100%
20.	Edinburgh	Global Infrastructure Partners (GIP) (100%) <sup>22</sup>	n/a
21.	Exeter	Regional & City Airports (RCA), the airports management division of Rigby Group plc <sup>23</sup>	n/a

<sup>7</sup> Aberdeen Airport [About AGS and its Investors](#) (Accessed 30 September 2021)

<sup>8</sup> Isle of Anglesey County Council [Anglesey Airport](#) (Accessed 5 April 2022)

<sup>9</sup> Highland and Islands Airports Limited [About The Group](#) (Accessed 30 September 2021)

<sup>10</sup> Belfast International Airport [Ownership](#) (Accessed 30 September 2021)

<sup>11</sup> Blackpool Airport [Airport Ownership & Registered Address](#) (Accessed 30 September 2021)

<sup>12</sup> Bournemouth Airport [Rigby Group Airport Management Division Acquires Bournemouth Airport](#) 5 December 2017 (Accessed 30 September 2021)

<sup>13</sup> Bristol Airport [Bristol Airport Ownership](#) (Accessed 30 September 2021)

<sup>14</sup> Cardiff Airport [Media Centre](#) (Accessed 30 September 2021)

<sup>15</sup> Derry City and Strabane District Council [City of Derry Airport](#) (Accessed 19 October 2021)

<sup>16</sup> Argyle and Bute Council [Oban Airport 26 Jul 2019](#) (Accessed 18 October 2021)

<sup>17</sup> Argyle and Bute Council [Oban Airport 26 Jul 2019](#) (Accessed 18 October 2021)

<sup>18</sup> Cornwall Airport Newquay [Cornwall Airport Newquay Management](#) (Accessed 30 September 2021)

<sup>19</sup> Peel Airports [About Us](#) (Accessed 30 September 2021)

<sup>20</sup> Manchester Airports Group (MAG) [Overview](#) (Accessed 30 September 2021)

<sup>21</sup> Orkney Islands Council [Airfields](#) (Accessed 5 April 2022)

<sup>22</sup> Edinburgh Airport [About Us](#) (Accessed 30 September 2021)

<sup>23</sup> Exeter Airport [Rigby Group Acquires Exeter Airport](#) 26 June 2013 (Accessed 30 September 2021)

Regional Airports

22.	Fair Isle	National Trust for Scotland <sup>24</sup>	n/a
23.	Foula	Foula Airstrip (Number 2) Trust <sup>25</sup>	Shetland Islands Council 100%
24.	George Best Belfast City	3i Private equity company (100%) <sup>26</sup>	n/a
25.	Glasgow	AGS Airports Ltd., a partnership between Ferrovial and Macquarie Infrastructure and Real Assets (MIRA) (100%) <sup>27</sup>	n/a
26.	Glasgow Prestwick	Scottish Ministers (100%) <sup>28</sup>	Scottish Ministers 100%
27.	Humberside	Humberside International Airport Limited. Eastern Group (82.7%) and North Lincolnshire Council (17.3%) <sup>29</sup>	North Lincolnshire Council 17.3%
28.	Inverness	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
29.	Islay	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
30.	Kirkwall	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
31.	Land's End Airport	Isles of Scilly Steamship Company <sup>30</sup>	n/a
32.	Leeds Bradford	AMP Capital (100%) <sup>31</sup>	n/a
33.	Liverpool John Lennon	Ancala Partners LLP (45%), The Peel Group (45%), Liverpool City Council (10%)	Liverpool City Council 10%

<sup>24</sup> Shetland News [Isles to be unaffected by National Trust for Scotland's drastic cost-cutting measures](#) 14 May 2020

<sup>25</sup> OCSCR Scottish Charity Regulator [Foula Airstrip \(Number 2\) Trust](#) (Accessed 5 April 2022)

<sup>26</sup> 3i Press release [George Best Belfast City Airport announces incoming CEO](#) (Accessed 30 September 2021)

<sup>27</sup> Glasgow Airport [About Glasgow Airport](#) (Accessed 30 September 2021)

<sup>28</sup> Glasgow Prestwick Airport [Who We Are](#) (Accessed 30 September 2021)

<sup>29</sup> [Humberside Airport Business Park](#) 1 October 2016 (Accessed 30 September 2021)

<sup>30</sup> Lands End Airport [About Us](#) (Accessed 4 April 2022)

<sup>31</sup> [About Leeds Bradford, Yorkshire's Airport](#) (Accessed 30 September 2021)

34.	Manchester	Manchester Airports Group (MAG) (100%), owned by Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities (29%) <sup>32</sup>	Manchester City Council 35.5%; 9 Greater Manchester Councils 29%
35.	Newcastle	Public Private Partnership between 7 local authorities in the North East (51%); and AMP Capital (49%) <sup>33</sup>	Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland councils (51% combined)
36.	North Ronaldsay	Orkney Islands Council <sup>34</sup>	Orkney Islands Council 100%
37.	Norwich	Regional & City Airports (RCA), the airports management division of Rigby Group plc (80.1%), Norwich City and Norfolk County councils (19.9%). <sup>35</sup>	Norwich City and Norfolk County councils 19.9%
38.	Oban	Part of Oban & The Isles Airports	Argyle and Bute Council 100% <sup>36</sup>
39.	Papa Westray	Orkney Islands Council <sup>37</sup>	Orkney Islands Council 100%
40.	Sanday	Orkney Islands Council <sup>38</sup>	Orkney Islands Council 100%
41.	Southampton	AGS Airports Ltd., a partnership between Ferrovial and Macquarie Infrastructure and Real Assets (MIRA) (100%) <sup>39</sup>	n/a
42.	Stornoway	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%

<sup>32</sup> Manchester Airports Group (MAG) [Overview](#) (Accessed 30 September 2021)

<sup>33</sup> Newcastle International Airport [Airport Company](#) (Accessed 30 September 2021)

<sup>34</sup> Orkney Islands Council [Airfields](#) (Accessed 5 April 2022)

<sup>35</sup> Norwich Airport [About Norwich Airport](#) (Accessed 30 September 2021)

<sup>36</sup> Argyle and Bute Council [Oban Airport 26 Jul 2019](#) (Accessed 18 October 2021)

<sup>37</sup> Orkney Islands Council [Airfields](#) (Accessed 5 April 2022)

<sup>38</sup> Orkney Islands Council [Airfields](#) (Accessed 5 April 2022)

<sup>39</sup> Southampton Airport [About Southampton Airport](#) (Accessed 30 September 2021)

43.	Stronsay	Orkney Islands Council <sup>40</sup>	Orkney Islands Council 100%
44.	Isles Of Scilly Saint Mary's Airport	Duchy of Cornwall <sup>41</sup>	n/a
45.	Sumburgh	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
46.	Teesside International Airport	Tees Valley Combined Authority (TVCA) (75%) and Stobart Aviation (25%) <sup>42</sup>	Tees Valley Combined Authority (TVCA) 75%
47.	Tingwall	Shetland Islands Council	Shetland Islands Council (100%) <sup>43</sup>
48.	Tiree	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%
49.	Westray	Orkney Islands Council <sup>44</sup>	Orkney Islands Council 100%
50.	Wick John O'Groats	Highland and Islands Airports Limited (HIAL) (100%).	Scottish Ministers 100%

## 2.2

### The history of airport ownership

The Conservative Party's 1983 General Election Manifesto contained a firm commitment to privatise "as many as possible" of the publicly owned airports in the UK.<sup>45</sup> Those airports included the fifteen operated by what was then the British Airports Authority (BAA) and the Civil Aviation Authority (CAA) as well as the 53 owned by local authorities. In June 1985 the Government published a White Paper which reiterated that commitment and the Government's belief that moving local authority airports onto a private footing would bring financial and other rewards.<sup>46</sup>

<sup>40</sup> Orkney Islands Council [Airfields](#) (Accessed 5 April 2022)

<sup>41</sup> CAPA Centre for Aviation [Isles Of Scilly Saint Mary's Airport: Profile](#) (Accessed 4 April 2022)

<sup>42</sup> Airport Technology [Teesside International Airport, Tees Valley](#) (Accessed 30 September 2021)

<sup>43</sup> Shetland Islands Council [Tingwall Airport](#) (Accessed 18 October 2021)

<sup>44</sup> Orkney Islands Council [Airfields](#) (Accessed 5 April 2022)

<sup>45</sup> Conservative Party [Manifesto](#) 19 May 1983

<sup>46</sup> Secretary of State for Transport, Airports Policy, Cmnd 9542, June 1985

The resulting Airports Act 1986 provided the means whereby relevant airport companies could access private capital.<sup>47</sup> Part II of the 1986 Act applied to the 15 municipal airports with a turnover of £1 million in at least two of the previous three financial years. These airports were: Birmingham; Blackpool; Bournemouth; Bristol; Cardiff; East Midlands; Exeter; Humberside; Leeds Bradford; Liverpool; Luton; Manchester; Newcastle; Norwich; and Teesside.

Under the provisions of the 1986 Act these municipal airports had to be set up as arm's-length companies. Any subsidies from authority to airport, whether financial or human, had to be entirely transparent.<sup>48</sup> The Autumn Statement of November 1992 provided further financial incentives for local authorities to sell their airports when the then Chancellor of the Exchequer, Norman Lamont, announced a timed relaxation of rules governing local authorities' use of their future capital receipts, allowing them to retain all the proceeds of asset disposals rather than putting 50 per cent into debt repayment.<sup>49</sup> The following year the then Secretary of State for Transport, John MacGregor, said that in order to further encourage local authorities to privatise their airports, he had reduced the amount allocated to local authority airports for capital investment to the level necessary for safety and security measures.<sup>50</sup>

All of the 15 regional airports mentioned in Part II of the 1986 Act, and previously owned by local authorities, have been privatised or part-privatised. These and other major airports outside London are shown below:

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<sup>47</sup> [Airports Act 1986](#)

<sup>48</sup> Section 12, [Airports Act 1986](#)

<sup>49</sup> [HC Deb 12 November 1992, c997](#)

<sup>50</sup> [HC Deb 29 November 1993, c342W](#)

## 3 Regulatory Issues

This section deals with regulatory issues which primarily affect regional airports. For a wider overview of aviation sector regulation see the Commons Library Briefing Paper [Aviation: FAQs for 2021](#).<sup>51</sup>

### 3.1 Public Service Obligation Routes (PSOs)

It is possible to ring-fence regional air services to a national hub (such as London, Glasgow or Cardiff) by making a Public Service Obligation (PSO) route. A PSO route is a form of 'State Aid', it provides the basis on which non-commercial but socially and economically necessary air services can be subsidised by national or local authorities. The PSO rules have effectively been carried over after the UK left the European Union. Post-Brexit state aid rules are now formalised in the Subsidy Control Bill which is currently progressing through Parliament.<sup>52</sup>

While subsidy control or state aid is a reserved matter for UK Government, local transport is devolved, meaning devolved administrations can create and fund PSO routes for air routes within their territory. The Scottish and Welsh Governments have each created PSOs for routes within Scotland and Wales.<sup>53</sup> Within the UK, PSO routes are in place for services between Highlands and Islands airports and Glasgow in Scotland, between Cardiff and Anglesey in Wales, between Newquay and London Gatwick in England and, across regions, between Dundee and London Stansted and between Derry and London Southend.<sup>54</sup>

#### PSOs, the EU and Brexit

Article 4 of the 1992 EU Route Access Regulation harmonised the procedures for ensuring the operation of PSOs.<sup>55</sup> That was replaced by the provisions in Article 16 of the Air Services Regulation (ASR) ([Regulation 1008/2008/EC](#)), which came into force on 1 November 2008. The Air Services Regulation is designed to protect lifeline routes to peripheral or development regions, rather than commercially viable regional services into congested hubs where they compete against alternative uses of the slots. The criteria for PSO

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<sup>51</sup> Aviation: FAQs for 2021 Commons Library Briefing Paper CBP-8739 March, 2021

<sup>52</sup> [Subsidy Control Bill](#) 2021-22

<sup>53</sup> Sir Peter Hendy, DfT [Union connectivity review: final report](#) 26 November 2021, Page 65

<sup>54</sup> As above.

<sup>55</sup> [EU Regulation 2408/92/EEC: access for Community air carriers to intra-Community air routes](#), 23 July 1992

imposition are set out, but not precisely defined in the ASR, allowing Member States some flexibility in how they interpret these terms. There are essentially four hurdles, as set out in [Article 16\(3\)](#) of the ASR:

The necessity and the adequacy of an envisaged public service obligation shall be assessed by the Member State(s) having regard to:

- the proportionality between the envisaged obligation and the economic development needs of the region concerned;
- the possibility of having recourse to other modes of transport and the ability of such modes to meet the transport needs under consideration, in particular when existing rail services serve the envisaged route with a travel time of less than three hours and with sufficient frequencies, connections and suitable timings;
- the air fares and conditions which can be quoted to users;
- the combined effect of all air carriers operating or intending to operate on the route.

The ASR also:

- states that the **maximum concession period** during which the route can be restricted to one single operator is four years (five years for ‘ultra-peripheral’ regions);
- provides for an **emergency procedure** to designate an alternative airline in situations of failure of the airline servicing the PSO route; and
- to **avoid abuse of the PSO system**, explicitly states the necessity of respecting the proportionality between the obligations imposed and the economic development goals pursued and confers a right on the Commission to request a detailed economic report from a Member State justifying the need for a PSO.

[Article 17](#) of the ASR details the public tender procedure for a PSO.

Following the UK’s departure from the EU, the ASR (Regulation 1008/2008) has been carried over into UK law.<sup>56</sup> Article 366 of the Trade and Co-operation Agreement (TCA) signed between the UK and EU<sup>57</sup> also includes some specific conditions for subsidies given to air carriers.

The TCA subsidy control provisions are to be implemented in domestic law through the [Subsidy Control Bill](#) (currently progressing through Parliament).<sup>58</sup> The Bill includes provisions in Clause 28 that follow the TCA obligations and

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<sup>56</sup> [Regulation \(EC\) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community \(Recast\) \(Text with EEA relevance\)](#)

<sup>57</sup> [UK-EU Trade and Co-operation Agreement](#) 30 December 2020

<sup>58</sup> [Subsidy Control Bill](#) 2021-22

refer to the EU Air Services Regulation (ASR) ([Regulation 1008/2008](#)), as follows:

Subsidies for air carriers for the operation of routes

- (1) A subsidy to an air carrier for the operation of a route is prohibited by this section unless the condition in subsection (2), (3) or (4) is met.
- (2) The condition in this subsection is that operating the route is a public service obligation of the air carrier imposed under— (a) Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the United Kingdom, or (b) Regulation (EC) No 1008/2008 of the European Parliament and of the Council of 24 September 2008 on common rules for the operation of air services in the Community (as it has effect in EU law).
- (3) The condition in this subsection is that the public authority giving the subsidy is satisfied that the subsidy will provide benefits for society at large.
- (4) The condition in this subsection is that— (a) the subsidy is a start-up subsidy for opening a new route to a regional airport, and (b) the public authority giving the subsidy is satisfied that the new route will increase the mobility of citizens and stimulate regional development.

## Local authority guidance

The most recent guidance on the application of PSOs by the Department for Transport for regional air services to London was published in December 2013.<sup>59</sup> In order to assist regional bodies in assembling the evidence required to demonstrate the wider regional benefits, the Government produced accompanying advice on Cost-Benefit Analysis and the Commercial Viability Test, contained in Annex A.

Generally, it stated that the Government considered it “unlikely that PSOs would be appropriate for new routes from the regions to London” and that instead new services could be launched with some assistance from start-up aid (though a Route Development Fund (RDF) – see below) provided by a devolved administration or regional body.<sup>60</sup> Nor did Government “consider it likely that PSOs would be appropriate on a route that received start-up aid once the initial funding has ended because 2005 State aid guidelines state that start-up aid can only be provided if the route receiving the aid will ultimately prove profitable”.<sup>61</sup>

The guidance made clear that it would be the responsibility of Devolved Administrations, Local Enterprise Partnerships (LEPs) or local authorities in England to develop the business, financial and legal cases required by EU regulations on PSOs and for demonstrating the importance of a particular air service to the economic development of areas of the UK. Where the case has

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<sup>59</sup> DfT, [Public service obligation: regional air access to London](#), 19 December 2013

<sup>60</sup> DfT, [Public service obligation: regional air access to London](#), 19 December 2013, para 7

<sup>61</sup> DfT, [Public service obligation: regional air access to London](#), 19 December 2013, para 7

been made for a PSO, “where appropriate” the Government will provide funding alongside regional support.<sup>62</sup>

In the 2021 Union Connectivity Review, conducted for the DfT by Sir Peter Hendy in 2021, one recommendation to Government was to revise existing PSO rules to allow region-to-region routes which would operate between regions outside of London. It was also noted in that review that all aviation stakeholders consulted for the review supported the idea of new PSO routes being zero-rated for Air Passenger Duty (APD)<sup>63</sup> and to allow multiple airlines to operate, thereby enabling competition for services. According to the review, there would be no loss in tax revenue from the removal of APD because such routes would not otherwise have been operated. However, in their response to the Union Connectivity Review, the Rail Delivery Group said that any APD reduction should only be applied to routes where a journey cannot be made by train in less than five hours, in order to get more people to take the train.<sup>64</sup>

## 3.2

## Start-up aid

### Route Development Funds

A Route Development Fund (RDF) is another form of State aid.<sup>65</sup> Whilst PSOs are fixed term subsidies for otherwise unprofitable routes, RDFs are a form of start-up aid intended to allow a new air route to ultimately become profitable. In June 2006 the European Commission granted State Aid approval to the UK for the operation of a scheme under which devolved administrations and the now-defunct regional development agencies could offer start-up aid for a limited period for new air services from airports within their areas.

The UK Government’s 2013 Aviation Policy Framework stated that RDFs had “previously supported the establishment of some new air services from airports in the UK. These included services supported by the Welsh Assembly Government from 2005 and the former North East Regional Development Agency from 2006”.<sup>66</sup> However, changes to the EU State Aid Guidelines in 2005 significantly reduced the scope for RDF support. The most recent edition of the guidelines, published in 2014, contains stricter restrictions which seek to phase out aid for airport operating costs, limit investment aid to airports with low passenger numbers, and restrict aid based on airport size.<sup>67</sup> Effectively, since 2005 it has not been possible to use an RDF to support long-

<sup>62</sup> DfT, [Public service obligation: regional air access to London](#), 19 December 2013, para 9

<sup>63</sup> Sir Peter Hendy, DfT [Union connectivity review: final report](#) 26 November 2021, Page 64

<sup>64</sup> Rail Delivery Group Press Release [Rail Delivery Group response to Union Connectivity Review](#) 25 November 2021

<sup>65</sup> OJEU, [Community guidelines on financing of airports and start-up aid to airlines departing from regional airports](#), 2005/C 312/01, 9 December 2005

<sup>66</sup> DfT, [Aviation Policy Framework](#), Cm 8584, March 2013, p23

<sup>67</sup> EU, [Guidelines on State aid to airports and airlines](#), 2014/C 99/03, 4 April 2014

haul routes and services from larger regional airports outside the South East of England.

In March 2015, Heathrow said that if it were granted permission to expand, it would establish a new Heathrow Route Development Fund comprised of £10 million in start-up capital for airlines to support five new routes for three years.<sup>68</sup> As discussed in 5.2 below, the Airports Commission said that without some kind of support, through PSOs or start-up funding, domestic services into an expanded Heathrow would be likely to contract.<sup>69</sup>

## Regional Air Connectivity Fund

The Regional Air Connectivity Fund (RACF) is a type of RDF. In the June 2013 Spending Review infrastructure statement the Government announced “£20 million of funding to improve air links to London where there is a risk that regional connectivity may be lost”.<sup>70</sup> This was reaffirmed in the 2014 Budget.<sup>71</sup>

In June 2014, the Government announced support from the Fund to maintain the air link between Dundee airport and London Stansted until 2016 through a PSO agreed with Dundee City Council.<sup>72</sup> In January 2015 it published guidance explaining how airlines and airports with fewer than five million passengers per annum could apply for start-up aid for new routes; those with between three and five million would require clearance from the European Commission.<sup>73</sup> In March 2015 the Government published a list of those who had applied for start-up aid: the routes were from 11 separate airports across England, Scotland and Northern Ireland.<sup>74</sup> A further round of 15 bids was announced in August 2015,<sup>75</sup> with confirmation in the November 2015 Spending Review that the Government would provide £7 million through the RACF for new air routes, including from Belfast to Carlisle and from Derry to Dublin.<sup>76</sup>

In March 2016, the Northern Ireland Executive announced a new air route development fund, making available £4 million over three years to support the development of new routes into Northern Ireland.<sup>77</sup> Beyond this, route development funds have not been used since 2016. In oral evidence to the Transport Select Committee in December 2021, Clive Colman, Director, Regional and City Airports (the owners of Bournemouth, Norwich and Exeter

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<sup>68</sup> HAHL press notice, “[Heathrow announces new measures to connect UK nations and regions to global growth](#)”, 23 March 2015

<sup>69</sup> Airport Commission [Final Report](#), July 2015, p33

<sup>70</sup> HMT, [Investing in Britain’s future](#), Cm 8669, June 2013, para 8.8, p50

<sup>71</sup> HMT, [Budget 2014](#), HC 1104, 19 March 2014, para 2.42. p64

<sup>72</sup> DfT press notice, “[UK government funding for Dundee to London Stansted air link](#)”, 6 June 2014

<sup>73</sup> DfT, [Airports with fewer than 5 million passengers per year: start-up aid](#), 22 January 2015

<sup>74</sup> DfT, [Start-up aid for airports: applications received](#), 27 March 2015

<sup>75</sup> DfT, “[Shortlist for new regional air route funding announced](#)”, and [Start-up aid for airports with under 5 million passengers per year: second stage](#), both 20 August 2015

<sup>76</sup> HMT, [Spending Review and Autumn Statement 2015](#), Cm 9162, 25 November 2015, para 1.227, p56 and DfT press notice, “[New regional air routes offer fast journeys across UK and Europe](#)”, 2 December 2015

<sup>77</sup> Northern Ireland Affairs Committee [Promoting the tourism industry in Northern Ireland through the tax system](#) 17 March 2017, HC50 2016–17 Para. 126

airports) said that RDFs had not provided airlines with enough support to ‘bed in’. He instead proposed giving new domestic routes a zero-rating for Air Passenger Duty (APD) instead, at least on a temporary basis.<sup>78</sup> That proposal was noted in Sir Peter Hendy’s Union Connectivity Review as being popular with various other aviation stakeholders too.<sup>79</sup>

### 3.3 Slot allocation

Some airports are congested because they do not have enough capacity to meet demand from the airlines and other aircraft operators who wish to use them. An airport slot is essentially permission to use the infrastructure (runway, terminal, apron, gates, etc.) of an airport to take off or land on a specific date and at a specific time. Slot allocation is used, at the most congested airports (known as Level 3 or ‘coordinated’ airports), to allocate and manage limited capacity, with the aim of maximising the efficiency of an airport.

To harmonise national governments’ approach to slot allocation, the trade association the International Air Transport Association (IATA), along with Airports Council International (ACI) and the Worldwide Airport Coordinators Group (WWACG) maintain the ‘Worldwide Airport Slot Guidelines’ (WASG). IATA encourages the use of these guidelines as the basis of national regulations around the world.<sup>80</sup> The EU and UK rules<sup>81</sup>, for example, are based on the principles of the WASG.

According to the WASG, there are three classifications of airport capacity:

- Level 1: airports which generally have enough capacity to meet demand from airport users at all times.
- Level 2: airports where there is potential for congestion during some periods of the day, week, or season which can be resolved by schedule adjustments mutually agreed between the airlines and a facilitator. A facilitator is appointed to facilitate the planned operations of airlines using or planning to use the airport.
- Level 3 [‘coordinated airports’]: airports where a lack of capacity or restrictions imposed by governments and other authorities make it

<sup>78</sup> Transport Committee [Oral evidence: Airlines and airports: supporting recovery of the UK aviation sector, HC 683](#) Wednesday 1 December 2021, Q175

<sup>79</sup> Sir Peter Hendy, DfT [Union connectivity review: final report](#) 26 November 2021, page 64

<sup>80</sup> Airports Council International, International Air Transport Association, Worldwide Airport Coordinators Group [Worldwide Airport Slot Guidelines \(WASG\)](#) 2020

<sup>81</sup> The EU rules came into force in 1993 under Regulation [95/93\(EEC\)](#), and were later transposed into UK law by the Airports Slot Allocation Regulations 2006 ([SI 2006/2665](#)). The Airports Slot Allocation (Amendment) (EU Exit) Regulations 2019 ([SI 2019/276](#)) used powers under the European Union (Withdrawal) Act 2018 to make the necessary changes to the 2006 Regulations, Regulation 95/93 and [Annex 13 to the FFA Agreement](#) to ensure that retained EU law functions correctly in this area now that the UK has left the EU.

impossible to meet demand. At these airports, a coordinator is appointed to allocate slots to airlines and other aircraft operators using, or planning to use, the airport as a means of managing the declared capacity.

All London airports, plus Manchester and Birmingham are all coordinated airports. Bristol is also coordinated from 23:00 to 07:00 in the summer season.

At Level 3, or coordinated, airports, an independent airport coordinator is responsible for allocating slots and monitoring their use in a neutral, transparent and non-discriminatory way. The UK coordinator is [Airport Coordination Limited \(ACL\)](#). ACL has an arms-length relationship with the Department for Transport (DfT) and the regulator, the Civil Aviation Authority (CAA). Normally, neither the DfT nor the CAA have any involvement in the slot allocation process.

The process of slot allocation in the UK has been governed by the EU Airport Slot Regulation (Regulation 95/93(EEC)) ('the EU rules')<sup>82</sup>. The EU rules came into force in 1993 and were later transposed into UK law by the Airports Slot Allocation Regulations 2006 (SI 2006/2665)<sup>83</sup>.

## Slot allocations during Covid-19 and post-Brexit

The main feature of the global guidelines and those adopted by the UK is historic precedence or 'grandfather' rights. These enable airlines to retain their slots if they have used them 80% of the time in the last equivalent winter and summer season. The '80:20' or 'Use it or Lose it' rule is used to monitor compliance and determine whether airlines can retain their legacy slots.

In response to the COVID-19 pandemic the European Union amended Regulation 95/93 to waive the 80% usage rule for the Summer 2020, which was later extended into the Winter '20/21 scheduling period. Due to domestic lockdown rules and international border closures being imposed as a result of the Covid-19 pandemic, demand for flights dropped significantly, and many airlines wished to reduce their flights. This waiver of the 80% rule allowed airlines to reduce the number of flights without losing their slots.

In anticipation of the end of the current waiver and the Brexit Transition Period, the Department for Transport laid regulations on 1 December 2020 to transfer the delegated power of the EU Commission to extend the waiver to the Secretary of State for Transport.

On 26 February 2021 the DfT extended the waiver until the end of the summer season.<sup>84</sup> Part 2 of the Air Traffic Management And Unmanned Aircraft Act 2021<sup>85</sup>, which received Royal Assent on 29 April 2021, gives the Secretary of

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<sup>82</sup> European Council [Regulation \(EEC\) No 95/93](#) on common rules for the allocation of slots at Community airports

<sup>83</sup> [The Airports Slot Allocation Regulations 2006](#)

<sup>84</sup> DfT [Slots waiver extended in boost to UK airlines](#) 26 February 2021

<sup>85</sup> Part 2 of the [Air Traffic Management and Unmanned Aircraft Act 2021](#)

State power to further extend the 80% waiver until such a time as passenger demand recovers, predicted to be 2025.

In 2022, there was an e-petition calling for reform of slot allocation to reduce the emissions generated by empty or near-empty flights run by airlines in order to maintain slot access (so-called ‘Ghost Flights’).<sup>86</sup> In its response, the Government said that “slot alleviation measures are only temporary”, but the Government was “actively looking at reform to the airport slot allocation process” as part of its future aviation policy.<sup>87</sup>

In Sir Peter Hendy’s Union Connectivity Review, conducted in 2021, it was noted that slots for domestic routes at London airports had declined in recent years. At Heathrow there were 18 domestic route slots in 1990 but this had reduced to 7 in 2015, while at Luton the number had fallen from 27 in 1990 to 13 in 2015. The review argued that this lack of slot capacity has led to “consolidation among airlines, reducing frequency and competition on domestic routes.” It recommended that the Government intervene in the assignment of slots at London airports to provide more slots for domestic routes.<sup>88</sup>

For further information on slot allocation see the Commons Library Briefing Paper [Airport slots](#)<sup>89</sup>.

## 3.4

### Expansion: planning issues

Many regional airports have ambitions or formal plans to expand their capacity.

Expanding an airport requires consent from either national government or local planning authorities (LPAs), depending on the site and scale of the proposed expansion project.<sup>90</sup>

#### Nationally Significant Infrastructure Projects

For more background on the Nationally Significant Infrastructure Project (NSIP) regime, see the [Commons Library briefing on planning for NSIPs](#) (for

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<sup>86</sup> E-Petition [End ‘ghost’ flights: reform historic rights to landing slots](#) 14 January 2021 Created by Anna Hughes

<sup>87</sup> As above.

<sup>88</sup> Sir Peter Hendy, DfT [Union connectivity review: final report](#) 26 November 2021, page 67

<sup>89</sup> [Airport Slots](#) Commons Library Briefing Paper CBP-9062, 27 November 2020

<sup>90</sup> Airports can use other terms such as extension or modification. ‘Expansion’ here refers to any increase in passenger capacity.

England)<sup>91</sup> and the joint briefing [Comparison of the planning systems in the four UK countries: 2016 update](#).<sup>92</sup>

The [Planning Act 2008](#) introduced a new development consent process for NSIPs in England.

NSIPs are large scale developments which require a type of consent known as “development consent”. A Development Consent Order (DCO) is designed to be a quicker process than applying for separate planning consents. The final decision on granting a DCO rests with the Secretary of State for that field, informed by recommendations from the planning inspectors from [National Infrastructure Planning](#).

If the proposed expansion is of a big enough scale (for example, with Heathrow Airport) then it will be considered an NSIP.

The thresholds for projects to be treated as NSIPs are set out in the [Planning Act 2008](#). For alteration of an airport (which would include the construction, extension or alteration of a runway, a building or a radio mast or antenna), the threshold set out there for the development to be treated as an NSIP is that it will

- increase the airport’s passenger capacity by at least 10 million per year or
- increase the airport’s capacity for air transport movements of cargo aircraft by at least 10,000 per year.<sup>93</sup>

## Smaller projects

Decisions over smaller projects are determined locally by LPAs.

The [Planning Practice Guidance \(PPG\) on determining a planning application](#) covers (amongst other things) who makes a planning decision. Under Section 101 of the Local Government Act 1972, this may be a committee, sub-committee, an officer or any other local authority.<sup>94</sup>

Where the decision is to be taken by a committee or sub-committee, it will be informed by advice of planning officers. Planning officers must base this advice on planning law and policy, primarily the [Town and Country Planning Act 1990](#), the National Planning Policy Framework (NPPF)<sup>95</sup>, the Planning Practice Guidance (PPG, including its chapter on climate change)<sup>96</sup>, the Local

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<sup>91</sup> [Planning for Nationally Significant Infrastructure Projects](#), Commons Library Briefing Paper SN-6881

<sup>92</sup> [Comparison of the planning systems in the four UK countries: 2016 update](#) Commons Library Briefing Paper CBP-7459

<sup>93</sup> [Section 23\(5\), Planning Act 2008](#)

<sup>94</sup> Department for Levelling Up, Housing and Communities (DLUHC), [Guidance: Determining a planning application](#), last updated 24 June 2021, paragraph 015. [Section 101, Local Government Act 1972](#)

<sup>95</sup> DLUHC, [National Planning Policy Framework \(PDE\)](#), July 2021

<sup>96</sup> DLUHC, [Guidance: Climate change](#), last updated 15 March 2019, paragraph 007

Plan (if there is one) and airport-specific policy papers such as ‘Making Best Use of Existing Runways’ (MBU).<sup>97</sup>

Under section 70 of the [Town and Country Planning Act 1990](#), LPAs are also directed to take into account any “material considerations” when taking planning decisions. This is not defined further in this Act, but the courts have held that “in principle...any consideration which relates to the use and development of land is capable of being a planning consideration”.<sup>98</sup> The scale, complexity and location of the proposed development will mean that each planning application has a unique set of material considerations that must be weighed up when each decision is taken.

The [PPG on determining a planning application](#) observes that “the scope of what can constitute a material consideration is very wide” but the courts have generally held that purely private interests such as neighbouring property values could not be material considerations.<sup>99</sup> The Planning Portal offers a [non-exhaustive list of material considerations](#), which – as well as the NPPF, adopted Local Plans and supplementary planning documents - can include Government policy, traffic and noise but not (as just mentioned) negative effect on the value of properties.<sup>100</sup>

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<sup>97</sup> DfT [Aviation strategy: making best use of existing runways](#) 5 June 2018

<sup>98</sup> *Stringer v MHLG* [1971] 1 All ER 65

<sup>99</sup> DLUHC, [Guidance: determining a planning application](#), last updated 24 June 2021, paragraph 008

<sup>100</sup> Planning Portal, [Frequently asked questions: what are material considerations?](#) (undated, accessed 1 April 2022)

## 4 Conservative Government Policy 2015-2021

### 4.1 Airports National Policy Statement

The Airports National Policy Statement (ANPS) was published on 5 June 2018. The ANPS set out the need for additional airport capacity in the south-east of England; why Government believes that need is best met by a north-west runway at Heathrow Airport; and the specific requirements that the applicant for a new north-west runway at Heathrow will need to meet to gain development consent.<sup>101</sup>

Whilst the ANPS almost exclusively relates to Heathrow, it is also relevant to other proposals, expressly stating as much in paragraphs 1.39 - 1.42:

The Government has confirmed that it is supportive of airports beyond Heathrow making best use of their existing runways. However, we recognise that the development of airports can have positive and negative impacts, including on noise levels. We consider that any proposals should be judged on their individual merits by the relevant planning authority, taking careful account of all relevant considerations, particularly economic and environmental impacts.<sup>102</sup>

On 27 February 2020 the Court of Appeal ruled in *R (Plan B Earth) v Secretary of State for Transport [2020] EWCA Civ 214* that the ANPS was unlawful. However, the Court of Appeal's decision was overturned by the Supreme Court on 16 December 2020.<sup>103</sup> Since then there have been repeated calls for the ANPS to be revised. The Secretary of State for Transport published an open letter on 6 September 2021 stating that he did not see it appropriate to review the ANPS at this time. With reference to climate change, Covid-19, noise, air quality, and other issues the letter states that

Secretary of State does not consider that the circumstances described in the relevant review requests constitute a significant change in any circumstances on the basis of which any of the policy set out in the ANPS was decided.<sup>104</sup>

<sup>101</sup> DfT [Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England](#) June 2018

<sup>102</sup> DfT [Airports National Policy Statement: new runway capacity and infrastructure at airports in the South East of England](#) June 2018, Para 1.39

<sup>103</sup> *R (on the application of Friends of the Earth Ltd and others) (Respondents) v Heathrow Airport Ltd (Appellant)* [16 December 2020] EWCA Civ 214

<sup>104</sup> DfT Open Letter [Decision on Requests to review the Airports National Policy Statement under the Planning Act 2008](#) 6 September 2021

The letter states that the ANPS may be reviewed after the Government's Jet Zero Strategy has been finalised, following a consultation which ran from 14 July to 8 September 2021. The Government's response to the consultation is expected in early 2022, and it is expected that is when any review of the ANPS may be considered.<sup>105</sup>

## Beyond the Horizon: Making Best Use of Existing Runways (MBU)

The MBU policy document was published on the same day as the ANPS, 5 June 2018. It is based on the findings of the Airports Commission's Final Report and the Government's preference for a new Northwest runway at Heathrow. Confirming the 2017 Department for Transport's Aviation forecasts, the MBU policy is supportive of airports beyond Heathrow making best use of their existing runways, subject to environmental issues being addressed, recognising the negative and positive impacts which should be considered by the Local Planning Authority.<sup>106</sup>

## 4.2

## Airspace Modernisation and Noise

In a speech delivered on 25 January 2017, the Transport Secretary Chris Grayling announced a programme of airspace modernisation.<sup>107</sup> This is intended to improve the network of routes in the airspace above the UK for military, commercial and general aviation use. The aim is to have a network of air routes which is more efficient, meaning commercial journeys are less prone to delays, less fuel is used, and noise impacts are reduced. This is a particular issue in the South East of England which has very congested skies and the UK's busiest airports. Without such a modernisation programme, the DfT has estimated that 1 in 3 flights could be delayed by half an hour or more by 2030, costing the UK around £250 million a year<sup>108</sup>.

This programme, called the Airspace Modernisation Strategy (or AMS), is led by the Department for Transport and primarily managed by the Civil Aviation Authority (CAA). The programme has been underway for several years, but, since 2021, is now underpinned by legislation, following consultation entitled 'Aviation 2050 – the future of UK aviation'<sup>109</sup>.

The [Air Traffic Management and Unmanned Aircraft Act 2021](#) allows the CAA to compel an airport/airfield (known as 'sponsors') to submit a proposal to the Civil Aviation Authority (CAA) to modernise the airspace in the vicinity of

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<sup>105</sup> DfT [Jet zero: our strategy for net zero aviation](#) 14 July 2021

<sup>106</sup> DfT Policy paper [Aviation strategy: making best use of existing runways](#) 5 June 2018

<sup>107</sup> Secretary of State for Transport speech [Modernising the UK's airspace](#) 25 January 2017

<sup>108</sup> DfT, CAA Independent report [Upgrading UK airspace: strategic rationale](#)

<sup>109</sup> DfT Consultation Document [Aviation 2050 – the future of UK aviation](#) Cm9714, December 2018

their airport. These individual proposals are called Airspace Change Proposals (ACPs).

During the passage of the Air Traffic Management and Unmanned Aircraft Act 2021 through Parliament, ministers confirmed that the CAA would publish annual progress reports on the airspace modernisation strategy. The first of these, the Airspace Modernisation 2021 progress report, was published on 6 January 2022. In announcing the publication of this report, Aviation Minister Robert Courts noted it contained delayed timescales of delivery against the original AMS plans, mainly due to the ongoing recovery of the aviation industry from the COVID-19 pandemic.<sup>110</sup>

To ensure that any changes in airspace around an airport, or expansion proposals, took account of the needs of local communities regarding noise impacts, the Government set up the Independent Commission on Civil Aviation Noise (ICCAN) in November 2018. However, in September 2021 the Government decided that, following an independent review of ICCAN's work, ICCAN would be closed.<sup>111</sup> The Aviation Minister Robert Courts said that he considered that "many of ICCAN's functions would be more efficiently performed by the Civil Aviation Authority (CAA), which already has a wider environmental remit. This will help ensure that noise is considered alongside other policy outcomes on the basis of high quality research and advice."<sup>112</sup>

The Minister said that from April 2022, the CAA would take on the work of ICCAN, and would "establish a new Environment Panel to provide it with independent expert advice on a range of environmental issues including carbon, air-quality and noise."<sup>113</sup>

## 4.3 Pandemic Response

The Covid-19 pandemic and associated lockdown measures saw passenger numbers and revenues decline significantly at all UK airports. The Air Operators Association, a UK industry body, estimated that, compared to 2019, UK airport passenger numbers were down by 75.2% in 2020, and by 78.3% in 2021.<sup>114</sup> In terms of revenues, in the financial year 2019/20 all UK airports posted revenues of £7.8bn. In 2020/21 this fell to £2.7bn and to £2.9bn in 2021/22.<sup>115</sup>

Research published in March 2021 by the trade union Unite estimated that 46,247 UK airline and airport staff had lost their jobs since the start of the

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<sup>110</sup> DfT Written statement to Parliament [Civil Aviation Authority 2021 progress report](#) 6 January 2022

<sup>111</sup> DfT, Independent Commission on Civil Aviation Noise (ICCAN) [Review of the Independent Commission on Civil Aviation Noise](#) 6 September 2021

<sup>112</sup> Robert Courts, Written statement to Parliament [Independent advice to government on civil aviation noise](#) 6 September 2021

<sup>113</sup> As above.

<sup>114</sup> Air Operators Association [Reconnecting the UK: Recovering Aviation Connectivity](#) March 2022

<sup>115</sup> As above.

pandemic in February 2020, as well as additional job losses at airport employers such as shops, restaurants and hotels, and at UK-based aerospace companies.<sup>116</sup> In 2021, the Centre for Cities noted a particularly acute impact on the economies of areas (such as Slough, Luton or Crawley) which had been reliant on airport-related employment.<sup>117</sup>

In response, the Government spent around £8 billion pounds in pandemic support for the aviation industry up to February 2022.<sup>118</sup> That came in the form of generic economy-wide measures, primarily the Covid Job Retention Scheme (or ‘furlough’ scheme) and Covid Corporate Finance Facility (CCFF), and sector specific support such as the Airport and Ground Operators Support Scheme. While the UK Government provided support to airlines through CCFF loans, other Governments provided much larger sums of financial support for their aviation industries and, in some cases such as Lufthansa and Air France-KLM, took equity stakes in their national carriers.<sup>119</sup>

At a hearing of the Transport Select Committee on 3 February 2021, the Transport Secretary said that the aviation sector has received approximately £7.2 billion in financial support:

- aviation workers have received £1-2 billion on furlough;
- aviation companies have received approximately £3 billion from the CCFF (Covid Corporate Financing Facility) scheme; and
- airlines have received £3.4 billion from UK Export Finance.<sup>120</sup>

In addition to the larger schemes outlined above, the Government gave business rates relief, capped at £8 million per airport, which was taken up by 22 of 25 eligible airports.<sup>121</sup> However, Heathrow Airport complained that this was a small amount compared with their annual business rate bill of around £120million.<sup>122</sup>

In January 2021, the Airport and Ground Operators Support Scheme was launched to specifically help airports and ground handling operator which have fixed costs to cover (especially contracted services such as security and runway maintenance) but a drastically reduced income due to travel restrictions.<sup>123</sup> On 25 May, the Aviation Minister, Robert Courts announced that

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<sup>116</sup> Acuity Analysis [Final Call for UK Civil Aviation?](#) March 2021

<sup>117</sup> Centre for Cities [Which jobs are currently most reliant on the Coronavirus Job Retention Scheme in the largest cities and towns?](#) 30 March 2021

<sup>118</sup> [HC Deb 3 February 2022 c441](#)

<sup>119</sup> Transport and Environment [Bailout tracker](#) Accessed 18 January 2022

<sup>120</sup> See Q19 [Transport Committee Oral evidence: Responsibilities of the Secretary of State for Transport, HC 1169 3 February 2021](#)

<sup>121</sup> See Q20 [Transport Committee Oral evidence: Responsibilities of the Secretary of State for Transport, HC 1169 3 February 2021](#)

<sup>122</sup> Heathrow Airport [Business rates relief response](#) November 2020

<sup>123</sup> DfT [Government’s multimillion-pound support scheme for airports opens today](#) January 2021

around £87 million had been spent through the scheme, as detailed in the table below.<sup>124</sup>

Airport and ground operations support scheme	
Commercial airports	£ 65.08 million
Ground Handling Operators	£21.85 million
Total	£86.93 million

Source: UIN HCWS54 [Airport and Ground Operations Support Scheme - Financial Assistance to the Aviation Industry](#), 25 May 2021

In non-financial support, the Government extended the waiver of the ‘80:20’ rule until the end of the 2021 summer season.<sup>125</sup> That rule usually requires 80% of flights to be made from/to UK airports for airlines to maintain their slots (see Section 3.3 above regarding slots).<sup>126</sup>

## 4.4 Union Connectivity Review

In January 2020 the Government announced a Regional Air Connectivity Review, led by the DfT, the aim of which was to ensure that “all nations and regions of the UK have the domestic transport connections local communities rely on – including regional services from local airports”, as part of the Prime Minister’s levelling up commitment.<sup>127</sup> However, due to the collapse of Flybe and the onset of the Covid-19 pandemic, that work on Regional Air Connectivity has been redirected to support recovery from the pandemic and will ultimately feed into the Aviation Recovery Plan (ARP). When asked about progress on the ARP, the Government has pointed to the work of the Global Travel Taskforce<sup>128</sup> in preparing for the re-opening of international travel, and indicated that a wider strategic framework for aviation is being developed and would be published later in 2021.<sup>129</sup>

The Government also started work on a Union Connectivity Review in the latter part of 2020, led by Sir Peter Hendy CBE, which appears to have replaced the previous Regional Connectivity Review. That review consulted on how transport might be used to improve connectivity between the countries of the UK as part of the ‘levelling up’ agenda’, including by rail, bridge and ferry

<sup>124</sup> UIN HCWS54 [Airport and Ground Operations Support Scheme - Financial Assistance to the Aviation Industry](#), 25 May 2021

<sup>125</sup> DfT [Slots waiver extended in boost to UK airlines](#) 26 February 2021

<sup>126</sup> See [Airport Slots](#) Commons Library Briefing Paper CBP-9062, 27 November 2020

<sup>127</sup> DfT [Regional Air Connectivity Review: aviation minister visits Liverpool John Lennon Airport to launch UK tour of regional airports](#) 20 January 2020

<sup>128</sup> DfT [Global Travel Taskforce](#) February 2021

<sup>129</sup> PQ 167324 [\[Aviation: Coronavirus\]](#) 17 March 2021

links, and domestic aviation. In its Interim Report of March 2021, one of the key concerns raised was the need for:

Better air links to England to and from Northern Ireland and Northern Scotland, including but not exclusively to and from London Heathrow, for worldwide connections for passengers and freight; including the appropriate rate of Air Passenger Duty for journeys not realistic by rail.<sup>130</sup>

The Interim report also noted the collapse of the key domestic airline Flybe in early 2020 (see box below), and that while some routes were quickly adopted by rival airlines, a significant number of unprofitable routes that the airline operated have not yet been filled, and that this would be an area of focus for the review going forward.

### The collapse of Flybe

Flybe was originally founded in 1979. By 2019 it had around 2000 staff, flew around 40% of all UK domestic routes, and had become the largest regional airline in Europe. At airports such as Belfast, Southampton and its Exeter base it was the main airline operating – at Southampton Airport, 90% of all flights in 2019 were operated by Flybe.<sup>131</sup>

On 15 January 2020, following around two years of instability and several takeovers, Flybe met with Government ministers to agree an emergency financial deal to prevent the airline going bust.<sup>132</sup> The Government reportedly allowed a late payment of Air Passenger Duty (APD) payments, and signalled that APD might be permanently reduced in the future for domestic flights. This would have significantly assisted Flybe, for whom 80% of their passengers were domestic passengers.<sup>133</sup> In a press release on 15 January, the Government noted Flybe's "valued services, connecting communities across the UK", pledged to review APD, and launched a review of regional connectivity.<sup>134</sup>

Pre-existing financial problems were compounded by low passenger demand due to the onset of the Covid-19 pandemic, and on 5 March 2020, Flybe ceased trading with the loss of around 2000 jobs. In April 2021, Flybe's remaining assets were sold and 'Flybe Ltd' was launched with a new base in Birmingham. According to a press release, "Flybe will serve key regions across the UK and EU with operations scheduled to begin in early 2022."<sup>135</sup>

<sup>130</sup> DfT [Union Connectivity Review Interim Report](#) 10 March 2021

<sup>131</sup> BBC News [Flybe collapse: Five things that went wrong](#) 5 March 2020

<sup>132</sup> DfT Written statement to Parliament [Transport update: Flybe](#) 15 January 2020

<sup>133</sup> [HC Deb 5 March 2020 c996](#)

<sup>134</sup> DfT Press [Release Government announces measures on regional connectivity](#) 15 January 2020

<sup>135</sup> Flybe Press [Release Flybe announces new Birmingham Headquarters and First Crew Base](#) Accessed 19 January 2022

The final report of the Union Connectivity Review was published on 26 November 2021. It contained 19 recommendations, 3 of which are relevant for regional airports, as follows:

Where journeys are too long to be reasonably taken by road or rail, the UK Government should:

- Revise existing subsidy rules for domestic aviation to allow support for routes between different regions of the UK (rather than just to and from London) and to allow multiple airlines to serve a single route;
- Reduce the rate of domestic aviation tax; and
- Intervene in the assignment of slots at London airports to provide more slots for domestic routes.<sup>136</sup>

On the second of these recommendations regarding domestic aviation tax, the Government had already announced a cut in its only aviation tax (Air Passenger Duty or APD) in October 2021, prior to the review's publication in November (see below). The review saw aviation taxes having an especially detrimental effect on connectivity to Northern Ireland because the region shares a land border with the Republic of Ireland, which does not levy an equivalent tax on any flights. The report noted that many airports in Northern Ireland lose passengers to Dublin airport, where taxes (and therefore fares) are lower for flights to Great Britain and other destinations.<sup>137</sup>

## 4.5

### Air Passenger Duty Reduction

In the Government's Autumn Budget and Spending Review 2021, changes in Air Passenger Duty (APD) were announced. Starting in April 2023, the Government will introduce a new domestic band for APD set at £6.50 per flight, a reduction of 50% from the current domestic rate of £13 per flight. The rate will apply to all flights between airports in England, Scotland, Wales and Northern Ireland, and will "support connectivity between Great Britain and Northern Ireland".<sup>138</sup>

The Government will also increase the number of international distance bands from two to three, with the new distance bands set at 0-2,000 miles; 2,000-5,500 miles and a new 'ultra long-haul' band of 5,500 miles plus. The proposed rates are £13; £87 and £91 respectively for economy passengers. Those APD changes followed a consultation exercise which ran from March to June 2021.<sup>139</sup>

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<sup>136</sup> Sir Peter Hendy, DfT [Union connectivity review: final report](#) 26 November 2021, page 11

<sup>137</sup> As above, page 66

<sup>138</sup> HM Treasury [Autumn Budget and Spending Review 2021](#) 29 October 2021 Paragraph 2.184; HMRC [Autumn Budget 2021: Overview of tax legislation and rates \(QOTLAR\)](#) Para 2.19

<sup>139</sup> HM Treasury [Consultation on aviation tax reform](#) Last updated 27 October 2021

Airlines, airports and industry bodies have consistently campaigned for a reduction in APD for many years.<sup>140</sup> The UK industry body, the Airport Operators Association (AOA) argues that APD is higher in the UK than many ‘rival’ countries, and hence puts UK airports at a competitive disadvantage, potentially losing hub long-haul routes to other countries.<sup>141</sup>

In contrast, environmental groups have long argued that making flights cheaper by cutting APD sends mixed messages on climate change and the need to transition to lower carbon transport.<sup>142</sup> In terms of fiscal contributions, the Aviation Environment Federation (AEF) have argued that aviation is an “industry which pays no fuel duty or VAT on tickets, APD is already too low to ensure that airlines make a fair contribution to public finances.”<sup>143</sup> In 2021, the Government justified its cut to domestic APD by saying that domestic flights only contribute around 1% of the UK’s total emissions, and international flights, which are responsible for the vast majority of UK aviation emissions, will be taxed more due to the creation of the new ultra long-haul band.<sup>144</sup>

In response to the Union Connectivity Review, the Rail Delivery Group said that any APD cut should only be applied to routes where a journey cannot be made by train in less than five hours, in order to get more people to take the train.<sup>145</sup>

## 4.6 Climate change and airports

For an overview of climate change and aviation more widely, see the Commons Library Briefing paper on [Aviation, decarbonisation and climate change](#).<sup>146</sup>

### Climate change targets

The Climate Change Act 2008, as amended, commits the UK Government to achieve net zero greenhouse gas emissions compared to 1990 levels by the year 2050.<sup>147</sup> The UK also participates in international efforts to combat

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<sup>140</sup> [Air passenger duty: recent debates & reform](#) Commons Library Briefing Paper SN-05094, 20 August, 2021

<sup>141</sup> AOA [Campaigning for a fairer aviation tax](#) [accessed 2 July 2021]

<sup>142</sup> Friends of the Earth Manchester [Government considering cut to air passenger duty – Friends of the Earth reaction](#) 14 January 2020

<sup>143</sup> Aviation Environment Federation [Cutting Tax on Domestic Routes which have reasonable lower carbon alternatives sends the wrong message on climate](#) 16 June 2021

<sup>144</sup> [PQ 84437 \[On Air Passenger Duty\]](#), 30 November 2021

<sup>145</sup> Rail Delivery Group Press Release [Rail Delivery Group response to Union Connectivity Review](#) 25 November 2021

<sup>146</sup> [Aviation, decarbonisation and climate change Commons](#) Library Briefing Paper CBP-8826 20 September, 2021

<sup>147</sup> Section 1, [Climate Change Act 2008](#)

climate change, most notably as a signatory to the Paris Agreement, under the United Nations Convention Framework on Climate Change (UNFCCC).

More information on climate change and the UK's approach to achieving net zero is set out in the [Library page on Climate Change: an overview](#).<sup>148</sup>

Under the Climate Change Act the Government must create five-yearly 'carbon budgets'. These carbon budgets set an average percentage reduction over the five-year period.<sup>149</sup> They are informed by recommendations made by the Climate Change Committee (CCC), an independent, statutory body which creates different 'pathway' scenarios for the Government to consider. The CCC also produces annual reports to Parliament on the Government's progress towards its emissions reductions commitments, including analysis of specific sectors, including aviation.<sup>150</sup> In its Sixth Carbon Budget advice, published in 2020, the CCC estimated that aviation emissions accounted for 7% of UK greenhouse gas emissions in 2018, and presented different pathways for the sector to achieve 'net zero' emissions by 2050.<sup>151</sup>

The Government published a consultation on its 'Jet Zero' strategy in July 2021.<sup>152</sup> This proposes a suite of policies to "reduce and, where possible, eliminate carbon dioxide emissions from aviation", with an overall target of achieving net zero aviation by 2050. The policies seek to achieve the following five aims:

- Improve efficiency of aviation system
- Accelerate sustainable aviation fuels
- Support the development of zero emission flight
- Use of markets to drive down emissions in the most cost-effective way
- Influence the behaviour of consumers.<sup>153</sup>

The outcome of the Jet Zero consultation is expected in 2022.<sup>154</sup>

## Carbon emissions from airports

As well as emissions from flights, airports also generate carbon emissions in other ways. Emissions are often categorised by dividing them into Scope 1, 2 or 3 emissions, in line with wider corporate greenhouse gas accounting protocols<sup>155</sup>, as follows:

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<sup>148</sup> House of Commons Library [Climate change: an overview](#)

<sup>149</sup> BEIS Guidance [Carbon Budgets](#) [accessed 10 March 2022]

<sup>150</sup> Climate Change Committee [2021 Progress Report to Parliament](#) 24 June 2021

<sup>151</sup> Climate Change Committee [The Sixth Carbon Budget: Aviation](#) 17 Dec 2020, p5

<sup>152</sup> DfT [Jet zero: our strategy for net zero aviation](#) 14 July 2021

<sup>153</sup> As above

<sup>154</sup> DfT Closed consultation [Jet zero: our strategy for net zero aviation](#) [accessed 1 April 2022]

<sup>155</sup> Carbon Trust [Briefing: What are Scope 3 emissions?](#) [accessed 21 March 2022]

- Direct emissions (Scope 1) – Emissions from airport-controlled sources (e.g. vehicles/ground support owned by airport, boilers, on-site power generation)
- Indirect emissions (Scope 2) – Emissions from purchased energy (off-site electricity generation for heating, cooling, lighting)
- Indirect emissions (Scope 3) – Emissions from other sources related to the airport (e.g. flights, aircraft ground movements, passenger and staff travel to the airport, waste disposal)<sup>156</sup>

Although commercial passenger aircraft require airports to fly, airports generally do not include flights in calculations of their carbon emissions, which usually include Scope 1 and 2 emissions and exclude Scope 3 emissions.<sup>157</sup> For example, research commissioned by Southampton Airport into its carbon footprint in 2019 estimated that 97.5% of its carbon emissions were Scope 3. Of those Scope 3 emissions, over half (53.6%) came from aviation fuel burned during take-off and landing and 36.3% came from vehicle fuel burned from passengers accessing the airport on the ground. Emissions from flights beyond take-off/landing are not featured in this calculation.<sup>158</sup>

Under a voluntary, industry-led scheme called Airport Carbon Accreditation, many regional airports claim to be ‘carbon neutral’ or actively working towards carbon neutrality.<sup>159</sup> That is usually achieved by reducing airport energy use, switching to lower-carbon energy sources, using lower carbon ground-based transport options, and/or the purchasing of carbon offset credits from other sectors (e.g. tree-planting abroad). Many regional airports, including Manchester, Newquay, East Midlands, Southampton and Bristol have joined this accreditation scheme.<sup>160</sup> However, airport ‘carbon neutrality’ – as defined by the scheme – does not account for carbon generated during the main part of flights, although some participating airports (East Midlands, Bristol and Manchester) do include take-off and landing in their carbon footprint calculations.<sup>161</sup> According to Airport Carbon Accreditation, globally, airports only account for 2% of the aviation sector’s total carbon emissions, but this figure excludes emissions from flights.<sup>162</sup>

## Airport Expansion and emissions

Expansion of airports has been a source of debate for many years due to concerns over noise, traffic, and increasingly, concerns that expansion might be incompatible with the UK’s climate change targets outlined above. Bristol,

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<sup>156</sup> Airport Carbon Accreditation [Possible Sources of Emissions at an Airport](#) [accessed 22 March 2022]

<sup>157</sup> [Airport Carbon Accreditation](#) Accessed 19 January 2022

<sup>158</sup> Ricardo Energy & Environment [Southampton Airport Carbon Footprint 2019](#) [accessed 22 March 2022]

<sup>159</sup> For example, Manchester Airport Group has said all its airports – Manchester and East Midlands - are ‘carbon neutral’: MAG Press Release [Zero carbon airports](#) [accessed 28 January 2022]

<sup>160</sup> [Airport Carbon Accreditation](#) Accessed 19 January 2022

<sup>161</sup> Airport Carbon Accreditation [Accredited Airports](#) [accessed 22 March 2022]

<sup>162</sup> Airport Carbon Accreditation [Accredited Airports](#) [accessed 22 March 2022]

Southampton and Leeds-Bradford airports have been the subject of recent expansion applications, with carbon emissions being a common point of conflict.<sup>163</sup>

In its 2021 progress report, the CCC recommended that, given its expectations of the aviation sector's progress towards decarbonisation, there should be no net expansion of UK airport capacity. It recommended that the DfT:

Assess the Government's airport capacity strategy in the context of Net Zero and any lasting impacts on demand from COVID-19, as part of the aviation strategy. There should be no net expansion of UK airport capacity unless the sector is on track to sufficiently outperform its net emissions trajectory and can accommodate the additional demand.<sup>164</sup>

In the Government's response to the CCC 2021 progress report, it argued that it was possible to meet emissions targets without limiting airport expansion capping demand:

We currently believe that the aviation sector, even if returning to a pre COVID-19 demand trajectory, can achieve Jet Zero without the government needing to intervene directly to limit aviation growth. DfT analysis shows that there are scenarios where we can achieve our net zero targets by focusing on new fuels and technology, rather than capping demand, with knock-on economic and social benefits.<sup>165</sup>

## Planning decisions and carbon emissions

Some campaign groups have called for a moratorium on airport expansions until the Government has set out a national strategy for airport capacity.<sup>166</sup> However, as noted in its 2021 response to the CCC, the Government consider any limits on aviation growth to be unnecessary, arguing that carbon reductions can be achieved through new fuels and technologies instead.<sup>167</sup>

The [National Planning Policy Framework \(NPPF\)\(PDF\)](#) provides the framework against which Local Planning Authorities (LPAs) draw up Local Plans and determine applications for planning permission.<sup>168</sup> It says that the planning system should "support the transition to a low carbon future in a changing climate" and should help to "shape places in ways that contribute to radical reductions in greenhouse gas emissions" but it does not stipulate that LPAs should consider carbon emissions in planning decisions.<sup>169</sup> On mitigation, the more detailed [Planning Practice Guidance on climate change](#) encourages LPAs to identify opportunities for reducing carbon emissions from development, saying that "every area will have different challenges and

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<sup>163</sup> Aviation Environment Federation [UK Airport Expansions](#) [accessed 10 February 2022]

<sup>164</sup> Climate Change Committee [2021 Report to Parliament](#) June 2021

<sup>165</sup> BEIS [Government Response to the Climate Change Committee](#), 19 October 2021

<sup>166</sup> HACAN [HACAN call for moratorium on airport expansion](#) May 10, 2021; AEF [Open Letter: Call on Government to Introduce Immediate Moratorium on UK Airport Expansions](#) 13 May 2021

<sup>167</sup> BEIS [Government Response to the Climate Change Committee](#), 19 October 2021

<sup>168</sup> DLUHC, [National Planning Policy Framework \(PDF\)](#), July 2021

<sup>169</sup> DLUHC, [National Planning Policy Framework \(PDF\)](#), July 2021, paragraph 152

opportunities for reducing carbon emissions from new development such as homes, businesses, energy, transport and agricultural related development”.<sup>170</sup>

As already discussed in section 3.4, when LPAs determine applications for planning permission, they must take account of the NPPF, adopted Local Plans and supplementary planning documents, and (for airports) airport-specific policy papers such as MBU.<sup>171</sup>

They must also take account of “material considerations”.<sup>172</sup> As noted earlier, the [Planning Practice Guidance on determining a planning application](#) observes that “the scope of what can constitute a material consideration is very wide” but the courts have generally held that purely private interests such as neighbouring property values could not be material considerations.<sup>173</sup> The Planning Portal offers a [non-exhaustive list of material considerations](#), which can include Government policy, traffic and noise.<sup>174</sup>

In several airport expansion proposals being considered by LPAs, planning officers have said that despite CCC advice, the Government’s Net Zero ambitions and its commitments under the Paris Climate Agreement, carbon emissions should not be a key consideration.<sup>175</sup> For example, in the case of Leeds-Bradford Airport’s expansion proposal, planning officers at Leeds City Council, the local planning authority, said:

Whilst the carbon emissions from flights do constitute a material consideration... national policy very much points to this being matter to be primarily considered at a national level (to be remedied through international agreements and protocols).<sup>176</sup>

In the cases of Southampton, Leeds-Bradford and Bristol, planning officers recommended the LPA approve the expansion applications.

Southampton Airport’s expansion application was subsequently approved in April 2021, but in December 2021 campaigners against the expansion successfully applied to the High Court for the decision to go to a Judicial Review, which will take place in 2022.<sup>177</sup>

Leeds-Bradford airport expansion was approved by Leeds City Council in February 2021, but was called-in by the then planning minister, Christopher

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<sup>170</sup> DLUHC, [Guidance: Climate change](#), last updated 15 March 2019, paragraph 007

<sup>171</sup> DfT [Aviation strategy: making best use of existing runways](#) 5 June 2018

<sup>172</sup> Section 70 of the [Town and Country Planning Act 1990](#)

<sup>173</sup> DLUHC, [Guidance: determining a planning application](#), last updated 24 June 2021, paragraph 008

<sup>174</sup> Planning Portal, [Frequently asked questions: what are material considerations?](#) (undated, accessed 1 April 2022)

<sup>175</sup> See for example Eastleigh Borough Council [Report of Planning Officer re: Southampton International Airport Ltd](#) 22 October 2019, para 120; North Somerset Council [Planning and Regulatory Committee minutes: Bristol Airport Limited](#) 10 February 2020, page 40.

<sup>176</sup> Leeds City Council [Report of the Chief Planning Officer - Leeds Bradford Airport](#) February 2021

<sup>177</sup> Daily Echo [Thousands raised for legal challenge against Southampton Airport runway extension](#) 21 June 2021; BBC News [Southampton Airport runway decision set for judicial review](#) 10 December 2021

Pincher, in January 2022.<sup>178</sup> The expansion application was due to go to a public inquiry, but on 10 March 2022 the airport’s owners withdrew their application due to what they called “excessive delays”.<sup>179</sup>

Bristol Airport expansion was refused by North Somerset Council in 2020, but that decision was overturned in February 2022, when the Planning Inspectorate allowed Bristol Airport Ltd’s appeal.<sup>180</sup>

For further information see the Commons Library Briefing paper on [Aviation, decarbonisation and climate change](#).<sup>181</sup>

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<sup>178</sup> See [PQ 161674, 2 March 2021](#) on planning permission for Leeds-Bradford Airport and “Government to take planning decision on Leeds Bradford Airport expansion”, New Civil Engineer online, 24 January 2022. For more information on when and how an application for planning permission may be called-in, see the [Commons Library briefing on calling in a planning application](#) [SN 930].

<sup>179</sup> BBC News [Leeds Bradford Airport scraps plans for new £150m terminal](#) 10 March 2022; BBC News [Leeds Bradford Airport development plans to face public inquiry](#) 19 January 2022

<sup>180</sup> North Somerset Council [About the Bristol Airport planning application](#) [accessed 28 January 2022]; Planning Inspectorate [Appeal Decision 3259234](#) 2 February 2022

<sup>181</sup> [Aviation, decarbonisation and climate change](#) Commons Library Briefing Paper CBP-8826 20 September, 2021

## 5 History of Government policy, 1997-2015

### 5.1 Labour, 1997-2010

In its July 1998 transport White Paper, *A New Deal for Transport*, the Labour Government announced that it would prepare a 30-year UK airports policy and would bring forward new policies on civil aviation.<sup>182</sup> A consultation document, *The Future of Aviation*, was published in December 2000. Among the issues that the document asked respondents to consider was aviation's effect on regional development and capacity.<sup>183</sup> That was followed by a series of consultation papers on airports published in July 2002. Each consultation document examined options for the future development of the airports in that area; reviewed the potential impacts of these options, such as their economic, environmental and social implications; and set each region within the national context. The Regional Air Services Co-ordination Study (RASCO) provided an appraisal of the physical dimension of future regional airports policy; there was a separate consultation for London and the South East of England.<sup>184</sup>

In December 2003, following this almost three-year long consultation, the Government produced its White Paper on the future of aviation in the UK.<sup>185</sup> In a statement to the House of Commons the then Secretary of State, Alistair Darling, called the White Paper an attempt to set out “the strategic framework for development [of UK aviation/regional airports] for the next 30 years, against the background of wider developments in air transport”.<sup>186</sup> That White Paper remained the cornerstone of the Labour Government's aviation policy until it left office in May 2010.

The White Paper contained a specific undertaking to “encourage the growth of regional airports in order to support regional economic development, provide passengers with greater choice, and reduce pressures on more overcrowded airports in the South-East”.<sup>187</sup> It set out the general importance of airports to regional economies.<sup>188</sup> The White Paper also recommended that airport operators maintain a ‘master plan’ document detailing development proposals. It went on to state: “We will expect airport operators to produce

<sup>182</sup> DETR [A new deal for transport: better for everyone - white paper](#), Cm 3950, July 1998, para 3.189

<sup>183</sup> DfT [The future of aviation: consultation on air transport policy](#), December 2000, paras 116-19 and 203-08

<sup>184</sup> DfT, [Regional Air Services Co-ordination Study \(RASCO\): Final Report, July 2002](#)

<sup>185</sup> DfT [The Future of Air Transport, Cm 6046, December 2003](#)

<sup>186</sup> [HC Deb 16 December 2003, c1433](#)

<sup>187</sup> DfT [The Future of Air Transport, Cm 6046, December 2003](#), p10

<sup>188</sup> DfT [The Future of Air Transport, Cm 6046, December 2003](#) pp49-50

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”.<sup>189</sup> The Department produced a guidance document for the development of master plans in July 2004.<sup>190</sup>

In December 2006 the Department for Transport published a progress report on the implementation of the White Paper. The paper re-cast the debate about air travel within the context of climate change and environmental impacts, brought about by the publication of the Stern Review on the economics of climate change in October 2006.<sup>191</sup> Aside from the emphasis on climate change and impacts on the local environment, the paper restated the economic benefits of air travel and summarised progress that had been made on the White Paper since December 2003. It stated that some airport operators had decided that there was not sufficient justification to take forward the proposals in the timescale envisaged in 2003.

For instance, the [2003] White Paper suggested that at Birmingham and Edinburgh new runways may be needed around 2016 and 2020 respectively. The airports now believe new runways will not be needed before 2020 at the earliest, as a result of making better use of their existing capacity. At Bristol and Leeds-Bradford Airports runway extensions were supported in the White Paper, but the airport operators currently have no plans to take this forward.<sup>192</sup>

In its manifesto for the 2010 General Election the Labour changed stance on the predict-and-provide approach in the 2003 White Paper. It stated that “we will not allow additional runways to proceed at any other airport [apart from Heathrow] in the next Parliament”.<sup>193</sup> Going into the 2015 General Election the Party committed to making “a swift decision on expanding airport capacity in London and the South East, balancing the need for growth and the environmental impact” after the Airports Commission (see below) reported.<sup>194</sup>

## 5.2

## Coalition Government 2010-2015

The Conservative-Liberal Democrat Coalition Government that came to power in May 2010 vowed to “cancel the third runway at Heathrow [and] refuse permission for additional runways at Gatwick and Stansted”.<sup>195</sup> The Government’s subsequent aviation policy framework, published in March 2013, proposed a number of actions to make best use of existing capacity; better regulation and provision for passenger experience; and measures for encouraging new routes and services. The framework recognised “the very important role airports across the UK play in providing domestic and

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<sup>189</sup> As above, p141

<sup>190</sup> DfT, [Guidance on the Preparation of Airport Master Plans](#), July 2004

<sup>191</sup> HMT, [Stern Review on the Economics of Climate Change](#), October 2006

<sup>192</sup> DfT, [The future of air transport progress report](#). Cm 6977, December 2006, paras 5.1-5.4

<sup>193</sup> Labour Party, [A Future fair for All: The Labour Party Manifesto 2010](#), April 2010, p1:8

<sup>194</sup> Labour Party, [Britain can be better: The Labour Party Manifesto 2015](#), 13 April 2015, p19

<sup>195</sup> HMG, [The Coalition: Our Programme for Government](#), May 2010, p16

international connections and the vital contribution they can make to the growth of regional economies” as focal points for business development and employment and the fact that for more remote parts of the UK, “aviation is not a luxury, but provides vital connectivity”.<sup>196</sup>

However, it stated that while the Government wanted to see the best use of existing airport capacity and supported the growth of airports in Northern Ireland, Scotland, Wales and outside the South East of England, it also recognised that “the development of airports can have negative as well as positive local impacts, including on noise levels” and that it would “therefore consider that proposals for expansion at these airports should be judged on their individual merits, taking careful account of all relevant considerations, particularly economic and environmental impacts”.<sup>197</sup>

In late 2012 the Government set up an independent Airports Commission (see below for details) to advise on future airport development. The Commission published its interim report in December 2013 shortlisting no strategic airport development outside London. The Government initially welcomed<sup>198</sup> the interim report before publishing its full response in July 2014. In his statement the Secretary of State, Patrick McLoughlin, said: “Publication of the commission’s final report in summer 2015 will be an important event not just for the aviation industry, but for the national economy more generally”.<sup>199</sup>

Unlike in 2010, the Conservative Party’s manifesto for the 2015 General Election did not mention Heathrow. The manifesto only said that if it formed the next Government it would “respond to the Airports Commission’s final report”.<sup>200</sup> When the Commission’s final report was published in July 2015, Mr McLoughlin said that the Government would respond before the end of the year.<sup>201</sup> In December 2015 Mr McLoughlin announced that the Government accepted the case put by the Commission for more runway capacity in the South East by 2030, but that it had not yet decided where that capacity should be. In light of this, the Government would:

... develop the best possible package of measures to mitigate the impacts on local people and the environment. This will include a package for local communities to include compensation, maximising local economic opportunities through new jobs and apprenticeships, and measures to tackle noise. More work will be done on environmental impacts. The government expects the airports to put forward ambitious solutions.<sup>202</sup>

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<sup>196</sup> DfT [Aviation Policy Framework](#), Cm 8584, March 2013, p20

<sup>197</sup> As above, p22

<sup>198</sup> DfT press notice, “[Government welcomes Airports Commission interim report](#)”, 17 December 2013; and: [HC Deb 17 December 2013, c622](#)

<sup>199</sup> [HC Deb 15 July 2014, c67WS](#)

<sup>200</sup> Conservative Party, *Strong Leadership. A Clear Economic Plan. A Brighter More Secure Future: The Conservative Party Manifesto 2015*, 14 April 2015, p14

<sup>201</sup> [HC Deb 1 July 2015, c1484](#)

<sup>202</sup> DfT press notice, “[Government confirms support for airport expansion in the south-east](#)”, 10 December 2015

A final decision on the Government's preferred location for expansion was expected in Summer 2016. In the interim the Government sought to support 'lifeline' air services by making route start-up funding available via the Regional Air Connectivity Fund (see above).

## Airports Commission, 2012-15

The Airports Commission, chaired by Sir Howard Davies, the former chairman of the Financial Services Authority, was set up in September 2012 to identify and recommend to Government options for "maintaining this country's status as an international hub for aviation".<sup>203</sup>

The Commission published its interim report in December 2013. It concluded that there was a need for one net additional runway to be in operation in the South East of England by 2030 and that there was likely to be a demand case for a second additional runway to be operational by 2050. The Commission said that it would take proposals for new runways at Gatwick and Heathrow forward for further detailed study.<sup>204</sup> In terms of regional airports outside London, the Commission discussed the significant growth of low-cost airlines across the UK, and their constrained ability to create routes with Heathrow and Gatwick due to capacity issues there, and their reliance on smaller London airports instead.<sup>205</sup>

It also looked at whether it would be possible to solve the capacity problem in London and the South East by incentivising, or requiring, airlines to make greater use of under-utilised capacity elsewhere. To assess the scope for redistributing traffic, the Commission considered four potential policy levers: taxation (Air Passenger Duty); changes to the slots regime; Traffic Distribution Rules; and, restrictions on aircraft and services at congested airports. It concluded that relatively little scope to redistribute demand exists.<sup>206</sup> Furthermore, on issues of surface access, it recommended that the Government work with local authorities and Local Enterprise Partnerships (LEPs) to "ensure that proper consideration is given to the needs of airport users when prioritising local transport investment".<sup>207</sup>

There followed a number of articles and independent reports looking at the Commission's methodology, the possible impacts of Heathrow expansion on regional services and the future of regional airports more generally.<sup>208</sup> The Commission published its Final Report in July 2015, concluding that its

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<sup>203</sup> [HC Deb 7 September 2012, c41WS](#)

<sup>204</sup> Airports Commission [Interim Report](#) December 2013

<sup>205</sup> As above, pp68-69

<sup>206</sup> As above, chapter 4

<sup>207</sup> As above, p161

<sup>208</sup> e.g. Birmingham Airport press notice, "[Airports Commission's Research on Effect on Runway Expansion on UK Regions Could be Flawed, According to New Analysis](#)", 26 January 2015; Heathrow APPG, [The Wider Economy - Impact of Heathrow Airport's expansion on the number and distribution of UK passengers and destinations](#), 3 February 2015; and National Connectivity Taskforce, [Air Connectivity Matters: Linking the Nations and Regions of Britain to London and the wider global economy](#), 16 March 2015

preferred solution to improving connectivity and capacity in the South East was to build a third runway at Heathrow.<sup>209</sup>

It stated that expansion at either Heathrow or Gatwick would ‘strengthen’ access to London from the rest of the UK, particularly Scotland and Northern Ireland:

For nations and regions where domestic air connections to London remain crucial, such as Scotland and Northern Ireland, expansion at Heathrow will create space at the airport for increased frequencies and for new links to be established. The number of services from Scottish airports to Heathrow has declined by more than a quarter over the past 10 years, and to Gatwick by almost 20% over the same period. Expansion at either airport would provide the opportunity to reverse that trend, and would strengthen access to London from Scotland, as well as to the capital’s wider international route network.<sup>210</sup>

It went on to explain that the benefits accruing to domestic services from expansion would vary, due to the relative strengths of Heathrow and Gatwick, specifically:

- Heathrow can provide access to the strongest international connectivity. The Commission’s forecasts suggest that with expansion more than twice as many domestic passengers will travel via Heathrow in 2040 than if the airport’s capacity remains constrained. However, the Government would need to use Public Service Obligations to ensure that areas such as the Highlands and Islands would have access to Heathrow.
- Gatwick would also see a significant increase in the number of domestic passengers from Scotland and Northern Ireland using the airport. It currently has more domestic connections than Heathrow and this pattern is forecast to continue. Domestic passengers at Gatwick would not, however, be able to benefit from as strong a long-haul network, including links to economically important emerging market destinations, as at Heathrow.<sup>211</sup>

The Commission recommended the following with regards to domestic routes:

The Government should alter its guidance to allow the introduction of Public Service Obligations on an airport-to-airport basis, and use them to support a widespread network of domestic routes at the expanded airport.

HAL [Heathrow Airport Limited] should implement additional measures to enhance domestic connectivity, including reduced charges and start-up funding for regional services.<sup>212</sup>

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<sup>209</sup> Airport Commission [Final Report](#), July 2015

<sup>210</sup> As above, para 13.52

<sup>211</sup> As above, paras 13.53-55

<sup>212</sup> Airport Commission [Final Report](#), July 2015, p33; discussed in more detail in chapter 15 of the report

According to the Final Report, the number of UK destinations with a direct service into Heathrow more than halved between 1990 and 2014 (from 19 to 7).<sup>213</sup> The Commission stated:

... unless capacity is expanded, this pattern will continue, with the number of destinations served from Heathrow declining to as few as three by 2040. The primary reason for this reduction in domestic connectivity at Heathrow is that, with practically all the airports slots taken up, many domestic destinations are priced out by long-haul routes that deliver higher yields per passenger.<sup>214</sup>

As indicated above, the Commission stated that expansion at Heathrow would allow the airport to reverse the decline in domestic routes, but that this could only be achieved if other measures were put in place – specifically the PSO network of supported domestic routes and financial support (set out in the two recommendations above):

The Commission’s forecasts ... suggest that without specific measures to support domestic connectivity even an expanded Heathrow may accommodate fewer domestic routes in future than the seven served currently. It would still however see more than the three domestic routes predicted to be available from the airport without expansion.<sup>215</sup>

However, in its response to the Commission’s Final Report, Gatwick asserted that “as regards connectivity for the UK Nations and Regions, the Commission’s forecasts demonstrate that an expanded Heathrow will serve fewer domestic routes than today – by 2050, only 4 domestic routes compared to 7 today”.<sup>216</sup> This claim was based on data published in the Commission’s November 2014 strategic fit forecasts. Those forecasts involved a number of scenarios, which showed the following:

- Gatwick (second runway): in 2011 operated 9 domestic routes; under the range of scenarios this would decrease to between 7 and 8 by 2050; and
- Heathrow (third runway): in 2011 operated 7 domestic routes; under the range of scenarios this would decrease to 4 by 2050.<sup>217</sup>

Gatwick charged that the Commission ignored this data in their Final Report. However, as set out above, the report did acknowledge that supplementary interventions (PSOs etc.) would be needed to grow domestic routes at Heathrow and that without them routes could decrease.

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<sup>213</sup> As above, figure 3.3, p77

<sup>214</sup> As above, para 3.29

<sup>215</sup> As above, para 15.8

<sup>216</sup> Gatwick Airport, [A Second Runway for Gatwick: Airports Commission Final Report – Areas of Concern](#), 10 August 2015, para 3.16

<sup>217</sup> Airports Commission, [Strategic Fit: Forecasts](#), November 2014, tables 6.32-6.35, pp149-52

## 6 Devolved administrations

Civil aviation is a reserved matter under Schedule 3 of the Northern Ireland Act 1998, Schedule 1 of the Wales Act 2017, and Schedule 5 of the Scotland Act 1998.<sup>218</sup> All airports and airlines operating in the UK are subject to regulation by the Civil Aviation Authority (CAA), to ensure they comply with relevant international and UK safety and consumer rights standards.<sup>219</sup> However, devolved administrations do have certain amounts of autonomy over policies affecting airports in their territory.

For example, devolved administrations can fund Public Service Obligation (PSO) routes, which subsidise routes to regional airports which might otherwise not be commercially viable. Devolved administrations have also sought greater powers over setting the levels of Air Passenger Duty (APD) – the only tax levied on passenger flights in the UK<sup>220</sup> – to try and stimulate more passenger demand at their regional airports.

For an overview of Air Passenger Duty see the Library Briefing paper [Air passenger duty: introduction](#).<sup>221</sup>

### 6.1 Scotland

#### Air Passenger Duty (APD)

In 2016, the UK Government introduced the Scotland Act 2016. This implemented the recommendations for the further devolution of powers to the Scottish Parliament which had been made by the Smith Commission in November 2014.<sup>222</sup> As part of this package of measures, it was anticipated that APD would be devolved from April 2018. In 2016, the Scottish Government consulted on the design of a Scottish Air Departure Tax (ADT) to replace APD. It planned to cut this tax by 50% by the end of the next Scottish Parliament,

<sup>218</sup> Schedule 3, [Northern Ireland Act 1998](#); Schedule 1, [Wales Act 2017](#); Schedule 5, [Scotland Act 1998](#). For an overview see [Introduction to devolution in the United Kingdom](#), Commons Library Briefing Paper CBP-8599, 25 January 2022

<sup>219</sup> Civil Aviation Authority [Our role: Information on our work and strategic objectives](#) [accessed 18 February 2022]

<sup>220</sup> See Section 4.5 above for more information on Air Passenger Duty

<sup>221</sup> [Air passenger duty: introduction](#) Commons Library Briefing Paper SN-00413, 14 February, 2019

<sup>222</sup> Scottish Parliament Information Centre (SPICe) Briefing [SB 15-03 The Smith Commission Report- Overview](#) 8 January 2015

and to then abolish it completely when resources allowed.<sup>223</sup> The Air Departure Tax (Scotland) Act 2017 made provision for such a tax.<sup>224</sup>

In 2019, the Scottish Government announced it would postpone this reform indefinitely, due to concerns that reducing tax on aviation would create additional demand for flights, and hence lead to greater carbon emissions.<sup>225</sup> Therefore APD is still in place in Scotland, at the same rate as the rest of the UK. The Scottish Government's current position on the devolution of APD is as follows:

Following the advice from the UK Committee on Climate Change in 2019 – and the 2045 target for net-zero emissions adopted as a result – we came to the conclusion that the economic benefits we had sought through our policy of reducing ADT were not compatible with our new emissions targets.

We will continue to work with the UK Government to find a solution that remains consistent with our climate ambitions. The UK Government will maintain the application and administration of APD in Scotland in the interim.<sup>226</sup>

## Highlands and Islands APD Exemption

Since 2001, there has been an exemption from APD for flights from airports in the Highlands and Islands. The UK Government introduced this in recognition of the reliance on air transport in the only UK region at that time to have a population density of less than 12.5 people per square km.<sup>227</sup> When the Scottish Government was considering replacing APD with its Scottish Air Departure Tax (ADT), the Scottish Government established an ADT Highlands and Islands Working Group to consider how the exemption might work in the planned new tax framework.<sup>228</sup> However, this became unnecessary when the Scottish Government decided against implementing APD in 2019.

## Air Discount Scheme

The Air Discount Scheme provides residents of Shetland, Orkney, the Western Isles, Islay, Jura, Colonsay, Caithness and north-west Sutherland with a 50% discount on the core air fare for eligible flights. The aim of the scheme is to mitigate high air fares in the most peripheral parts of the Highlands and Islands region of Scotland.<sup>229</sup> It is subsidised by the Scottish Government who announced on 24 March 2021 that the scheme would be extended until 31

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<sup>223</sup> Scottish Government [A consultation on a Scottish replacement to Air Passenger Duty](#) 14 March 2016

<sup>224</sup> [Air Departure Tax \(Scotland\) Act 2017](#)

<sup>225</sup> BBC News [Scottish government scraps air tax cut](#) 7 May 2019

<sup>226</sup> Scottish Government Cabinet Secretary for Finance and the Economy [Air Departure Tax](#) [accessed 18 February 2022]

<sup>227</sup> Scottish Government ADT Highlands and Islands Working Group [Background on state aid issues](#) 2 Jul 2018. The exemption from APD in the Highlands and Islands was enforced by [The Air Passenger Duty \(Designated Region of the United Kingdom\) Order 2001](#). See [Air passenger duty: introduction](#) Commons Library Briefing Paper SN-00413, Section 3 for more information

<sup>228</sup> Scottish Government [ADT Highlands and Islands Working Group](#) [accessed 18 February 2022]

<sup>229</sup> [Air Discount Scheme](#) [accessed 18 February 2022]

March 2026.<sup>230</sup> The discount can apply on journeys to and from Highlands and Islands airports and Inverness, Aberdeen, Bergen, Manchester, Glasgow, Edinburgh and London Southend. There is no limit on the number of trips per eligible person.<sup>231</sup>

## Other support for Scottish airports and routes

The Scottish Government provides support for airports and routes through direct ownership of some airports, funding to airlines, Public Support Obligation (PSO) support<sup>232</sup>, and route development, as follows:

- The Scottish Ministers are the sole shareholders of Highlands and Islands Airports Limited (HIAL) and provide funding to support the operations of the airports operated by HIAL.<sup>233</sup>
- Glasgow Prestwick Airport is owned by the Scottish Ministers. It is operated on a commercial basis and at arm's length from the Scottish Government.<sup>234</sup>
- The Scottish Government uses Public Service Obligations (PSOs) to support air routes from Glasgow to Barra, Tiree and Campbeltown. The Scottish Government also part funds a PSO route from London to Dundee Airport, and has committed to part-fund PSOs from Wick.<sup>235</sup>
- In partnership with Scottish Development International, VisitScotland and Highlands and Islands Enterprise, the Scottish Government provides support to airlines for route recovery and development, with a particular focus on routes important for business connectivity, including exports and inbound tourism.<sup>236</sup>

In October 2021, the Scottish Government launched a consultation on its Aviation Strategy, which closed on 21 January 2022. The consultation sought views on how to realise its vision for aviation:

For Scotland to have national and international connectivity that allows us to enjoy all the economic and social benefits of air travel while reducing our environmental impact.<sup>237</sup>

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<sup>230</sup> Transport Scotland Press Release [Air Discount Scheme extended](#) 24 Mar 2021

<sup>231</sup> [Air Discount Scheme](#) [accessed 18 February 2022]

<sup>232</sup> See Section 3.1 for more information on PSO routes

<sup>233</sup> Transport Scotland Consultation [Discussion document to inform the development of an Aviation Strategy: responsibilities](#) 18 October 2021

<sup>234</sup> As above

<sup>235</sup> As above

<sup>236</sup> As above

<sup>237</sup> As above

## 6.2

## Wales

**Air Passenger Duty**

Unlike the Scottish Government, the Welsh Government does not have devolved powers over Air Passenger Duty (APD), although it has consistently called for such powers. In a 2016 Press Release, the Welsh Government said that the “UK Government’s reluctance to devolve APD continues to place unjustifiable constraints on Wales’ ability to promote itself abroad and is hindering growth in its aviation sector and wider economy”.<sup>238</sup>

In 2016, the UK Government said that devolving APD to Wales, with the assumption that the Welsh Government would then reduce the APD rate, could create market distortions and damage other UK airports, particularly Bristol airport, given its proximity to Cardiff airport.<sup>239</sup>

The Welsh Government produced a report in June 2017 which challenged the UK Government’s assessment that the close proximity of Cardiff and Bristol airports forms a single aviation market in South Wales and South-West England. The report argued that there were scenarios where ADP could be reduced for flights from/to Cardiff without this damaging demand for flights from/to Bristol.<sup>240</sup>

The UK Parliament’s Welsh Affairs Committee conducted an inquiry into Devolution of Air Passenger Duty to Wales. The [Committee’s report](#) published in June 2019 recommended that APD should be devolved to Wales.<sup>241</sup> On behalf of the UK Government, Simon Clarke MP, Exchequer Secretary of the Treasury, responded to the committee’s report in a letter to its Chair in August 2019. In the letter, the UK Government dismissed calls to change APD policy on the grounds that they might distort aviation markets between Wales and England. It also noted that devolution of taxes, including APD, is different between different nations, taking into account different circumstances of each nation:

Your report suggests that by not devolving APD in Wales, the UK government has created inequity in the devolution process as direct long-haul APD rates have been devolved in Northern Ireland, and the UK government have legislated to devolved APD in its entirety in Scotland.

The devolution settlements for the nations of the UK have always been asymmetrical, taking into account the specific circumstances for each nation. It is worth highlighting that, for example, the Welsh Assembly has a number of tax powers, including Stamp Duty Land Tax, that the Northern Ireland Assembly does not.

<sup>238</sup> Welsh Government Press Release [Further calls for devolution of Air Passenger Duty to Wales](#) 19 November 2017

<sup>239</sup> [HC Deb 12 September 2016 c693](#)

<sup>240</sup> Welsh Government Report [Devolution of air passenger duty to Wales](#) 2 November 2017

<sup>241</sup> Welsh Affairs Committee [Devolution of Air Passenger Duty to Wales](#) 11 June 2019 HC 1575

In the case of APD, the aviation markets in Northern Ireland and Scotland are fundamentally different to that in Wales, and as such warrant a different approach to devolution. [...]

Our primary concern is to ensure the best outcome for businesses and consumers on both sides of the border. We do not believe introducing tax competition in this market will be beneficial overall and therefore have no current plans to change APD policy.<sup>242</sup>

## Public Service Obligation (PSO) Routes

The Welsh Government currently provides support for one route, between Anglesey and Cardiff, through PSO funding. In 2019, Eastern Airways was awarded a Public Service Obligation (PSO) deal to operate the route until February 2023.<sup>243</sup>

Anglesey airport is, in practice, a specially created civil enclave within the military airbase of RAF Valley on the isle of Anglesey. In recent years it has been upgraded to be compliant with the UK's National Aviation Security Programme (NASP).<sup>244</sup> NASP is the Government standard that ensures the national requirements, policies and procedures for aviation security, and is required of all airports with flights carrying more than 19 passengers.<sup>245</sup> It was reported in 2021 that Anglesey Airport has been upgraded to become NASP compliant, which may enable it to receive bigger aircraft and so, in future, to no longer be reliant on PSO services.<sup>246</sup>

## 6.3

## Northern Ireland

### Air Passenger Duty

In 2011, the UK Government reduced Air Passenger Duty (APD) for passengers travelling on direct long-haul routes from airports in Northern Ireland, so that the direct long-haul rate of APD fell to the lower short-haul rate.<sup>247</sup> This tax cut was a recognition of the fact that, because Northern Ireland shares a land border with the Republic of Ireland which had lower air travel taxes, long-haul flights to/from Belfast were in danger of becoming uncompetitive.<sup>248</sup>

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<sup>242</sup> Welsh Affairs Committee [Devolution of Air Passenger Duty to Wales: Government Response to the Committee's Fifth Report](#) 24 August 2019

<sup>243</sup> Welsh Government Press Release [Cardiff to Anglesey flights secured for another four years](#) 8 February 2019

<sup>244</sup> Ch-Aviation News [Anglesey, UK only scheduled route under review](#) 27 October 2021

<sup>245</sup> RPS Planning & Development/Welsh Government [Review of the PSO – Long Term Future](#) 11 October 2017

<sup>246</sup> Ch-Aviation News [Anglesey, UK only scheduled route under review](#) 27 October 2021

<sup>247</sup> HM Treasury Press Release [Chancellor announces overhaul of Northern Ireland flight tax](#) 27 September 2011

<sup>248</sup> HM Treasury Press Release [Chancellor announces overhaul of Northern Ireland flight tax](#) 27 September 2011

As a longer-term solution, long-haul APD was permanently devolved to the Northern Ireland Executive through the Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012.<sup>249</sup> The Northern Executive has since zero-rated APD for direct long-haul flights.

The aim of this zero-APD rate was largely aimed at supporting a direct service between Belfast and New York. However it was not enough to maintain that route, with United Airlines ending their service in 2017 and Norwegian pulling out in 2018.<sup>250</sup>

It is worth noting that, since 2014, the Republic of Ireland has levied no taxes on air travel.<sup>251</sup> In his Union Connectivity Review of 2021, Sir Peter Hendy noted that this tax differential, as well as lower rates of VAT in the Republic of Ireland compared to Northern Ireland, was seen by many stakeholders as damaging to both Northern Ireland's aviation and tourism industries:<sup>252</sup>

In the call for evidence, the imposition of APD has been cited as a barrier for securing new routes into Northern Ireland, given that airlines can establish routes in the Republic of Ireland without applying the tax and many people living in Northern Ireland can access Dublin Airport easily and relatively quickly. In 2019, 26% of all people in Northern Ireland flying to European destinations flew via Dublin. This figure is even higher for destinations in the USA (70%), Canada (74%), India (67%) and the rest of the world (48%).

The UK Government consulted on these issues of VAT, Air Passenger Duty and Tourism in Northern Ireland in 2018. It concluded that there was no case for changes to "VAT on tourism related services in Northern Ireland or the UK as a whole at this time. There will also be no changes to the APD regime in Northern Ireland at this time."<sup>253</sup>

The UK Government created a new, reduced rate of APD for domestic flights in the Autumn Budget and Spending Review of 2021, which will come into force in April 2023. This reduced domestic rate will apply to all parts for the UK including Northern Ireland, and so will reduce the tax differential between Great Britain/Northern Ireland flights and Great Britain/Republic of Ireland flights.<sup>254</sup> However, for short-haul flights e.g. to/from Europe, APD will still be payable, therefore it may continue to be cheaper for passengers to use Dublin airport than Belfast airport for such journeys.<sup>255</sup>

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<sup>249</sup> [Air Passenger Duty \(Setting of Rate\) Act \(Northern Ireland\) 2012](#)

<sup>250</sup> BBC News [Air passenger duty cut 'in Northern Ireland 'not value for money'](#) 2 August 2019

<sup>251</sup> BBC News [Ryanair responds to scrapping of Irish air travel tax](#) 16 October 2013

<sup>252</sup> Sir Peter Hendy, DfT [Union connectivity review: final report](#) 26 November 2021, Page 66

<sup>253</sup> HM Treasury Consultation outcome [VAT, Air Passenger Duty and Tourism in Northern Ireland](#) 29 October 2018

<sup>254</sup> HM Treasury [Autumn Budget and Spending Review 2021](#) 29 October 2021 Paragraph 2.184

<sup>255</sup> See HMRC Guidance Rates for Air Passenger Duty: Rates for flights starting in Northern Ireland [accessed 23 February 2022]; Northern Ireland Tourism Alliance/Oxford Economics [VAT, Air Passenger Duty and tourism in Northern Ireland](#) June 2018

## Public Service Obligation (PSO) Routes

There is one PSO route in Northern Ireland, which runs between London Stansted and City of Derry Airport. This is jointly funded between the UK Government and the Northern Ireland Department for the Economy. In March 2021, a 2-year extension was announced, beginning on 1 April 2021, to be funded through around £4.3 million over the course of the contract.<sup>256</sup> This was a renewal of a previous PSO route, which ran between London Southend Airport and City of Derry Airport.<sup>257</sup>

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<sup>256</sup> DfT Press Release [Vital flight route between London and Derry to continue as government agrees £4.3 million funding boost](#) 10 March 2021

<sup>257</sup> DfT Press Release [City of Derry Airport and London flights to strengthen ties across the UK](#) 23 August 2019

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