



British Business and General Aviation Association

Ronnie Jefferson
Transport Committee
Committee Office
House of Commons
7 Millbank
London SW1P 3JA

23/2/09

Dear Sirs,

Future of Aviation

As part of your wider engagement with stakeholders, I am pleased to take this opportunity to submit written evidence on behalf of the 170 members of the British Business & General Aviation Association (BBGA).

The BBGA's members are engaged in a wide variety of activities within the General Aviation sector; including the operation of aircraft, maintenance, handling, airfield operation and insurance, among others.

Our aircraft-operating membership is almost exclusively made up of companies which use their aircraft as workhorses; either to train pilots or as a means to increase the efficiency of their own or their client's main business. The businesses that our members operate are not extravagant or run on a 'money-no-object' basis; they are businesses operating on margins comparable with other areas of industry, and either competing against foreign companies for work throughout Europe, or using their aircraft as a productivity tool for their own management team. A European Commission paper entitled "An Agenda for Sustainable Future in General and Business Aviation" published on 11th January 2008 has been provided to Government personnel and gives an idea of the important role which the commission recognises is performed by General and Business Aviation.

Summary

UK Aviation policy has been inattentive to the needs of Business and General Aviation for too long. To redress this imbalance, BBGA makes twelve key recommendations, as follows:

- 1) Economic value (including induced value) should be at the heart of every UK aviation policy decision.
- 2) The UK Government should sponsor an independent study into the comparative value of different sectors in aviation, and use the result to drive aviation policy across the sectors.
- 3) Congested UK airports should be required to reserve a percentage of their available slots for higher-value business aviation
- 4) Airport capacity limits should be set with the primary aim of maximising the efficiency of the Air Traffic System
- 5) A planning framework should be derived for airport developments such that the need for lengthy enquiries is minimised
- 6) An urgent list of 2012 Olympic airport development priorities should be established and implemented immediately.
- 7) UK should adopt a 'light' administrative system for compliance with EU ETS for Business Aircraft to ensure equality of treatment with US competition, as already suggested to the DfT and Environment Agency by BBGA.
- 8) UK DfT should lead an initiative in Europe for a proportionate system of security checks for small and medium business aviation, as already suggested by EBAA and BBGA.
- 9) The UK CAA and SEMTA must urgently be compelled to rapidly build the accreditation framework to allow academic qualifications to count towards the requirements for professional aircraft engineering licences.
- 10) The UK should examine the possibility of introducing incentives to flying schools to offset the disadvantageous impacts of VAT on commercial flying training compared to other EU Member States.
- 11) Government should exclude International Aviation from the 2008 Climate Change Act before the 2012 decision deadline, until a short-cycle carbon fuel such as bio diesel is a viable alternative.
- 12) The UK should press for changes to the European security regime so an alternative system more suited to Business and General Aviation is adopted offering passengers an appropriate and advanced level of security.

1.1 What is the value of aviation to the UK economy?

1.1.1 Business Aviation comprises about 8% of Instrument Flight Rules (IFR) traffic in Europe. The question of economic value is difficult to address, but official estimates of the direct value of the Business Aviation fleet is that it contributes some £2.5 Billion to the UK economy, roughly 8% of the value of the airlines (figures from Eurocontrol and the DfT/CAA Strategic Review of General Aviation).

1.1.2 The use of business aviation allows new business connections to be made quickly and efficiently, which accelerates the process of investment and the conduct of business relationships. The ability to do business quicker and farther afield from a company's home base is the main benefit of business aviation to British enterprises and ultimately the wider economy.

1.1.3 By far the most authoritative study on the subject of the value of Business Aviation to the European economy was undertaken by Pricewaterhouse Coopers, and completed in November 2008. The analysis related to the industry in 2007, and involved primary research interviews with companies accounting for about 45% of the economic activity of the business aviation sector in Europe, together with use of industry databases, as well as data from 70 company reports of business aviation-related companies. Although the report is aimed at Europe-wide conclusions, it is easily possible to extrapolate UK-specific figures from the published data.

1.1.4 It reaches the following conclusions:

- France, Germany and the UK are the countries most impacted by the business aviation industry. The total impact of business aviation in these three countries was €12.6bn in 2007, which represents 64% of the total industry Gross Value Added (GVA) in Europe.
- PwC were prudent in calculating the economic impact of the industry, subtracting profits from the output figures because of the difficulty in ascertaining the share of the profits from European business aviation companies that would be distributed and spent within Europe. If these amounts had been included, the industry's total impact on GVA would have been €24.8bn.
- Business Aviation accounts for approximately 0.2% of the combined GDP of the European Union (EU), Norway and Switzerland.
- On average, the indirect economic value of the industry roughly equates to 100% of the direct value.
- On average, the induced value of business aviation is roughly 100% of the sum of direct and indirect values. This would indicate that the total direct, indirect and induced value to the UK economy could be as high as £6-10 Billion per year.
- The UK accounts for more than 30% of all European business aviation employment, as shown in fig 1.

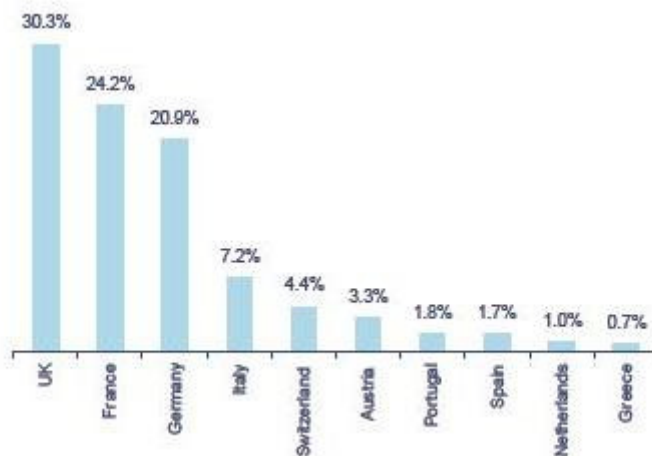


Figure 1: Share by country of the total impact of business aviation on European employment

1.1.5 Moreover, studies have shown that companies with access to business aviation perform around 10 % better than those without. In a 1995 study the UK DfT recognised that *“Aviation facilities are the third most important factor influencing inward investment decisions with evidence to support the importance of BusAv in a number of instances... .. business aviation facilities have a part to play in helping to promote bi-lateral trade... .. insufficient capacity for business aviation use in South-East will have a potential adverse impact upon local economics and national competitiveness.”* More recently, a Communication from the European Commission entitled **“An Agenda for a Sustainable Future in General and Business Aviation”** dated 11 January 2008 COM (2007) 869 Final stated that *“General and Business Aviation provides closely tailored, flexible, door to door transportation for individuals, enterprises and local communities, increasing mobility of people, productivity of businesses and regional cohesion”*.

1.1.6 In a sustainable economy it is clear that Business Aviation is far more environmentally efficient than the airlines in its economic value per unit of emissions, and it is obtaining the highest possible ratio of economic benefit to quantified emissions that is key. Hence it is not filling an aircraft with as many passengers as possible that is environmentally efficient, but rather obtaining the maximum economic value for as few emissions as possible that matters. Unfortunately, this is the opposite principle to the one selected for the EU Emissions Trading Scheme, which will apply to aviation flying to, from or within the EU from 2012. Under this scheme, airlines will be able to obtain 85% of their carbon permits free of charge, simply by virtue of the fact that they operate with more passengers; thus incentivising value-neutral (or even value-destroying) flights on scheduled airlines at the expense of the far more economically beneficial business aviation sector. On a domestic front, airlines also receive preferential treatment with regard to airport slots, and have the legal right to displace business aviation at busy airports and even to capitalise their 'value' on their balance sheets. This is clearly counter-productive to the UK's economic well-being, as well as being questionable economic practice.

Recommendation 1: Economic value (including induced value) should be at the heart of every UK aviation policy decision.

Recommendation 2: The UK Government should sponsor an independent study into the comparative value of different sectors in aviation, and use the result to drive aviation policy across the sectors.

1.2 What are the roles of the London and regional airports?

1.2.1 General Aviation is able to utilise a wide variety of airports, and as the aircraft are generally small and quiet, they are good neighbours even in noise-sensitive areas. Scheduled Air Carriers have access rights to major airports that are enshrined in law; when an airfield becomes congested, non-airline traffic is displaced to smaller airports. Furthermore, airlines are allowed to capitalise the value of runway slots (which are not available for non-scheduled traffic) and carry them on their balance sheet as assets. In Business and General Aviation, none of this applies. Despite the fact that Business & General Aviation earns far more value for the national economy per movement than their airline counterparts (see above), they are forced ever outwards from business and population and commercial centres by the protected rights of commercial carriers.

1.2.2 The London airport with the highest percentage of Business Aviation traffic is London Luton Airport, with over 22% of its movements occupied by this type of traffic. It is the main arrival and departure point for trans-Atlantic business aviation traffic. Until only 15 years ago, this role was fulfilled by London Heathrow, but Air Transport traffic has now displaced our sector almost entirely from this airport.

1.2.3 Although able to use a variety of airports, capacity constraints are applied solely by the local government, in complete isolation from airspace capacity constraints. This approach is illogical and wasteful as we enter a period of unprecedented environmental scrutiny. Airport capacity planning should form part of a coherent transport policy, with capacity decisions made throughout with Air Traffic system efficiency as the prime goal.

1.2.4 The local planning process also hinders sensible use of the available airport infrastructure. The headline stories concerning additional runways at major airports are well-known, but BBGA members report many other significant developmental needs being delayed by minor local issues, which are allowed to over-ride the greater national economic good. Biggin Hill, Oxford and Lydd airports are but three which have experienced delays to their expansion plans, which in turn are endangering the UK's readiness for the 2012 Olympics. This event will attract over 900 additional movements over the period of the Olympics (BBGA estimate of large business aircraft movements, detail attached), and yet no significant planning has taken place to ensure this additional volume can be handled.

Recommendation 3: Congested UK airports should be required to reserve a percentage of their available slots for higher-value business aviation

Recommendation 4: Airport capacity limits should be set with the primary aim of maximising the efficiency of the Air Traffic System

Recommendation 5: A planning framework should be derived for airport developments such that the need for lengthy enquiries is minimised

Recommendation 6: An urgent list of 2012 Olympic airport development priorities should be established and implemented immediately.

1.3 What competition do they face from abroad?

1.3.1 International competition is an ever-present factor in all aspects of aviation. The recent adoption of the EU/US Open Skies agreement has enabled American commercial business aviation operators to seek more commercial work in Europe, to the detriment of the European business aviation fleet. The advent of the EU Emissions Trading Scheme for aviation from 2012 further exacerbates the situation, as commercial US operators will be largely exempt from the scheme's charges (due to the 243 flight per quarter threshold for non-EU commercial traffic), while their European competition will not be exempted. This will equate to European operators paying approximately €0.04 more per litre of fuel in carbon permits, which their American counterparts will not be required to pay, thus providing further incentive to compete in Europe. Furthermore, there is evidence that foreign commercial business aircraft operators are flaunting the law regarding permit applications to operate certain flights from the UK, but insufficient enforcement personnel mean that they can do that with impunity.

1.3.2 One aspect of competition frequently overlooked is that of airport competition. General and Business Aviation, unlike its Air Transport counterpart, has a choice of which airport (and which country) to operate to. If the UK makes flying through this country an unattractive proposition, due to cumbersome or excessive security or immigration procedures, many business aviation users will simply take their business elsewhere. BBGA fully accepts the need for sensible and proportionate security and immigration methods, and advocates that specific rules should be adopted for Business & General Aviation which allow the necessary flexibility of operation while ensuring the highest standards of intelligence gathering.

1.3.3 Aircraft maintenance companies also face considerable competition from overseas, mostly driven by exchange rates and the availability of qualified labour. In the case of the UK, the labour issue is almost entirely due to the fact that no accreditation is given for professional license qualification by virtue of previous academic study. Competing European countries such as Germany offer a range of accreditation for prior study, and this greatly eases the route to professional license qualification. This issue is vital for the long-term future of aviation maintenance in this country. The current demographic of the maintenance industry is not sustainable for more than another 5 years or so, and beyond that it is not at all clear where qualified personnel will be drawn from.

1.3.4 Another area of the industry subject to overseas competition is that of commercial pilot training. Even within Europe, the taxation treatment of this training is handled vastly differently. This imbalance has led to most UK flying schools conducting some or all of their training overseas, or closing. The following table summarises the wide-ranging variation of taxation treatment of commercial flying training, and is self-explanatory:

Country	VAT rate applied	Notes
Austria	20%	Aircraft maintenance exempt from VAT
Belgium	21%	VAT not applied to examiner and licence fee
Bulgaria	20%	Aircraft maintenance exempt from VAT
Cyprus	15%	
Czech Republic	19%	
Denmark	25%	No VAT applied on commercial flight training
Estonia	18%	
Finland	22%	No VAT applied on hire of plane
France	19.6%	
Germany	19%	Aircraft maintenance exempt from VAT
Greece	19%	
Hungary	20%	
Ireland	21%	
Italy	20%	
Latvia	18%	Aircraft maintenance exempt from VAT
Lithuania	18%	No VAT applied on commercial flight training
Luxembourg	15%	No VAT applied on commercial flight training
Malta	18%	Chartering of aircraft for training exempt
Netherlands	19%	
Poland	22%	Lower rate of 14% applied on commercial flight training
Portugal	21%	
Romania	19%	
Slovakia	19%	Aircraft maintenance exempt from VAT
Slovenia	20%	Aircraft maintenance exempt from VAT
Spain	16%	No VAT applied on commercial flight training
Sweden	25%	
United Kingdom	15%	

Table 1: Taxation treatments of flying training across the EU

Recommendation 7: UK should adopt a ‘light’ administrative system for compliance with EU ETS for Business Aircraft to ensure equality of treatment with US competition, as already suggested to the DfT and Environment Agency by BBGA.

Recommendation 8: UK DfT should lead an initiative in Europe for a proportionate system of security checks for small and medium business aviation, as already suggested by EBAA and BBGA.

Recommendation 9: The UK CAA and SEMTA must urgently be compelled to rapidly build the accreditation framework to allow academic qualifications to count towards the requirements for professional aircraft engineering licences.

Recommendation 10: The UK should examine the possibility of introducing incentives to flying schools to offset the disadvantageous impacts of VAT on commercial flying training compared to other EU Member States.

2.1 Is the current aviation infrastructure adequate for the needs of UK business and individuals and how should it be developed?

2.1.1 The current aviation infrastructure is not adequate for the needs of UK businesses and individuals using business and general aviation. An overall strategy should be developed to address the following issues:

- Aerodrome locations and sizes to meet the nation's needs over the next twenty years
- Airport capacity decisions should be made at a national level, with the goal of maximising network efficiency and capacity (see 1.2.3 above)
- Airport development processes should be streamlined to allow compliance with the national strategy (see 1.2.4 above)
- Access to congested airports by business and general aviation traffic should be enshrined in law to ensure that Air Transport traffic does not displace the more valuable business traffic (see 1.2.1 above)
- Integrated training for maintenance engineers (see 1.3.3 above)

2.2 What are the implications of future passenger trends and possible mergers in the airline industry?

2.2.1 No comment

3. To what extent can rail provide an alternative to short-haul flights?

3.1 Clearly there is a role for rail as an alternative to short-haul flights, just as buses provide an alternative to cars for road journeys. Users must always have a choice of transport modes, however, which reflect the environmental impact of the chosen means of travel.

4.1 What costs does aviation impose on society and the environment?

4.1.1 The Business Aviation sector takes its environmental responsibilities very seriously and is proud that, because of our young fleet - one of the youngest in the world - and efficient utilisation by flying specifically to task rather than to a schedule, we generate less than 1% of aviation emissions, and therefore only a few hundredth of one percent of overall emissions, despite representing more than 8% of IFR traffic in Europe today. Yet, notwithstanding this minimal contribution, the BBGA fully accepts that aviation operations, like other modes of public transportation, have an environmental cost (according to Stern some 1.6% of global emissions, which is significantly less than most other transport sectors), and that action is needed to minimise our impact on the environment and ensure we operate in a sustainable manner.

4.1.2 In consequence, many of our members already choose voluntarily to offset their emissions via BBGA own Carbon Balancing scheme, introduced in 2007.

4.1.3 EU ETS will be extended to aviation with effect from 2012, and will place cap and trade principles onto the sector for the first time.

4.1.4 Aviation Passenger Duty (APD) has been assessed to roughly cover the environmental cost of aviation.

4.2 What are the implications of climate change policy—in particular the Climate Change Act 2008—for the aviation industry and infrastructure?

4.2.1 The Climate Change Act 2008 has potentially terminal implications for UK aviation. Since there is no obvious alternative to fossil fuels at present for aviation, if the government elects to include aviation in the greenhouse gas emission reduction targets of at least 80% by 2050, and reductions in CO₂ emissions of at least 26% by 2020, against a 1990 baseline, it will spell the end of aviation.

4.2.2 BBGA's hope is that government will elect to exclude International aviation from the scheme by the 2012 decision deadline.

Recommendation 11: Government should exclude International Aviation from the 2008 Climate Change Act before the 2012 decision deadline, until a short-cycle carbon fuel such as bio diesel is a viable alternative.

5.1 What is the impact of taxation on the aviation sector nationally and regionally?

5.1.1 Aviation taxation is a finely balanced aspect of international trade. Any changes to the scale of operational taxation should be driven through ICAO to ensure that the global playing field is not skewed against the interests of British operators. Recent increases in Air Passenger Duty (APD) and the introduction of EU ETS already threaten that balance.

5.1.2 Business and General Aviation is a tool of efficient business; excessive taxation will simply lower the ability of British businesses to compete with their international counterparts.

5.2 Are passengers adequately protected from the collapse of airlines?

No comment.

6. What is the impact on the aviation sector of changes in the security environment?

6.1 General and Business Aviation is very different from Air Transport Aviation. The design of the aircraft is such that passengers are seated in close proximity to their luggage, often near a crash axe, and the cockpits frequently cannot be fitted with doors due to the need to provide egress for the crew in an emergency.

6.2 And yet, it is likely that unsuitable Air Transport security rules will be forced onto Business Aviation users simply because UK government agencies refuse to understand these fundamental differences. The recommendation of the BBGA and other representative bodies in the industry can be summarised as follows:

6.3 Based on current threat assessments, the size of aircraft is the key determinant of risk, both in terms of the vehicle's capability to do damage on the ground and its attraction to potential terrorists. A further determinant is the accessibility of the aircraft to the general public: business aviation operations do not sell flights on a per seat basis, a fundamental difference from an airline. Derogation from international rules does not mean there is no security at all, but rather the application of different procedures appropriate to the different basis of operation. It is also necessary to ensure national compliance with the requirements of the recently amended ICAO Annex 17 (AL 17).

6.4 Based on these principles, security requirements for Business Aviation can be broken into three subgroups:

- Aircraft below 5.700 kg Maximum Take off Weight (MTOW).
- Aircraft between 5.700 and 15,000 kg MTOW.
- Aircraft between 15,000 kg and 45.000 kg MTOW either operated by a corporation or fractional owner, or used by a corporation or fractional owner on whole plane charter.

6.5 **Aircraft below 5.700 kg MTOW**

6.5.1 Aircraft below 5.700 kg MTOW, which carry small numbers of passengers and very little fuel, would also have low kinetic energy even at maximum speed. They therefore present a minimal risk in terms of their potential as a weapon to be used against people and property. In respect of such small aircraft, a secondary risk reducing factor is that pilots and passengers are generally much better known to aerodrome personnel and aircraft operators than the typical passenger on a commercial airliner. Moreover, recreational general aviation passengers are typically friends, family, acquaintances or colleagues of the pilot in command. Suspicious activities such as use of cash for flights, probing or inappropriate questions are more likely to be quickly noted on the small aerodromes from which such aircraft operate and the authorities alerted. For business aviation operations of small aircraft below 5700 kg, typically all parties onboard the aircraft are known to the pilot(s). Accordingly, in the light of the potential risk and exposure, for aircraft below 5700 Kg adequate security is assured as long as:

- Aerodrome operators minimize the risk of unauthorised access to hangars and aircraft.
- Pilots ensure that:
 - The identity of all occupants is verified before flight.
 - All occupants are aboard at the invitation of the owner/operator, and
 - All baggage and cargo is known to the occupants and placed on board by the passenger requiring its carriage.

6.5.2 Security identification badges required for personnel at major airports are not appropriate for the majority of general aviation aerodromes due to the lack of security restricted areas, perimeter fencing and other security controls. Moreover, because of the small numbers of personnel on site they are unnecessary.

6.5.3 **Low Frequency Screening Protocol (LFSP)**

Whilst not the preferred basis for providing security for smaller aircraft, because of the wider, more focused aviation security regime proposed and such aircraft's internal design, the screening of passengers, cabin baggage and hold baggage should be the default procedure for all Business Aviation flights using aircraft above 5,700 Kg. A Low Frequency Screening Protocol (see below) may be utilized at those airports or parts of airports (FBO) processing less than 250 passengers per day.

6.5.4 LFSP is an affordable and proportionate method for screening small numbers of passengers. This special protocol allows staff from other trade disciplines to be trained and qualified to conduct screening to a company defined standard, which shall have been approved by the Authorities as appropriate to the exposure, assessed risk and possible consequences. LFSP delivers the same screening standards as defined in Regulation (EC) No 300/2008, but allows more flexible and efficient use of staff appropriate to very low volume activity.

6.6 **Aircraft between 5,700 and 15,000 kg MTOW not operated as a Corporate (in house or charter) or Fractional Aircraft**

A written security program shall be adopted, operated and maintained, which will designate a security focal point and contain contingency plans, including those for dealing with bomb and air piracy threats. Robust booking and boarding procedures shall also be put in place to identify and deal with passengers under duress. It shall be a requirement for derogations from screening that the operator shall have been independently audited against an industry standard, and shall be registered as meeting the security requirements of the programme.

6.6.1 Screening of Passengers

Prior to each flight, the carrier shall compile a declaration (passenger manifest) including the name, nationality, date of birth and identification document number of every passenger.

All passengers shall carry state-issued identification documents that include a photograph (e.g. passport, ID card) and shall be in a position to present them to the crew for inspection prior to boarding an aircraft.

All luggage will be positively controlled at all times and identified and matched to each passenger. Passengers and their luggage shall undergo screening unless exempted according to the rules mentioned below.

6.6.2 Vetting and Validation Required to Derogate from Screening

A pre-requisite of passenger validation and establishment of their status as a "known passenger" is that the booker (chartering company, customer or owner) shall have first established itself to the satisfaction of the carrier (aircraft operator) as a "known booker" by a defined and controlled means.

6.7 Aircraft between 5700 kg and 45,000 kg MTOW operated or used by a Corporation or Fractional Owner

6.7.1 Despite their size, business aircraft when used exclusively by Corporations or Fractional Owners represent less of a threat because of the tight controls exercised over whom may board the aircraft by these operators and so require the application of different, proportionate, security rules than are required for commercial operations. However, for such derogations to be considered Authorities will need to be assured that such tight controls are indeed being exercised over their passengers in terms of their being either company employees or long term users who have been vetted as a pre-condition of employment/contract. "Passenger under Duress" procedures also need to be in place. To this end, a condition of approval would be that an operator or user seeking derogation under this rule would need to demonstrate compliance with the vetting and validation requirements for aircraft up to 15,000 Kg, including the provision of evidence that they meet defined the security requirements, and have been audited and approved as meeting this standard by an independent approved auditor.

6.7.2 Passengers not being an owner, fractional owner, or employee of the corporation owning the aircraft, should be screened in a similar fashion to a passenger of an ad-hoc charter. As part of the pre-boarding check the following steps shall be included:

- The identity of all occupants is verified,
- All occupants are aboard at the invitation of the owner/operator, and
- All baggage and cargo is known to the occupants
- Where necessary a Low Frequency Screening Protocol (LFSP) can be performed

In the case of corporate operators, validated company background checks shall be accepted as a means of passenger vetting and validation.

Recommendation 12: The UK should press for changes to the European regime along the lines of the above so that Business and General Aviation is able to continue to offer passengers an appropriate and advanced level of security.

Thank you for this opportunity to provide input into the future of Aviation in the UK. We very much hope that our response above indicates the level of thought that the BBGA has given to the topic, and look forward to engaging in further dialogue in due course.

In the meantime, I can be contacted at any time on the below numbers or via mobile phone on 07515-641889 if you have any questions on the content of this response.

Sincerely

Guy Lachlan
Chief Executive

Head Office: 19 Church Street, Brill, Aylesbury, Bucks HP18 9RT Tel 01844 238020 Fax 01844 238087 Email: ga@gamta.org



REGISTERED OFFICE OF GAMTA T/A BRITISH BUSINESS AND GENERAL AVIATION ASSOCIATION
GREYFRIARS COURT, PARADISE SQUARE, OXFORD OX1 1BB
REGISTERED IN ENGLAND: 1209831
VAT No: 241 3304 12

