

# A vision for sustainable aviation

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## INTRODUCTION

Thank you for inviting BAA to speak at this year's conference.

Can I begin with an apology on behalf of Stephen Baxter who was originally scheduled to speak today.

Stephen has very recently been appointed Chief Operating Officer for BAA, with direct responsibility for the company's seven UK airports.

It's a move which signals BAA's commitment to put passenger interests first, and to bring about substantial improvements to our operational experience.

One of his first tasks will be to tackle some of the ongoing customer service difficulties at Heathrow. It's a big job.

But Stephen brings a huge amount of experience to the role, much of it honed here in Scotland, first as MD at Glasgow Airport, and more recently as Divisional Managing Director of BAA Scotland.

Unfortunately, because of his other commitments, Stephen isn't able to join us today. But he sends his best wishes for a successful conference.

In any case, I'm pleased to be able to speak to you today.

## SUSTAINABILITY

I want to start by posing a question.

What does sustainability mean?

In 1987, the UN World Commission on Environment and Development published *Our Common Future*, a report that sought - very successful - to bring environmental concerns to the fore.

That report defined sustainability as:

**“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”**

It's a definition that I think stands the test of time.

So, let's use it as a starting point of my discussion. But only a starting point.

Because, sustainability surely means more than protecting our flora and fauna, water and air quality, as important as that is.

The environment is only part - an important part - of the sustainability equation.

For me, sustainability also equals investment, stability, employment.

- Creating the right financial environment that allows Scotland to succeed, now and into the future.
- Protecting the jobs that help us flourish as individuals, as a society.
- Ensuring we leave our children the legacy of a strong, successful economy.

## **AN OPEN AND HONEST DEBATE**

So, today, I want to discuss some of the many social and economic benefits our airports bring to Scotland - which are sometimes forgotten in the debate on climate change.

In saying this, I do not seek for one moment to belittle the environmental challenge that we face. It is immense, the biggest challenge in the history of the human race.

But we will not meet that challenge unless we are prepared to openly and honestly debate the way forward.

Certainly, we can all agree on one thing. Climate change is real, and its effects are becoming more real with every passing day.

And while we may disagree on some of the solutions to climate change, we all agree that aviation is part of a growing problem.

So, let's start with this simple truth. Yes, the growth of air travel has contributed to climate change.

The recent STERN report, commissioned by the UK Government, found that aviation accounts for 6% of the UK's total CO2 emissions, and just 1.6% of global emissions. Even taking into account likely growth patterns, the industry will, according to STERN, account for just 5% of global CO2 emissions by 2050.

Now, as a responsible business leader, and as a father of two young daughters, I know we can never afford to become complacent.

1.6% is still 1.6%. But it is nothing compared to the emissions generated by other industries:

- Worldwide, shipping represents 5% of current global emissions - **three** times more than aviation
- In the UK, road transport accounts for 24% of CO2 emissions - **four** times the figure for aviation

Furthermore, domestic aviation - often perceived as having the largest impact on UK CO2 emissions - accounts for only **0.5%** of UK emissions.

And yet, there is a perception that aviation is almost wholly responsible for climate change. It is an assumption that is not only intellectually bankrupt - because the scientific data tells an entirely different story - but that also threatens to damage Scotland's economic competitiveness, undermine thousands of jobs and risk future investment.

If we continue to focus on aviation as the root cause of the problem, and do nothing to address other contributory factors - road transport, industry, deforestation etc - we will fail, as a society, and as a people. Because aviation is merely the tip of the iceberg.

So, perhaps, it's time to refocus the debate. And in our search for answers to global warming, we need to devise solutions that don't imperil the economic success on which we all rely.

This is what I mean when I talk about sustainability.

Protecting the environment, absolutely.

But also delivering employment, investment and stability.

Without these, how do we build a sustainable future for my daughters' generation?

## **CONNECTING SCOTLAND**

Look around you. Edinburgh is changing. The home of an internationally renowned arts festival. A major European financial centre. And the seat of Scotland's young democracy. Truly, a world class city.

Today almost nine million visitors pass through Edinburgh Airport every year. Ten years ago, the story was very different with fewer than 3.8 million passengers, travelling largely to London and the south.

Now, Edinburgh airport serves 80 destinations worldwide, and is home to some of the world's leading international airlines. In the past year, the airport has added 21 new services to 14 new destinations and international traffic has grown by a staggering 22%.

This hasn't happened by accident, of course. It's a direct result of BAA's considerable investment in Edinburgh airport - both in its terminal and airfield facilities, and in its international route network.

And the same is true of Aberdeen and Glasgow airports, with international traffic up by 37% across the three airports over the past five years.

And despite reducing our landing charges by 30% - in real terms - since 1993, we have invested record amounts on route development: £95 million over the past five years in support of new and existing airlines.

Today, our airports serve more than 130 destinations worldwide, from Boston to Berlin, Dublin to Dubai.

But our commitment to Scotland starts closer to home. For many remote regions of Scotland, air travel provides a vital social lifeline, linking communities across the Western and Northern Isles with the mainland and central belt.

So, in addition to offering support for new international services, BAA also provides backing for lifeline air routes within Scotland, with some aeronautical charges discounted by as much as 65%. I expect few of you knew that.

## **THE SOCIAL AND ECONOMIC CONTRIBUTION OF AVIATION**

Airports are therefore an important part of the social and economic fabric of Scotland, and the UK. A study in 2006 by Oxford Economic Forecasting found that the aviation industry directly contributed £11.4 billion to UK GDP in 2004 and employed 186,000 people. Over 52,000 jobs in the UK depend to some extent on the aviation industry, and visitors arriving by air contribute over £12 billion a year to UK tourism.

Here in Scotland, more than 10,000 people are directly employed by our three airports, at Aberdeen, Edinburgh and Glasgow, with thousands more employed at Inverness, Sumburgh, Stornoway, Dundee and Prestwick airports.

Across Scotland, there are hundreds, if not thousands, of businesses - airlines, handling agents, transport providers, retailers, importers, exporters - that rely on our airports.

But look beyond the airports, to the hotels, bars and restaurants, the conference centres, the tourist attractions and the service industries that are the backbone of our thriving local economies. Many of them, again, reliant on the 21 million business and leisure travellers who pass through our airports every year.

What becomes of them - and their employees - if we restrict the ability of our airports to grow and compete?

And consider the impact on our ambitious investment plans.

Over the course of the next ten years, BAA will invest some £500 million across its three airports, delivering modern 21<sup>st</sup> century gateways for Scotland. That investment will be met entirely by BAA, at no cost to the Scottish taxpayer.

At Glasgow airport, we've just embarked on our biggest single investment for a generation; a £30 million terminal extension to provide much needed capacity, speed up the security process and improve the passenger experience with new bars, cafes and restaurants.

Consider the value too of our airports to local suppliers. In 2006, BAA Scotland had a combined supply chain spend of more than £70 million - money re-invested back into the local economy.

And consider the benefits of having a direct link from Scotland to Dubai - worth £12m a year to the Scottish economy. And Dubai is just one of the dozens of new international routes supported by BAA Scotland's route development fund.

That investment has revolutionised air travel to and from Scotland, attracting major international carriers such as Emirates, Continental, Delta, US Airways, Virgin Atlantic and SAS to Scotland. More importantly, it has opened up access to some of the most important commercial and financial centres of the world, creating new business and tourism opportunities, here and abroad.

So, I guess my point is this.

Demand action on climate change from the aviation industry. Certainly.

But don't target us in a way which damages the future prosperity - not only of this industry - but of our society as a whole.

## **A QUESTION OF CHOICE**

In 2006, BAA published 25 year Master Plans for its three Scottish airports, following the largest public consultation ever undertaken by BAA in Scotland.

Those Master Plans set out, in some detail, BAA's plans to develop Aberdeen, Edinburgh and Glasgow airports over the next quarter century.

They mean more jobs for local people, a wider choice of international destinations for business and leisure travellers, and modern facilities for our passengers. Delivered in a responsible and sustainable manner.

Our new owners Ferrovial remain committed to these ambitious investment plans, and we remain on track to deliver them, in line with the UK Government's 2003 Aviation White Paper.

But it would be disingenuous of me not to admit that there are some difficult choices ahead.

Choices for Government. Choices for business. Choices for us as individuals.

Much has been said about the need for a third runway at Heathrow. That is a debate for another time, though I will say that many of the current difficulties at Heathrow stem from a lack of physical capacity. This is an airport, remember, that was built to handle 45 million people but now serves 65 million passengers.

The problem is not a lack of investment – T5, opening next spring, has been built at a cost of £5 billion. The problem is a planning system that is painfully slow, inflexible, and lacking in forward thinking.

As a result, Britain has allowed the world's busiest airport – an airport that should be the jewel in its transport crown – to slowly grind to a halt, while its nearest rivals Amsterdam, Paris, Frankfurt develop at breakneck speed.

Here in Scotland, we have a track record of delivering new infrastructure ahead of demand, so the challenge is not so great.

But we cannot afford to become complacent and must continue to put passengers first.

So, we face a choice. Invest or stand still.

Stand still, and we risk losing out to our competitors in Copenhagen, Dublin, Brussels and elsewhere in Europe.

As a company rooted in Scotland for the long term, it's an easy choice. We must - and we will - invest.

£500 million over the next ten years.

## **A BETTER SERVICE**

The airline industry is often criticised for poor service, delays and cancellations.

And there is no doubt the industry has endured a very difficult and challenging twelve months - first with the step change in security brought about by the events of August 10, 2006; and more recently, with the attack on Glasgow Airport.

That incident was one of the biggest challenges any of us in 'Team Glasgow' will ever face in our careers. I'm immensely proud of the response of my team, of the emergency services, and of our passengers – they showed great patience, understanding and resilience. As you'd expect from the people of Glasgow.

Despite those challenges, the industry – and BAA - has worked hard to improve the customer experience. Since August 10, BAA Scotland has invested an extra £12 million in new technology and more than 200 additional frontline staff to speed up the security process. This investment means that, today, 98% of our passengers pass through security within seven minutes at Glasgow Airport.

The main challenge remains Heathrow, where security queues are still unacceptably long. But if we can tackle these – and in Stephen Baxter we have just the man to deliver – then I believe we can significantly improve the customer experience, particularly for time pressured domestic business travellers.

I don't apologise for that. Indeed, as I said earlier, it's time we dispelled the myth that domestic air travel is a major contributor to climate change. It isn't.

And the reality is that, for all the recent hype about the high speed Eurostar link between St Pancras and Paris, for many people here in Scotland, the train isn't a particularly cheap or practical way to travel.

Certainly not if you live in the Aberdeen, Inverness or Thurso.

And with a journey time of between four and five hours from Glasgow or Edinburgh, even central belt commuters are hard pushed to get a full days work done in London, without an overnight stay.

I don't say this as a criticism of the rail industry – in the past I've worked for FirstScotrail and know the industry well. But unless we invest heavily in our rail infrastructure, at levels beyond anything seen in my lifetime, it's difficult to imagine any major reduction to journey times between Scotland and the south.

So, for many people in Scotland, air travel remains the most viable form of long distance travel.

And yet, the domestic airline industry is made to pay a heavy price through increased taxation.

Air Passenger Duty - which was doubled earlier this year - isn't a practical or sustainable response to climate change.

In fact, it's simply a tax on flying that does nothing - nothing - for the environment. Instead, it places an unfair and disproportionate burden on low cost airlines which generally carry full loads, operate modern aircraft and are amongst the most environmentally responsible. So, APD does nothing to incentivise 'greener' travel.

And, in fact, it targets the wrong people - hammering low paid families who might struggle to afford that extra £10 or £20 per ticket. Do we really want to make air travel the preserve of the rich and famous again? Is that the answer to climate change?

At a stroke, APD has made Scotland less competitive. It has tied the hands of our tourist industry and placed an unfair burden on our low cost airlines. And it doesn't just affect the Highlands and Islands. At Glasgow, where seven out of the top ten carriers are low cost, the effect has been noticeable.

## **A RESPONSIBLE INDUSTRY**

One might understand the push to increase APD if the airline industry were dragging its heels on climate change. But the industry has genuinely been responsive.

In fact, I'm encouraged by the progress we have made as an industry - first, in understanding and accepting the scale of the challenge; and secondly, in responding collectively to meet that challenge.

Under the Kyoto agreement, the UK is committed to reducing its emissions of greenhouse gases to 12.5% below 1990 levels. This is to be achieved between 2008 and 2012. The UK Government has also set a longer-term goal of a 60% reduction in carbon dioxide emissions by 2050. We are committed to playing our part in achieving these goals.

Where we have direct control over carbon emissions, such as energy use in our facilities, we aim to lead the airport industry in managing them.

So, it is our objective at BAA to reduce our CO2 emissions from energy use by 30% by 2020 compared to 1990 levels.

Where we do not have direct control over emissions, like those from flights, we will use our influence to lead change in the industry.

Aircraft manufacturers have delivered impressive improvements in fuel efficiency over the past 40 years. Indeed, aircraft fuel efficiency has more than doubled during this period. Welcome progress.

In Europe, aircraft manufacturers have set a target for new aircraft in 2020 to be 50% more efficient than new aircraft from 2000. The new Airbus A380 super jumbo, set for launch in a matter of weeks, burns 12% less fuel per seat than a 747 jumbo jet.

And even in the United States, manufacturing giants like Boeing are responding to the climate change challenge. The new Boeing 787 Dreamliner, due to come into operation in 2008, will produce 20% fewer emissions than existing aircraft of a similar size.

There are also significant opportunities to make air traffic control more efficient. The 'Single European Sky' is a project to integrate European air traffic control systems.

The International Air Transport Association has predicted that 12% of global aviation CO2 emissions could be saved if air traffic control systems were made more efficient.

So, there is reason to feel encouraged about the future. But there is still one area where progress is frustratingly slow.

We believe that the most effective solution to address aviation's contribution to climate change is through a system of tradable permits in emissions – emissions trading.

BAA is committed to supporting the EU's plan to bring aviation greenhouse gas emissions within the EU Emissions Trading Scheme as soon as practicable. This will force the aviation industry to make a choice: either cut emissions or pay for permits which will fund innovation in other industries to deliver matching emissions reductions.

The current Commission proposal is to incorporate aviation by 2011. If achieved, it would deliver a 45% cut in emissions by 2020 compared to business as usual. That would represent a serious step-change in the industry's approach to climate change.

We believe that with sufficient political will, we could move even faster than 2011, and we will continue to build support for early progress in this area, working with our industry partners and other stakeholders.

## **A GLOBAL SOLUTION**

But action at a European level can only be the start, a first step towards a global agreement on climate change.

We need multi-lateral agreements that bind India, China and the United States – because without their support, we will simply be paying lip service to the issue.

That doesn't mean we shouldn't act alone. Of course we should. But we must act in a manner that does not adversely impact our ability to compete, as an industry and as a country. And it's important that our response is proportionate.

Taking unilateral action to curb aviation in Scotland, or the UK, doesn't even begin to address the challenge. Not while China and India are pressing ahead with their own hugely ambitious airport development programmes, and while the US continues to resist EU pressure on climate change.

China alone will invest \$18 billion over the next five years - building, relocating or expanding 131 airports. Not to mention its huge investment in fossil fuel power stations that dwarf aviation emissions.

## **NEW OPPORTUNITIES: AND A CALL TO ACTION**

So, how do I see the future? Actually, I think the emerging picture is one of progress, with some key challenges ahead, clearly.

And a unique role for Scotland.

Scotland has delivered the greatest thinkers, the greatest entrepreneurs, the greatest innovators. Pioneering Scots who changed the way we live our lives.

People like the philosopher David Hume, who led the Enlightenment. The scientist Alexander Fleming who discovered Penicillin and saved millions of lives. The inventor James Watt who inspired the industrial revolution.

And in more recent times, the businessman Sir Tom Hunter, now leading the fight against poverty and AIDS in Africa.

All of them noble and inspirational figures.

Now, and in the past, Scotland has led the world in key areas of science, literature, medicine, construction and communications.

We have an enormous wealth of talent in our colleges, universities and business parks. I have every confidence that if we harness those talents, Scotland can make a real difference, delivering workable solutions to climate change that will bring lasting benefits to future generations.

And there is another area where I see great opportunities for Scotland. Ecotourism.

Over 200,000 people work in tourism related industries in Scotland, and almost 16 million tourists visited Scotland in 2006, spending over £4.1 billion.

The travel industry is changing. Around the UK, there are now hundreds of specialist operators offering responsible, sustainable holiday options.

And it strikes me that Scotland has enormous potential to lead the way in this field. According to VisitScotland, over 80% of our visitors say that the environment is what they like most about Scotland. And who can blame them.

We won't stop people visiting Scotland - why would we? But if we manage the process responsibly, in a way that conserves the environment and improves the well being of local communities - we can achieve the best of both worlds.

Scotland ... a world leader in sustainable tourism. Quite a thought, isn't it?

We don't have all the answers. But we're willing to work with Scottish Ministers, the tourism industry and the rest of the business sector to discuss solutions, in this and other areas. I invite you all to join us in this challenge.

## CONCLUSION

So, where do we stand:

- I think we all agree that urgent action is needed to tackle climate change
- But we need a proportionate response, based on a scientific and economic analysis
- And we need a mature and open debate on the impact of air travel
- And we cannot afford to lose sight of the significant and growing contribution that aviation makes to the Scottish and UK economies.
- Taxation isn't the answer to climate change, nor is restricting the public's freedom to fly
- The answer lies in multi-lateral agreements on climate change, including the aviation industry
- And Scotland has a unique opportunity to play its part in tackling the climate change challenge by leading the debate and developing the solutions.

Thanks for listening. I hope I've raised some areas for discussion and I look forward to taking your questions.

-ENDS-