July 2003

Friends of the Earth

Briefing
UKplc: British Airports Authority

Pinocchio multinational breaks promises and seeks expansion at the expense of communities, wildlife and the environment

British Airports Authority plc (BAA) is the world's most profitable airport company and people are flying to and from its terminals more than ever. But both BAA and the heavily subsidised aviation industry are embroiled in controversies over new terminals, airports and runways. Expansionist policies compound the climate change threat, cause air and noise pollution and lead to more roads and traffic congestion. The resulting motorways, runways and warehouses often destroy valuable land and precious wildlife habitats.

Newly appointed Chief Executive, Mike Clasper, received a CBE for services to the environment and has professed concern that there are conflicts between the pursuit of short term financial profits and the interests of local communities.[1] But BAA is still pressing for sweeping airport expansion across the UK.

BAA's recent claims that three new runways are *needed* in the South East, breaks almost ten years' of promises that a third runway at Heathrow was not necessary.[2] Both BAA plc's Pinocchio nose and expansionist policies are growing out of control. The consequent increase in pollution, traffic and environmental damage will have damaging implications for all of us.

Friends of the Earth inspires solutions to environmental problems, which make life better for people.

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BAA basics

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Chief Executive Officer: Mike Clasper CBE. Mr Clasper's appointment as chief executive of BAA took effect on 9 June 2003. Mr Clasper has been deputy chief executive of BAA, responsible for the company's core UK airports business since July 2001 and BAA considers he has "*very strong credentials for stakeholder relations*".[3] A former executive at Procter & Gamble (P&G), maker of Fairy Liquid and Ariel detergent, he was headhunted two years ago to be Mike Hodgkinson's deputy. This is his first job in the aviation world. Clasper was made a CBE for his services to the environment during his time at P&G when he pioneered an industry-wide scheme to tackle packaging waste.

Outgoing Chief Executive Officer: Mike Hodgkinson was chief executive of BAA from 1999–2003 Hodgkinson has amassed a pension pot worth £3.42m which means he will receive £174,000 a year according to the airport group's annual report. The report also showed that his total remuneration increased from £549,000 at the end of 2002, to £735,000. He was awarded a Knights Bachelor for his services to air transport in the Queen's Birthday Honours 2003.

BAA profits: BAA results for the year to 31 March 2003 Profit before tax and exceptional items up 3.8% to £524 million (£505 million). Profit before tax £538 million (£318 million).

BAA company overview:

BAA plc owns and operates seven UK airports including three in London. Of these, Heathrow, the jewel in BAA's crown, is the world's busiest international airport, processing 60 million passengers a year. BAA also has stakes in ten airports outside the UK and retail contracts at two airports in the USA. It makes money out of all the familiar airport features, including shops, car-parks, restaurants, travel agents and banks. About 200 million people, one in six of the world's air passengers, travel through BAA's UK airports every year.

But not content with being the world's most profitable airport company, BAA is intent on getting even bigger. In London alone BAA has an £8.4 billion programme to expand. Capital spending is set to rise steeply, from £700 million, for 2002/3 to over £1 billion a year for the next five years. About £3.2 billion will be dedicated to Heathrow Terminal 5, one of the UK's biggest construction projects. A further £3.4 billion will go on improvements to existing terminals. But BAA is set to suffer a debt downgrade by two main credit rating agencies.[4]

Opportunities from tourism, international business and air-freight have helped persuade the multinational to seek out yet more income and wealth and BAA is content to profit financially from the false consciousness of sophistication, excitement and pleasure that air travel has created. But the phenomenal success of BAA's business comes at an unacceptably high environmental and social price. Airport operations and expansion contributes to climate change problems and air and road congestion, has a negative impact on rural economies and can mean loss of wildlife and countryside.

Expansion plans are fuelled by BAA's privileged position as part of the aviation industry in the UK. The multinational benefits both directly and indirectly because aviation pays no tax on fuel and receives large subsidies in the form of other tax breaks and state expenditure on infrastructure.[5]

Lowlights

- BAA plc owns and operates seven UK airports. Of these Heathrow is the world's busiest international airport, processing 60 million passengers a year. About 200 million people, one in six of the world's air passengers, travel through BAA's UK airports every year.[6]
- BAA benefits both directly and indirectly because aviation pays no tax on fuel and receives large subsidies in the form of state expenditure on infrastructure.[7]
- Air travel emissions are responsible for 3.5 per cent of man-made climate change. If the industry continues to grow at its current rate this will rise to 15 per cent by 2050 and the UK would suffer a new airport the size of Heathrow every 5 years. Evidence already shows climate change is hitting Britain. Rising emissions are a likely cause. In the UK 2002 was among the warmest years since records began.
- At most of BAA's airports over 90 per cent of people get to and from the airport by car. Even at London Heathrow and Gatwick, where BAA is proud to boast of its public transport links, 65 per cent of passengers arrive in private vehicles. London Heathrow airport's new Terminal 5 will generate over 46,000 extra car trips every day across London and in the South East.
- According to the World Health Organisation, traffic pollution and the emissions from aircraft combined mean air pollution around airports is serious enough to damage people's health.
- BAA's Heathrow Terminal 5 will expose 250,000 more local residents to increased levels of toxic emissions. The terminal will routinely breach the Government's air quality standards designed to protect people's health.
- Community-based noise exposure studies have shown that aircraft noise is linked to raised incidences of cardio-vascular diseases, hypertension and psychiatric conditions as well as damaging the learning ability of children and depressing IQ.[8]
- BAA repeatedly claimed that Heathrow Terminal 5 would not lead to a third runway but now claims three new runways are '*needed'* in the South East and has made it clear that Heathrow offers a strong case for this on purely economic grounds.
- BAA's much praised investment in new rail access to Heathrow from across the UK has not formed part of its £8.4 billion investment programme. At the Heathrow Terminal 5 public inquiry BAA said that major rail services would be delivered if T5 planning approval. The only rail access is the extension to the Heathrow Express and the tube line.

Friends of the Earth demands:

- **Governments must take responsibility:** Currently there is little to stop multinationals like BAA plc from putting profits before people and the planet we depend on. Without **strong and binding UK and international laws** to ensure BAA and other multinationals are accountable for their social and environmental impacts they will remain free to pursue policies that do not put the interests of communities or the environment first.
- **BAA must pay for problems it causes:** BAA must take responsibility for its social and environmental impacts, live up to its promises on sustainable development and deliver a responsible and intelligent sustainable development plan for the future. At the core of its plan would be less air travel, less freight carried by air and an end to airport expansions.
- **UK Government must manage demand**: This can be achieved through a combination of

eliminating the hidden and distorting subsidies the aviation industry receives and charging realistic market prices for landing slots at airports. The Government should also ensure aviation pays the cost of the environmental impacts of its operations and should also make it cheaper and easier to use less damaging forms of transport such as high speed rail. Environmental limits on noise, air quality, land take and safety should be defined and enforced. Currently airports are not covered by pollution and noise legislation set for other polluting activities.

BAA impacts

Climate change

BAA plc's intention to build more airports, terminals and runways, is likely to have a disastrous effect on the world's climate. Carbon dioxide pollution is one of the main causes of climate change and aviation is one of the fastest growing sources. Air travel emissions are already responsible for 3.5 per cent of man-made climate change and if the industry continues to grow at its current rate it will go up to 15 per cent by 2050.[9] In June 2003 the Royal Commission on Environmental Pollution (RCEP) wrote to the Government and noted that "even with the most conservative figures for growth in air travel, by 2020 aviation will be contributing 10 per cent of the UK's carbon dioxide emissions.[10] BAA's planning and environmental director, Alistair Darling MP, has also told the House of Commons Environment Committee that "if the numbers on climate change are correct, there must be some significant reputational risk to the industry."

Evidence already shows that climate change is hitting Britain and rising emissions are a probable cause. 2002 was one of the warmest years in the UK since records began. And according to the World Meterological Organisation, globally, the same year was the second hottest on record. But despite the mounting evidence of man made pollution and the predicted impacts of air travel, fossil fuel emissions from international air travel were excluded from the Kyoto Protocol on climate change while BAA continues its quest for expansion.

BAA has admitted that air travel causes climate change through fossil fuel emissions from aircraft, energy used in airport buildings and surface transport fuel. The company has even produced a climate change policy document to convince us that it is addressing national Government targets on fossil fuel emissions.[11] But all BAA's policy documents, workshops and target setting do not distract from the reality that BAA's commitment to airport expansion is having a severe impact on our climate. For example, by putting its faith in new technology, BAA says it hopes to decrease the amount of emissions per flight.[12] Yet its insistence on airport expansion and increasing the number of flights will outweigh any benefits. If airport expansion across the UK goes ahead as BAA proposes, climate change emissions from the UK aviation industry will soar. Emissions are likely to have risen by 350 per cent between 1990 and 2030 despite the Prime Minister's call for substantial reductions in climate changing emissions in the next 50 years in his "Richer and greener" speech given to the CBI and Green Alliance in 2001.

And how does BAA address these ominous trends of unsustainable expansion and rising emission levels? Rather than make any far-reaching changes, BAA advises people who are concerned about climate change to "walk short distances instead of taking the car"[13] and "use public transport".[14] This advice rings somewhat hollow when you consider that one passenger's journey by air from the UK to the US produces as much carbon dioxide as the average UK motorist produces in a year or that BAA has admitted that the Terminal 5 Public Inquiry that the terminal would add 49,000 extra car trips to the South East's congested roads every day.

Road traffic and congestion

At most of BAA's airports over 90 per cent of people get to and from the airport by car. Even at London Heathrow and Gatwick, where BAA is proud to boast of its public transport links, 65 per cent of passengers arrive in private vehicles.

These road traffic levels are now set to increase still further with BAA's relentless airport expansions. London Heathrow airport's new Terminal 5 will generate up to 49,000 car trips every day across London and in the South East. BAA has claimed it will introduce extra public transport to offset the increase in passengers but the only tangible evidence of a commitment to this has been the expensive Heathrow Express rail link and an extension of the already congested Piccadilly tube line. The Heathrow Express costs passengers more per mile than travelling on Concorde.

Air quality

All the traffic driving to and from BAA's airports combined with the flights generated have a serious impact on London's air quality. At Stansted, three new runways would expose thousands of people to excessive illegal air quality breaches. According to the World Health Organisation, traffic pollution and the emissions from aircraft combined mean air pollution around airports is serious enough to damage people's health.[15]

Even without Terminal 5 London Heathrow is one of the biggest reasons West London is such a pollution hotspot. BAA acknowledges that Heathrow's existing 4 terminals and 2 runways mean the pollution levels are likely to be above air quality standards until at least until 2016.[16] But by adding Terminal 5 to Heathrow, BAA will expose 250,000 residents to increased levels of toxic emissions.[17] BAA's own figures have shown that the fifth terminal would routinely breach the Government's air quality standards intended to protect people's health. The Terminal 5 inquiry found that the extra terminal would probably undermine local councils' ability to meet the Government's national air quality objective, making them "...virtually impossible to achieve". With a third Heathrow runway, BAA's own figures show that up to 13, 500 people would be affected by nitrogen dioxide levels above EU legal limits.

Noise

Aircraft noise is a longstanding problem. BAA claims that noise levels have been reduced but whilst newer, quieter aircraft have been introduced, the increase in flights over the same period means the noise damage is as bad as ever.[18] Community-based noise exposure studies have shown that aircraft noise is linked to raised incidences of cardio-vascular diseases, hypertension and psychiatric conditions as well as damaging the learning ability of children and depressing IQ.[19] By expanding its airports across the UK, BAA will increase still further the number of children and vulnerable people exposed to noise levels that damage their health. The World Health Organisation has proposed noise level maxima for schools, hospitals, housing areas, outdoor, indoors and bedrooms. BAA and the rest of the industry have ignored these proposals.

Diminishing countryside

New terminal and runway construction projects lead to more roads and other development pressures that take up precious land, destroy wildlife habitats and add to the urbanisation of rural and suburban areas. Towns and villages close to airports could lose their character forever or in some cases may be demolished to make way for new airport development. But not only is BAA reluctant to address the problems its expanding empire cause, it is actively and fundamentally committed to more air travel, runways and terminals.

Breaking promises – Heathrow Terminal 5:

- BAA has repeatedly claimed that the mammoth Terminal 5 would not lead to a third runway and that the '*problem*' at London Heathrow was terminal and not runway capacity:"[20]
- In 1997 BAA claimed that runway capacity at Heathrow was not a problem, saying: "*The problem at Heathrow is not the lack of runway capacity but shortage of terminal space; the inevitable overcrowding until T5 is built is likely to cause problems*" [21]
- In 1999 BAA again said that it did not want a third runway at Heathrow*: "Additional runway is ruled out forever whether T5 is approved or not" (BAA press conference 12th March 1999).* In its public announcement in April 1999, BAA wrote "*Our position could not be clearer, nor could it be more formally placed upon the record. T5 will not lead to a 'third' runway."*[22]
- BAA's then Chief Executive, Sir John Egan, wrote: *"it is the company's view that the local communities around Heathrow should be given assurances, BAA would urge the Government to rule out any additional runway at Heathrow, and BAA would support a recommendation by the Inquiry Inspector in his report that the Government should rule it out. Indeed BAA invites the Inspector to make such a recommendation."*
- BAA even supported the Terminal 5 Planning Inspector's recommendation that the third runway should be ruled out for ever. But as soon as Terminal 5 got the go ahead in 2001, British Airways and industry lobbyists began calling for further airport expansion, including a third runway. BAA went mysteriously silent on the subject. [23]
- Finally in May 2003, in a long-awaited response to the transport secretary's consultation on aviation expansion, BAA urged the government to choose three out of the following four options - a 2000 metre additional runway for smaller aircraft at Heathrow, a second runway at Gatwick and up to two new runways at Stansted. Then Chief Executive Designate, Mike Clasper, said airlines would need the first new landing strip by 2011. BAA made it clear Heathrow offered a strong case for this on purely economic grounds.

Hypocrisy revealed – Stansted Airport

- BAA's promotion of Stansted as, *'The Airport in the Countryside'*, and claims that expansion will be carried out in a sensitive way are at odds with expansion proposals that could turn Stansted into one of the biggest airports in Europe.
- According to BAA, Stansted could handle around 85 million passengers a year with two extra runways. This would be way beyond Heathrow's present capacity. Even the world's largest airport in Atlanta in the US handled just 79m passengers last year.
- Stansted Airport has already been named as Europe's fastest growing major airport for a record third year in a row. Preliminary data published by Airports Council International (ACI) for the 12 months ending December 2002 confirms Stansted as Europe's leader with growth of 17.5 per cent for the period. A total of 16.04 million passengers passed through the airport during the year.

Economical with the truth?

BAA and the aviation industry do not hesitate to make extravagant claims regarding air travel's contribution to the UK economy. But these claims often misrepresent and exaggerate aviation's contribution to economic growth. There is no evidence that more runways are essential for the economy and little meaningful evidence is ever produced to back up these claims.

Indeed, the aviation industry's own report was unable to find a direct link between the development of aviation and the performance of the economy. The Contribution of Aviation to the UK Economy, by Oxford Economic Forecasting said: "This does not mean that these additional jobs (from aviation) would not exist in the long run without the aviation sector" and, "in the long run the overall level of employment is not determined so much by the level of demand from particular industries as by the supply of workers looking for a job.". A recent re-run of the Government's own computer model has shown that if the aviation industry's £9.2 billion subsidies from the public purse were ended no new runways would be needed anywhere in the UK.

A Berkeley Hanover study in 2000 verified that the effect of bringing the growth in aviation under control would not be a net loss of jobs but would simply mean a different distribution of jobs around the UK; money not spent on air travel would be spent on other goods and services in the wider economy and would create jobs in those sectors. Far from being good for our local businesses, airport expansion often has a negative impact on vulnerable rural economies by providing a gateway for cheap overseas products such as fruit and vegetables that could have been produced locally.

Power and influence

BAA puts a great deal of effort and money into heading off criticism and creates a platform for expansion by lobbying and advocating for year-on-year growth. Through its membership of lobby groups like the UK Airport Operators Association (AOA) and the pro aviation expansion Freedom to Fly coalition the multinational promotes relentless airport and air travel growth and lobbies for more UK airports. The Freedom to Fly coalition claims the adverse effects of air travel can be 'mitigated' while the AOA's 5 "core principles" focus on the need to increase capacity. The uncompromising approach of these lobby groups explicitly rejects any constraints whatsoever on future aviation and airport growth. They push for a continuation of aviation's privileged tax-free status and receipt of public subsidies. Ignoring all the major environmental impacts of aviation, the lobby groups further misrepresent the economic importance of air travel and the need for additional capacity.

UK tax payers subsidise airports

BAA and the rest of the aviation industry have successfully held on to a very privileged position as beneficiaries of huge subsidies. Airports are not regulated in terms of emissions in the same way that large industrial plants are, international aviation is not counted as part of any reduction target for fossil fuel emissions and large amounts of public cash are poured into supporting airports. Grants and soft loans from the EU fund airport expansions, new roads, motorway widening and new metro lines. For example the M25 widening near Heathrow has cost the public £100 million.

BAA greenwash

On its website and in press releases, BAA loses no opportunity to promote its environmental management performance policies. Despite all the controversies surrounding its airport expansion programme and the concerns of community and environmental groups, BAA was happy to nominate itself for the Business in the Community (BITC) group's corporate responsibility index. This business led, voluntary initiative, purports to give UK companies a chance to show *real commitment* to environmental and social issues.[24] By awarding BAA a first in sector nomination and a score of 89.55 per cent with a "*placing amongst the very best in the country*" BITC undermines the scheme as a credible measure of corporate responsibility.

It is paradoxical that at the same time as demanding at least 3 new runways in the South East, BAA feels comfortable assuring us that its course of environmentally sustainable growth ensures *"effective protection of the environment"* and that among the environmental issues the company says it has

considered are land take, noise and air pollution.[25]

BAA's demonstrable commitment to its own self-promotion has achieved its desired results. The company has a built up a reputation for its work on sustainability and reporting that is not matched by its commitment to real and lasting change. Much of BAA's work is superficially impressive but regardless of the individual efficacy of initiatives on waste, energy use, tree planting, sports events and donations to community schemes, nothing gets in the way of the company's ambitions and lobbying for relentless airport expansion, regardless of local and global impacts.

Laws must raise standards:

BAA provides a clear example of why changes are needed to UK company law to stop companies putting speculative profits before people and the environment. Leaving big business to regulate itself on social and environmental issues is clearly failing.

The government recently completed the most comprehensive review of UK company law in 150 years and is expected to introduce its Company Law Bill into parliament within the next couple of years. This represents a unique opportunity to create a legal framework that ensures UKplc behaves in a way which reflects stakeholder concerns and helps deliver sustainable development. To do this, the Government's legislation needs to place duties on directors of companies like BAA to take steps to minimise any negative social and environmental impacts of their business operations. It also needs to provide mechanism by which communities like those suffering or threatened by airport expansion can hold the company accountable and seek redress when directors fail to uphold such duties.

These and other measures have been proposed in the Corporate Responsibility Bill, tabled in the 2001-2002 parliamentary session and promoted by Amnesty International (UK), Christian Aid, Friends of the Earth, GMB Union, New Economics Foundation, Traidcraft, Unison and Unity Trust Bank amongst others (see www.corporate-responsibility.org for more information). The Bill has already secured the support of over 280 cross-party Members of Parliament (MPs).

But, at the moment, the Government's proposals contain no such measures. This will result in yet more unsustainable business as usual by UKplc and we will be even further away from achieving sustainable development.

Links

For more about the CORE Bill and corporate responsibility campaign:
www.corporate-responsibility.org

More about Friends of the Earth's campaigns calling for greater corporate accountability
www.foe.co.uk/campaigns/corporates/index.html

For more information on Friends of the Earth's International's corporate responsibility campaign
www.foei.org/corporates

More about Friends of the Earth's aviation campaign
www.foe.co.uk/campaigns/transport/issues/air_travel/index.html

Aviation Environment Federation (AEF): UK based not-for-profit Non-Governmental Organisation working on the environmental impacts of aviation.
www.aef.org.uk

AirportWatch
Coalition of national and local campaign organizations campaigning to oppose unnecessary, unsustainable and irresponsible airport expansion

across the UK.
www.airportwatch.org.uk

HACAN ClearSkies
Heathrow Association for the Control of Aircraft Noise campaigning against aircraft noise and pollution
www.hacan.org.uk

Stop Stansted Expansion
Campaigning against expansion of Stansted
www.stopstanstedexpansion.com/

Freedom to fly
BAA is a leading member of this corporate lobby group promoting airport expansion
http://www.freedom2fly.com/index2.html

BAA's side of the story
www.baa.com

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[5] *Flying into Trouble: 2002: The threat of airport growth* The Aviation Environment Federation, June 2002

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[8] World Health Organisation Studies (WHO), 1993

[9] Friends of the Earth's report on aviation and climate change: www.foe.co.uk/resource/reports/aviation_climate_change.pdf

[10] *Royal Commission on Environmental Pollution (RCEP)* letter to Alistair Darling, MP, Secretary of State for Transport, June 2003.

[11] BAA's Climate Change and Aircraft Emissions Policy: www.baa.co.uk/main/corporate/sustainable_development_frame.html

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[13] BAA, "The future's in all our hands – Saving Energy" undated

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12 May 2003http://www.baa.co.uk/main/corporate/newsdesk_frame.html