

# Speech: Working together for a thriving aviation sector

Good evening.

Thank you for that introduction and welcome.

It's a real pleasure to join you for tonight's (24 January 2018) annual dinner.

And if it's not too late, to wish Airlines UK and all its members a prosperous new year.

In fact 2018 marks the 99th anniversary of a momentous event in airline history, the launch of the first regular, international, passenger air service in the world.

Like so many transport 'firsts', it happened here in Britain.

Pioneering British airline AT&T began operating daily flights from Hounslow Heath aerodrome to Le Bourget.

With a maximum capacity of 4 passenger, a journey time of 2 and a half hours and the pilot exposed to the elements.

Conditions aboard the de Havilland biplane may have been somewhat primitive.

But it was the start of something big.

Within a few months, there were converted WW1 bombers flying scheduled flights from Cricklewood to Paris, new services from Croydon Airport to Amsterdam, the first opportunity for cargo as airmail flights began serving European destinations and if you were lucky enough to get a ticket on the new London to Brussels route, you'd be served the world's first in-flight meals.

From this modest beginning, our commercial aviation industry grew.

Within 5 years, Imperial Airways had been formed.

Linking Britain with its vast global empire.

And suddenly it was possible to travel to the other side of the world in a fraction of the time it would take by ship.

## **Aviation importance**

Why do I mention this?

First – to explain how quickly commercial aviation became critical to the fortunes of Britain after World War One.

And second – despite almost a century of economic, social and technological development – to show how little has changed.

How air travel and the prosperity of our country remain inextricably linked today.

Just as airlines benefit from a strong UK economy the whole of the UK benefits from a flourishing aviation sector.

Without the £52 billion that aviation adds to our GDP, the million jobs it supports and all the inward investment it generates, we simply could not have reduced our deficit by three quarters over the past 7 years or achieved the record employment levels which we see in Britain today.

It's because we have the largest aviation network in Europe and airlines competing to give the customer a wide choice, and a great deal that so many multinational firms invest in Britain.

And it's because we have a fundamentally strong economy that demand for air travel has grown so fast in recent years.

## **Aviation strategy**

It's against this background of success that the government is now working on a [future strategy for aviation](#).

And I'm delighted that Baroness Sugg – who is attending her first Airlines UK dinner tonight – will be spearheading that work at the DfT.

Liz is going to be a fantastic Aviation Minister.

Some of you will already have met her, but I know that over the coming months she'll be getting around the industry, and listening to what you have to say about the strategy.

After our [call for evidence](#) last year, we will publish our response next month.

Once the response is out there, we want to test policies with different partners.

We want practical feedback on the measures we're proposing.

And if you think they can be improved, then we want to work with you to make them better.

It's crucial we get this right.

As Britain prepares to leave the European Union and as we develop plans for the new [north-west runway at Heathrow](#), it's right that we all focus on long-term prospects for British airlines and airports.

We want a strategy that will support growth across the country while tackling

aviation's environmental effects.

And we want to be ambitious.

Ambitious to be the best.

To lead the world – as we've led the world in the past.

So this will be far more than 'just another statement of intent' from government.

There have been enough of those over the years.

Instead it will be a wide-ranging blueprint for the sustainable growth of aviation over the next 30 years and beyond.

And it's not just the government's strategy.

I want it to be yours too.

A shared plan for how we can make best use of existing capacity, how we can create new capacity.

How we can improve surface access to airports.

How we can modernise airspace to tackle flight delays and reduce the need for stacking.

How we can further reduce noise.

And how we can put the passenger at the heart of everything we do.

I'm grateful to everyone in this room who has contributed so far.

After the call for evidence response, there will be 3 more consultation phases.

So please, continue to engage.

Because we need your voice, your insight and your understanding of the market to design a policy framework that reflects our common priorities in the decades ahead.

## **Heathrow**

I also welcome your continued contributions on expanding capacity in the south-east.

We are currently [considering responses to the draft Airports National Policy Statement](#).

Plans remain on track for a vote in Parliament in the first half of this year.

This is a particularly important few months for the project, a project that will deliver immense benefits for aviation in Britain.

So we need to work together to support it.

A new runway at our biggest hub airport would offer significant growth opportunities for UK airlines and keep Britain plugged in to a rapidly changing global economy post Brexit.

In fact the case for the new runway capacity in the south-east is even greater than we thought.

After consulting on new evidence last autumn, [updated forecasts](#) showed that passenger numbers are growing much faster than we predicted even a few years ago.

Specifically, the new evidence reinforced the case for expansion at Heathrow supported by a world-class package of measures to limit the effects on local communities.

Compared to all other proposals, a north-west runway at Heathrow delivers the greatest benefits soonest.

More choice for passengers.

More business for airlines.

And more jobs for Britain.

Heathrow already handles more freight by value than all other UK airports combined.

That's partly because its accessible to the rest of the country.

In this way, Heathrow drives growth in regional freight.

For example, helping fishermen in Scotland to sell their fresh produce to Japan.

An expanded Heathrow would also be better served by transport connections – for example to HS2 and Crossrail.

But I've been clear that landing charges should be kept as close as possible to current levels something I know is close to many of your hearts too.

Heathrow charges have increased substantially over the past decade.

So that needs to be factored in to future plans.

I welcome the £2.5 billion savings to the scheme already announced by the airport.

I also welcome that progress that's been made in discussions between airlines and Heathrow.

The CAA's section 16 commission has been helpful here.

We must maintain the momentum after it expires in the spring.

So I shall announce an appropriate replacement in due course.

Because we have to make further progress.

I expect airlines and Heathrow to reach a deal on landing charges that will keep the airport competitive so extra costs are not ultimately passed on to the customer.

However, I also want to stress that now is not the time to undermine the scheme in any way.

Until the Parliamentary process is complete and the vote in Parliament has been delivered, we need the whole aviation industry to support the new runway.

With such manifest benefits for airlines, other UK airports, and the wider economy, we need to keep focused on the prize to come and work together as an industry to deliver the right expansion programme at the right price.

## **Brexit**

The next 12 months will also be instrumental in setting a future direction for aviation after we've left the European Union.

Brexit remains at the top of the government's agenda for 2018 and securing a good deal for UK airlines, with the best possible access to European markets, remains one of my biggest Brexit objectives.

No other transport sector will have such a key role to play when we leave the European Union.

I remain confident that we'll get a good deal, and that UK airlines and airports will continue to flourish.

This confidence comes from knowing that it's in the interests of all European countries and everyone who travels between them that we seek an open, liberal arrangement for aviation following Brexit.

Now, I know that the aviation industry wants certainty, and quickly.

So does the government.

So does the rest of the EU.

On the 15 December the European Council confirmed that sufficient progress had been made.

This is an important milestone.

The guidelines published by the Council point to the shared desire of the EU and UK to make rapid progress on an implementation period.

Formal talks will begin very soon.

This will provide reassurance for both industry and consumers.

And then talks will start on the future economic partnership.

The future framework for aviation will of course be a central part of those discussions.

And we are ready for those discussions.

As we move forward it is important to be clear that it is in everyone's interests to do a deal quickly and to make it a good deal.

Let's remind ourselves why:

The UK is the largest aviation market in Europe and remains one of – if not the – most important markets for EU member states.

Good aviation connections between the UK and Europe are critical for tourism, business, and trade – in both directions.

And of course the UK will see significant extra valuable capacity at one of Europe's main hub airports – Heathrow – which airlines from all countries will want to make good use of.

A few days ago, the Article 50 Taskforce in the European Commission published a paper noting that, in the event of an overall 'no deal' scenario, it would be essential to agree a deal to ensure flights continue.

This shows how important it is for both sides to ensure aviation market access continues uninterrupted.

And the demands of airlines across Europe to access Heathrow means we have strong cards in our hand for the negotiations.

With that need to ensure ongoing connectivity in mind, we are working hard to deliver another priority – to quickly replace EU-based third country agreements, with countries like the US and Canada.

I can confirm that discussions on replacing these agreements have begun and are progressing well.

We will be meeting with US officials for a further round of talks in the coming weeks – many of you in this room will be involved in those discussions

And we are confident that these arrangements will be ready for exit.

But whatever the final deal, measures to support UK industry after 2019 are well developed.

And looking beyond Brexit, we have to make sure we capitalise on our new position in the world.

So we will continue to work with other countries to expand our aviation connections.

And through the aviation strategy, we will also look at how the UK can open up more long haul routes to markets like China, India and South America.

## **Monarch**

Despite the healthy demand for flights I spoke about earlier, I know it's tough out there.

Sadly Monarch was unable to stay afloat.

But today I can announce that Peter Bucks has been appointed Chair of the independent insolvency review set up after Monarch's demise.

I welcome the regulatory and finance experience he'll bring to aviation.

The review I've asked him to carry out will help us explore options for a new framework to deal with the failure of airlines and travel companies so that airlines can be wound down in an orderly fashion, and passengers repatriated or refunded with minimal or no government intervention.

Today I'd also like to thank everyone across the industry who helped bring back Monarch passengers who could otherwise have been stranded abroad.

It was a massive effort, with government working alongside airlines and airports to deal with a complex and difficult logistical challenge.

I'd also like to thank British Airways, Virgin, TUI and Thomas Cook Airlines for assisting the Hurricane Irma relief operation last September.

Both responses reflected the airlines industry at its very best.

## **Conclusion**

So in conclusion.

Nearly a century of history has shown the importance of a thriving, sustainable, commercial aviation sector to this island nation.

Whatever success we've had over that period, it's been won by being proactive.

Innovative.

By taking risks.

And by working together.

We're certainly not sitting around waiting for things to happen this time round either.

Through the aviation strategy, Heathrow expansion and Brexit planning we will stand side by side with our partners in the airline industry.

Because Britain needs the connections you provide.

The jobs you bring.

The growth you support.

99 years after that first flight, aviation remains absolutely critical to the national interests of Britain.

That's why we can be confident about the future.

A future we will build together.

Thank you.