

## **SUSTAINABLE AVIATION – KEYNOTE SPEECH**

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As you know, this conference comes at a time when the government has just launched its Energy White Paper, giving a commitment to move to a low-carbon economy. We have made a commitment to reduce the UK's carbon dioxide emissions by 60% by around 2050. It also comes at a time when our Department is conducting a major consultation on the future of air transport in this country, a consultation process that is arguably one of the most comprehensive of its kind ever held. It is designed to inform our decisions and there is a rigorous process of appraisal that seeks to quantify the various cost and benefits of different options wherever that is possible. That consultation ends on the 30<sup>th</sup> of June, and I do stress, that no decisions will be taken before that time. The consultation is emphatically not about predict and provide. Obviously if we are taking decisions about capacity we need to look at current demand for air travel and we need to forecast demand for the future. The core of our consultation is to ask how much of the anticipated demand should we meet. As such, it is vitally important for us to hear a response from the different parties concerned, and the government must also address the questions about aviation's impact on the environment.

We have consistently made it clear that aviation should bear the costs it imposes, and we continue to support the "Polluter Pays" principle. So very simply, our aim is to develop a sustainable future for aviation, and that means taking economic, social, and environmental considerations into account. That principle has since been reinforced in the joint discussion document that we published last month, called Aviation and Environment - Using Economic Instruments, and that clearly sets out our aims and objectives for the industry. In addition to our economic and social objectives, it explains the government's broad approach to using economic instruments, in this case to encourage the aviation industry to further improve its environmental performance. Within its pages are our estimates of aviation's environmental cost in terms of climate change, local air quality and noise. We have asked stake-holders that hold views right across the spectrum of opinion to discuss the issues with us over the next couple of months.

Sustainability also has an important economic dimension of course. The importance of aviation to the UK economy is well known. It directly supports some 180,000 jobs, and up to three times as many indirectly related to aviation. But equally important is its role in Britain's position in the world economy. According to the European cities monitor in 2002, London is still the best city in Europe in which to locate business. The capital's transport links to other cities and international markets remains a key factor in that assessment. In turn,

airports also help to maintain the vitality and competitiveness of the regions of the country.

But flying is far from just a business activity. It supports a major part of the tourism sector and also enables substantial numbers of people to go on holiday overseas in a way that previous generations could only dream about. One of the statistics that particularly struck me during the consultation is that in 2001, nearly 50% of the adult British public flew at least once a year. Significantly, people in lower income groups made nine million more flights than they did ten years ago.

The government certainly recognizes therefore those social benefits of aviation. Our society should think very carefully before simply bringing down the shutters on the freedom to fly. This government is not in the business of restricting people's movements and that is why we have to approach these issues with balance. The travelling public understand those issues. Surveys showed the overwhelming majority of people wish to be able to fly as much as they want, but only if government limits harm done to the environment.

Certainly there is some confusion in the debate which needs to be cleared. The most irritating I feel is that the aviation industry benefits unfairly from billions of pounds of public subsidy. Comparisons are always slightly difficult, but I think the facts do speak for themselves.

Fact one: aviation meets the capital cost of infrastructure through airport charges and en route charges. Admittedly, aviation fuel is not taxed, either here or internationally. But of course, fuel duty in the bus industry is largely rebated and on the railways is very modest. And in turn, both rail and bus services, rightly, receive considerable subsidies. However, we have also stated our support for ICAO removing the exemption from tax on aviation fuel so that we can look at encouraging fuel efficiency.

Second fact: like all public transport modes, air travel is not subject to VAT. But it is of course subject to air passenger duty, which raises about a billion pounds a year. The best ways to ensure that aviation covers its external cost are still up for debate. That is what we want to explore in the stakeholder discussion that we will be holding after Easter. But our objectives are not in dispute. We want to achieve our economic and social objectives with the minimum damage to our environmental objectives. And we want to achieve our environmental objectives with the minimum damage to our economic and social objectives, so we need solutions, which are not only effective, but are also efficient as well.

It is certainly true to say that the industry has been making tremendous strides to improve its environmental performance. Today's aircraft are typically some 75% quieter than the first jets of the 1960s. Planes are also much more fuel efficient. But it is also fair to say that in the future there may be fewer win-win technologies. We may have reached a number of limits or come close to them.

And in some areas at least there will be difficult choices and trade offs to be made. Although continuous improvement will still be essential, it will certainly become more challenging. Society also expects the aviation sector to play its part in meeting high-level CO2 reduction targets, as well as easing community noise disturbance, so it must be seen to deliver.

On the research front, I commend the industry's acceptance of the challenging noise and emissions targets for 2020 proposed by the Advisory Council for Aeronautics Research in Europe (ACARE). I think we all recognize that it will be exceedingly tough to achieve a 50% reduction in fuel burn and CO2 emissions, and an 80% reduction in NOX emissions. That will require the best efforts of industry and the research community both here and of course in international collaboration. But we must rise to the occasion. Failure to do so will affect the ability of the industry in the UK to grow, certainly in the longer term and indeed in some cases in the shorter term as well. So difficult technical challenges lie ahead but this industry has shown that it can meet them and I'm sure that it will continue to do so. We are aware that the Parliamentary Office of Science and Technology has been working up a detailed report on the environmental effects of aviation in support of the Transport Select Committee's aviation work. Like you, we look forward to publication of that report in the near future, as it will provide a further element to this important debate.

Sustainability isn't just about aircraft in flight of course. For example, we need to see much more effort put into efficient surface transport links to airports. Frankly it makes little sense for airport operators to trim a few minutes off boarding times if it takes half an hour to park a vehicle at the airport, or if the connections by public transport are insufficient and inconvenient for the public. There will continue to be an important role for local solutions to local environmental problems, and our consultation asks for ways of both reducing, and compensating for, the impact of future airport development at particular locations.

To sum up where we are now in the consultation process and in those discussions. The government is committed to sustainability. We recognise the very real environmental challenges that this represents. Also though, there is still time for further debate and discussion. And our paper on economic instruments shows we're serious about engaging with stakeholders on those issues. But equally we do want to bring matters to a conclusion in a White Paper later this year, not least to minimise the period of uncertainty before decisions are announced. That applies to airports, but also for the industry, both the airlines, and also the supply chain and manufacturing industry.

So, in the meantime, we very much welcome your active involvement in the process. I hope your proceedings today are both thought provoking and illuminating on these important issues, and certainly I look forward to reading the outcome of your proceedings after they're completed. Thank you very much Chairman, I wish you a very successful conference.