

Air Traffic Forecasts

Response to Airports Commission from HACAN

HACAN is the long-established organisation which represents residents under the Heathrow flight paths – www.hacan.org.uk

1. HACAN Comments

In the light of your comments in your discussion document - *this publication discusses approaches to aviation demand forecasting; how forecasting affects investment decisions; different models used in forecasting, in particular the [Department for Transport aviation demand model](#); the impact of capacity constraints on demand; and how to deal with uncertainty in forecasting models* – we have concentrated on the on the Department for Transport’s most recent forecasts.

2. Main Findings of the DfT forecasts:

The Department for Transport expects the rate of growth in air travel to slow down considerably over the coming decades. Its passenger forecasts published late in January expect demand for air travel to increase by just 1% - 3% a year up to 2050 compared to historical growth rates of 5% a year over the last 40 years.

The Department gives four reasons for the slow down:

- higher oil prices;
- an end to the decline in average fares seen in the last two decades;
- the maturity of the air travel market to and from the UK;
- and the availability of alternative modes of travel.

The Department estimates that the major South East airports will be full by 2030 but recognizes there is some uncertainty about this: “there is a range around this projection and they could be full as soon as 2025 or as late as 2040”.

Some Comments

a. These four reasons identified for the slowdown in demand make sense.

b. HACAN would add a fifth. The air traffic forecasts are based on an assumption that between now and 2050 there will be no change in the level of tax on air travel in the UK or abroad. This is a big assumption to make. In recessionary times it cannot be assumed that aviation will continue to enjoy tax-free fuel and zero-rating on VAT until 2030. Indeed, a number of European countries are introducing substitute ticket taxes, such as Air Passenger Duty. In 2003 an group of environmental NGOs – CPRE, Friends of the Earth, and the Aviation Environment Federation – persuaded the DfT to re-run their computer model on the assumption that by 2030 air travel

would be paying the same rate of tax as car travel. The result was to show a slower rate of growth and no need for extra runways.ⁱ

c. We also think the Department may be underestimating the growing use of videoconferencing by business.

The Department says; *“Videoconferencing is becoming available on basic computers. Coupled with increasing broadband uptake, this should mean that sophisticated videoconferencing facilities will be widely available. However there is significant uncertainty as to whether this will cause levels of business travel to adjust its relationship with its past key drivers of demand. For the central forecasts it is therefore assumed that the increasing availability of videoconferencing facilities will have no impact on traffic. For the lower bound forecasts, it is assumed that the increasing availability of videoconferencing facilities will result in a 10% reduction in business air travel by 2050, relative to the level of demand implied by NAPDM forecasts”*.

The Department may be being over-cautious. A report by WWF, *Moving On – why flying less means more to business*, published March 2011, found 86% of companies are either reducing their carbon footprint from business travel or intend to do so; 47% have reduced the number of business flights they’ve taken in the last two years; 63% of companies that responded now have a policy in place to reduce business flights, or are intending to implement one; of those companies which have cut their flying, 85% do not intend to return to ‘business as usual’ levels of flying.

d. Forecasts have been a bit of a fetish in the past, but have not been very accurate: there has been a tendency by the DfT to overestimate the level of demand. Therefore, many will welcome the approach taken this time round of concentrating on a range of forecasts to allow for the inherent uncertainty of forecasting. Also, it is probable that the more market-led, less prescriptive approach the current Government is developing towards airport expansion will mean exact forecasts will become less important.

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ⁱ Hidden Cost of Flying. AEF 2003. <http://www.aef.org.uk/?p=169>