

Casestudy:
CLEAN, CRISP AND QUIET THUNDER FOREST?
Friends of the Earth Netherlands (FoE)
versus
Schiphol Airport (Group)

In 1994, FoE Netherlands acquired two parcels of land, first next to, and later on the site where Schiphol Airport was planning to build a fifth runway. With the support of thousands of people a ‘protest forest’ was planted: namely the so called ‘Bulderbos’ (Eng: Thunder Forest). The forest which consisted of two parts was for sale. The price: a crisper, cleaner and more ‘quiet’ environment! FoE Netherlands campaigned for higher environmental and noise standards for Schiphol and against the expansion of the airport. The organisation feared that a fifth runway would lead to increased safety risks, environmental and noise pollution. Moreover, according to FoE Netherlands, Schiphol frequently violates its commitment to reduce noise nuisance.

Societal Interface Management Challenges

| PUBLIC ✶ PRIVATE | PROFIT ✶ NON-PROFIT | EFFICIENCY ✶ ETHICS/EQUITY | |
|--|---|--|---|
| Airport as public or private good: government corporation or privatisation and stock stock-market flotation? | Relationship with residents from surrounding areas regarding environment and noise nuisance | Expansion Greater capacity Better co-ordination | No stench or noise nuisance Improved safety and reduced degradation of the landscape |
| Who bears the burden of negative externalities? | Participation of volunteers | Lower costs International marketing of ‘Schiphol formula’ | Travel safety Growth at all costs? Universal or flexible norms? |
| Relationship with governments regarding open skies agreement and safety. | | | |

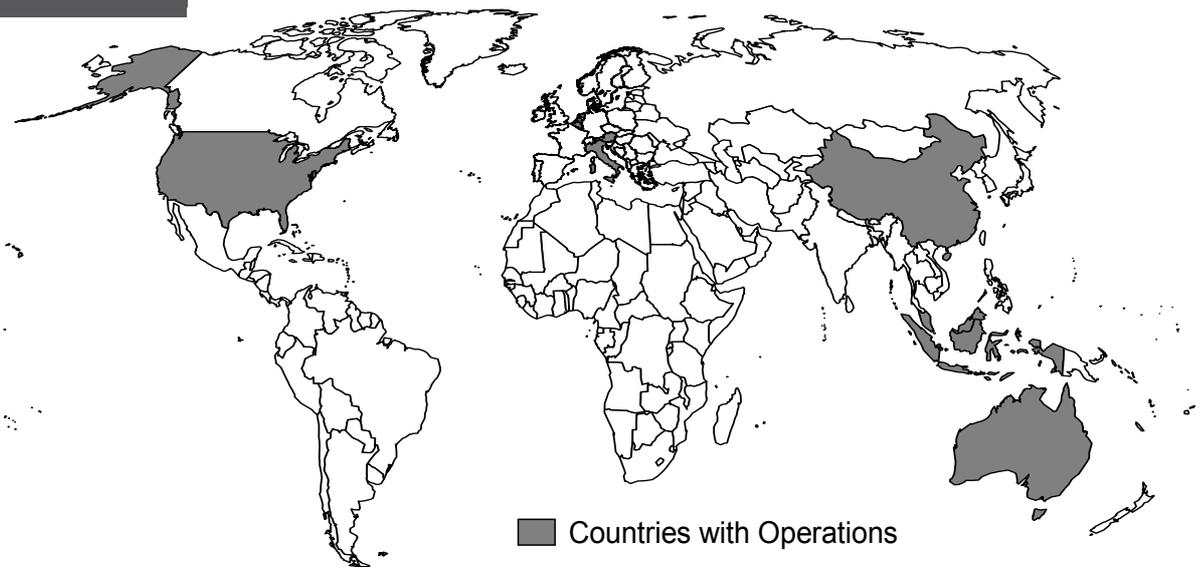
This case has been written by Alex van der Zwart with Rob van Tulder (RSM Erasmus University). This case applies the methods and theories as used in the book "International business-society management: linking corporate responsibility and globalization" (2006, Routledge), www.ib-sm.org. The Dutch newspaper articles in this case have mostly been translated into English.

Last updated: April 2006



Schiphol Group: short profile

The Schiphol Group operates airports focused on setting up and developing AirportCities. The Schiphol Group aims to grow into a leading international airport enterprise. Schiphol Group is a group of special companies that develop and run Schiphol airport. Amsterdam Airport Schiphol is the Schiphol Group flagship. Schiphol airport is owned by the government (75,8 percent), the city of Amsterdam (21,8 percent) and Rotterdam (2,4 percent). In the 1990s, Schiphol was Europe's fastest growing large airport. The number of passengers it received increased from 16,5 million passengers in 1991 to 45 million in 2004. Schiphol is the fourth largest airport in Europe after Heathrow, Charles de Gaulle and Frankfurt and worldwide it takes in tenth place in terms of passengers. Air transport movements in 2004 totalled 402,738, again making Amsterdam Airport Schiphol the fourth-largest European airport in terms of air transport movements in 2004. Research bureau Nyfer calculated that an additional one percent economic growth would yield 2,65 percent more passengers. Conversely, one percent more passengers would yield an additional 0,17 percent economic growth. Schiphol is therefore important for the economy of the Netherlands. Schiphol is working towards privatisation, further expansion and remaining one of the four largest airports in Europe. It is in the interest of Schiphol and airline companies that the airport grows through expansion and greater capacity.



| Schiphol Group Countries with Operations | |
|--|---------------|
| Australia | Italy |
| Austria | Malaysia |
| Belgium | Netherlands |
| China | United States |
| Indonesia | |

Note: some operations may be through minority shareholdings

Source: Schiphol Group Annual Report 2003



The Conflict

In the 1980's Schiphol joined the lobby known as 'Netherlands. Distribution Country' run by transport companies, the Port of Rotterdam and the road building lobby. The transport and distribution companies involved represented only a small part of the Netherlands economy but managed to convince the Government that their sector was vital to the entire national economy. Building on the traditions as a trading nation, the lobby gained much support for the idea that a sector merely moving people and goods from A to B was vital to everyone's interests in the Netherlands. The concept of the "Mainport" - an important distribution centre, was introduced. Behind this image is the drive for unrestrained physical and commercial growth. For Schiphol, this means staying as one of the largest and busiest airports in Europe.¹

In March 1994, FoE Netherlands acquired a symbolic piece of land for 125.000 Dutch guilders (approx. 55.000 euro) on the site where Schiphol was planning to build a fifth runway: trees vs tarmac.² It became a protest forest: the so called Thunder Forest. When, shortly thereafter, it was discovered that the planned route did not fall on this piece of land, another smaller piece of land was acquired along the Vijfhuizerweg for 50.000 Dutch guilders (approx. 22.000 euro) in September 1994. In the course of 1994 and 1995, the two forests acquired more than 5000 small co-owners, 120 societal organisations bought adoption trees and 8000 trees were bought by private individuals.³

Schiphol: conflict between environment and economy

The conflict between airports and the surrounding community has been almost as long as the existence of big airports. Regular and sometimes violent battles – for instance in Japan in the 1970s - with protesters focused on who is going to 'pay' for the airport and who is going to profit from the airport. Big airports in many debates have become the modern equivalent of 'free states'. Even the local communities – including the local governments – have always had problems with bargaining over the strategy of airports. On the one hand the environmental burden creates direct negative externalities. On the other hand, direct and indirect jobs at the airport and in the supply chain in the region provide important positive externalities.

¹ <http://www.milieudedefensie.nl/verkeer/publicaties/rapporten/4aptemplate.pdf> , consulted on 21 January 2004.

² 'Battling for the last roots of the Thunder Forest', VOLKSKRANT (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 25 September 2001.

³ www.milieudedefensie.nl/jaarverslag , consulted on 21 March 2002.

Friends of the Earth Netherlands



Friends of the Earth (FoE) Netherlands (Milieudefensie)

is dedicated to the protection of the environment. The organisation has 31.000 donors, 107 employees and a turnover of 4 million euro. It has obtained a quality mark issued by the Dutch Central Bureau Fundraising (CBF). The campaign against the expansion of Schiphol was supported by a range of public interest groups among which the most important parties are the Foundation 'Natuur en Milieu' and local residential groups. FoE Netherlands has more than a hundred local branches which are run largely by volunteers. Each branch deals with the environmental issues of its region and supports national campaigns of Friends of the Earth Netherlands. Some branches specialise in certain areas, such as legal procedures or information and advice. Friends of the Earth Netherlands co-operates closely with local environmental organisations. The organisation is part of the larger international Friends of the Earth.

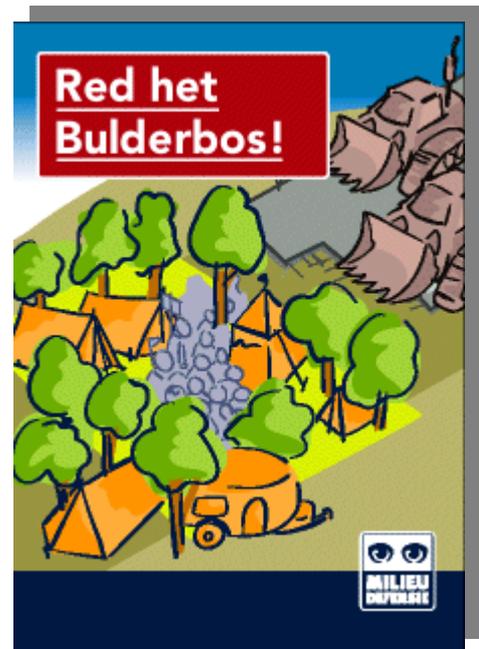


Local communities, national governments, the airport and many other private groups are often interdependent in a closely intertwined network of difficult to entangle interests. After FoE began participating in more formal talks on noise measurement, risk analyses and other very technical and complex issues, the organisation got drawn into the process. Its effectiveness got influenced by the correct provision of relevant data by the airport, whilst independent research was barred by the ministry of Verkeer en Waterstaat, Schiphol's largest shareholder. In the UK, for instance, governments are so reluctant to allow airports to expand that no new runway has been built in the South-West of England for half a century. The result: overcrowded terminals, tough slot competition by an oligopoly of airliners and increasing flight delays at the main airports of the UK like Heathrow (Cf. The Economist, 16 August 2003)

Economic growth versus ecological degradation?

The airport was growing at a terrific pace. While the number of landings and take-offs amounted to 200 000 in 1990, the number was expected to rise to more than 400 000 in 2002. In 2001, Schiphol received almost 40 million passengers (Schiphol, 2001). FoE Netherlands feared that a fifth runway would result in increased safety risks, environmental and noise pollution.⁴ In this regard, the government fulfilled a complex role as legislator, supervisor and part owner. In 1998, former prime minister Kok promised that environmental matters would not be neglected with the expansion of the airport at its current location. FoE demands an end to the privileges the Airport receives from the Dutch Government and a decent set of environmental regulations giving real protection to communities around the airport and to the wider environment. These regulations should be comparable to those applied to other commercial activities and should include noise, air pollution, external safety (third party risk), health effects, smell and emissions and global impacts such as carbon dioxide emissions.

'Our national capital Amsterdam is shuddering beneath jet engine noise. But this is my consolation to Amsterdammers: the drone of jets this summer is a swan song! In October, the greatest nuisance will be something of the past. Of all things, that seemingly endless roar above your bedroom was necessary to completely free in the next few years, not only your bedroom, but the whole of Amsterdam from the noise of so many machines flying over our city.' This jubilant message was brought by Dutch newspaper *De Telegraaf* on 2 September 1961. FoE Netherlands took pleasure in using this quote when politicians sang the praises of the new fifth runway to be operated at the beginning of this century. However, the runway Schiphol announced in 1961 did not reduce the noise. Schiphol frequently exceeded noise limits⁵ and in 2000 it was fined after the government had pursued a policy of tolerance for two years.⁶ During the operating years 2001-2002 (the operating year runs from 1 November to 31



⁴ [http://www.milieudefensie.nl/verkeer/doemee/Thunder Forest/index.htm](http://www.milieudefensie.nl/verkeer/doemee/Thunder%20Forest/index.htm), consulted on 23 March 2002.

⁵ www.milieudefensie.nl, consulted on 23 August 2001.

⁶ Koesen, W. (2001), 'Interview with Schiphol CEO Gerlach Cerfontaine', *Management Team*, 20 April 2001, p. 84.



October for Schiphol) Schiphol remained within the noise limits, according to the management.

Expropriation of the Thunder Forest

In the summer of 1999, Schiphol failed to acquire the land along the Vijfhuizerweg from the Thunder Forest owners. Legal proceedings were started to expropriate the land. A request was submitted to the Council of State for a Royal decree for the expropriation of designated areas, including the Thunder Forest. In March 2000, the Royal decree was issued. A month later the bailiff issued a summons to the legal owners, signalling a go-ahead for the expropriation process. In September 2000, the scope of the new airport terrain (including the fifth runway) had finally been established. FoE Netherlands persisted and presented the signatures of more than 22.500 of Schiphol's neighbouring residents to the Minister of Transport and Public Works, Mrs. Netelenbos. In January 2001, a new aviation bill was submitted. Schiphol wanted to purchase the land on the Vijfhuizerweg (1100 m²) for 40.000 Dutch guilders (approx. 18.000 euro).⁷ In February 2001, the appeal would be heard at the Amsterdam Court of Justice. FoE Netherlands, however, did not wait for the ruling and decided to occupy the Thunder Forest permanently. On 24 July 2001, more than a hundred Thunder Forest owners set out to the court in Haarlem, where objections to expropriations are heard.⁸ The court rejected Schiphol's claim to expropriate the Thunder Forest land along the Vijfhuizerweg on account that the Royal decree had been issued on wrongful grounds. The main argument was that the environmental licence for the use of the fifth runway (the guidelines) had not yet been issued by the Council of State. On 25 September 2001, the court finally ruled that Schiphol could take possession of the Thunder Forest. In January 2002 the Thunder Forest was vacated. With this, however, the issue was far from settled.

Flexible set of standards

Societal groupings were of the opinion that Schiphol should be treated as a 'regular' company as far as legislation was concerned. By relaxing the environmental standards, the environmental stipulations of the Core Planning Decree (PKB) could never be observed. According to them, the rules were relaxed instead of tightened. In contrast with the PKB, the



government did not set down a maximum number of arrivals and departures in the new regulations, opting instead for a maximum level of noise nuisance.

In October 2001, the discussion surrounding the new Aviation Act was to be finalised, but the parties in the Dutch Lower House could not agree on new environmental standards.⁹ The Act was to come into effect in January 2003 when the fifth runway would become operational. New noise, safety and air

⁷ 'Schiphol may 'disarm' Thunder Forest', VOLKSKRANT (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 27 September 2001.

⁸ <http://www.milieudefensie.nl/verkeer/nieuws/010626.htm>, consulted on 30 November 2003.

⁹ Boer, E. de (2001), 'Opponents distrust Aviation Act from Minister Netelenbos', VOLKSKRANT (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 20 October 2001.



quality standards would be introduced along with the new Aviation Act. The outcome, according to FoE Netherlands, was a flexible and stretchable set of standards¹⁰: environmental restrictions would expand along with Schiphol. The number of items that would be measured also decreased from 375 to 50. Schiphol, however, still fell under the PKB of 1995. The PKB states that Schiphol should be allowed to grow into a Mainport – a distinguished transport connection. At the same time, the quality of the living environment should be enhanced. According to FoE, the new environmental standards contrasted sharply with the commitment former Minister Netelenbos made to the Lower House that justice would be done to the environmental stipulations of the Planning Decree.¹¹ Nevertheless, the Upper and Lower Houses concluded that this commitment had been adequately met and passed the new standards in 2001 and 2002.

The environmental movement agreed with the government on one point: new standards were required. On all the other points, the oppositional parties were most critical of the Government and Schiphol. According to them, the new Aviation Act stretches the environmental and noise limits considerably. In their view, the PKB offered solid assurances which justified civil society's opposition to the decisions surrounding Schiphol. On 19 March 2002, to the great displeasure of the airport's management, the PvdA (Eng: Labour Party) withdrew its support for a proposal to privatise Schiphol and bringing it to the stock market, and the Dutch government still opposes against it today. Subsequently, the majority of the Lower House, the PvdA (Labour Party), CDA (Christian Democrats), GroenLinks (Green Party) and the Christen Unie (Christian Union) opposed the privatisation of Schiphol and possibly corresponding stock-market flotation.¹² The parties in question had reservations about whether public interests would be protected in the event of Schiphol's privatisation. Moreover, early 2002, the Upper House still had not agreed on the Schiphol Aviation Act and they threatened to send it back to the Council of State for advice,¹³ although it refrained from doing so. Had that happened, the operationalisation of the fifth runway would have been delayed considerably. After years of political debate, the grande finale followed in July 2002. The Lower House finally passed the new noise and environmental restrictions for Schiphol. These new regulations came into effect on 20 February 2003. The fifth runway is operational at the moment and the discussion about a sixth runway is underway.¹⁴

Demonstrable indicators of reputational damage

Consumer market

Due to the duration of the conflict (seven years) it is difficult to establish to what extent this drawn out affair affected the number of passengers that passed through Schiphol. In fact, the number increased each year.

¹⁰ www.milieudefensie.nl, consulted on 14 March 2002.

¹¹ www.milieudefensie.nl/jaarvers/jaarvers-2.htm#schiphol, consulted on 14 March 2002.

¹² 'Privatisation Schiphol out of the question', VOLKSKRANT (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 20 March 2002.

¹³ Boer, E. de and F. Haan (2002), 'Central Planning Bureau (CPB): two runways extra for Schiphol', VOLKSKRANT (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 12 April 2002.

¹⁴ 'Lower House approves of stricter Schiphol norms', VOLKSKRANT (DUTCH NEWSPAPER, HEADING ORIGINALLY IN DUTCH), 4 July 2002.



That, however, can be explained partly by the fact that Schiphol does not have any significant competition in the Netherlands (beside several minor, local airports). In addition, the open skies agreement with the United States – passengers from the Netherlands can fly to almost any large city in the US without catching a transfer flight – is of immense advantage to Schiphol in relation to other European airports. Passengers often use Schiphol as transfer hub which makes the airport less dependent on the local economy.

The effect of the 11 September 2001 attacks on the World Trade Centre (WTC) in New York was significant. After an initial growth of 3,5 percent in the first half of the year, the number of passengers passing through Schiphol dropped by 0,2 percent in 2001. A connection with stringent environmental regulations and noise level violations in the Netherlands cannot be substantiated. Despite the decline in the number of passengers passing through, Schiphol's market share in Europe grew from 9,3 to 9,5 percent in 2001 (39 million). The airport's turnover also increased in 2001. In the years after the height of the conflict the number of passengers increased further to 42 million in 2004.

Capital market

Schiphol's largest shareholder is the Dutch government. Nevertheless, the former Minister of Transport and Public Works, Netelenbos, did not hesitate to give Schiphol a hefty fine (more than two million euros) for regulatory violations. A sort of administrative penalty.¹⁵ In addition, parliament had reservations about whether the airport should be privatised. No indication was found that investments had been withdrawn. However, government still holds back on bringing the airport to the stockmarket due to unclarity about environmental restrictions and volatility of the stock market.

Labour market

The Corporate Image Barometer of 1994 records the airport as 'excellent' employer (CIB, 1994). The annual research the weekly, *Intermediair*, conducts on the attractiveness of companies on the labour market shows that Schiphol fell from 31st to 42nd place in 2002.¹⁶ In 2001, the number of jobs at Schiphol decreased by 1,2 percent. This decline can largely be attributed to the attack on the WTC in New York on 11 September 2001, but also reflects declining job-security in the industry. However, the number of jobs is expected to rise in the coming years. For years, Schiphol's staff turnover has been below the national average of about 10 to 12 percent (Schiphol annual report, 2001). On the basis of research Schiphol conducted into satisfaction levels among staff in 2001, it appears that overall satisfaction levels increased by 16 percent to a total of 72 percent (Schiphol annual report, 2001).

In the light of this data, demonstrable indicators of reputational damage cannot be identified. It is however plausible that the commotion surrounding Schiphol contributed to the delay in the fifth runway becoming operational as well as the delay in privatising the airport.

¹⁵ Koesen, W. (2001), 'Interview with Schiphol CEO Gerlach Cerfontaine', *Management Team*, 20 April 2001, p. 84.

¹⁶ Kuiper, R. (2002), 'A thin masking layer', *Intermediair*, 11 April 2002, p. 18.



Demonstrable indicators of disciplining

During the nineties, Schiphol undertook several (disciplining) initiatives to manage the issue. A number of them are summarised below (more can be found on the Schiphol Airport website).

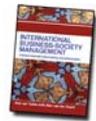
- In summer 1993, Schiphol started to develop and implement a code of conduct (Kaptein, 1998: 158);
- In 1994, the Schiphol fund was created which receives an annual amount of approximately 700.000 euros. The money is used to support good causes in the area where the impact of noise nuisance is most severe. Schiphol argues that this donation is to compensate the local community for the external effects of the airport. In 2002, an amount of 550.000 euros was set aside for the fund;¹⁷
- As early as 1995, in anticipation of noise restrictions which were coming into effect in January 1997, an extensive policy of deterrence was introduced. The noisiest aeroplanes had to pay supplementary surcharges and flying by night also incurred additional costs. The number of night flights was frozen and the engines of all Dutch-owned B737's were modified to reduce noise;
- In 1998, Schiphol qualified for ISO 14001 certification; Schiphol set up a Noise Management Committee (NMT). In this committee, which is chaired by Amsterdam Airport Schiphol, representatives of airline companies, air traffic management and the Slot coordinator also hold seats and the government acts as observer. The NMC also takes corrective measures to limit the effects of noise nuisance in the event of operational changes;
- Schiphol was one of the first companies in the Netherlands to publish a sustainability report using the GRI guidelines as guiding principle;
- The airport has a detailed website with information on environmental standards, noise nuisance and measurement and the issue of the fifth runway;
- To combat noise nuisance on the ground, Schiphol has changed its landing procedure. At night, planes approach the airport in gliding mode and landing starts at a greater height.

Outcome

Whose interests were met?

After seven years, Schiphol's interests seem to have been acceded to most. Possession was taken of the Thunder Forest on the Vijfhuizerweg. The other part of the forest which is situated on the IJweg was left untouched. However, Schiphol was delayed in the operationalisation of the fifth runway. According to the management of Schiphol, this was a result of legal procedures which could not rounded off in time. The consequences of air traffic remains a concern (De Kruijf, 2002). The airport also has not been privatised yet. This is still an undecided struggle where with parliament is fretting over the role of the government on this interface. The constant postponement of the privatisation of the airport specifically limits

¹⁷ www.schipholgroup.com, consulted on 2 October 2002.



the potential for international expansion of the 'product' AirportCities, which could eventually have a negative impact on Schiphol's efficiency.

According to Friends of the Earth they have had a success against Schiphol. Located on the planned site of Schiphol's fifth runway, the famous Thunder Forest (Thunder Forest) was a real obstacle to the airport's expansion for over eight years. Together with the Dutch Society for the Protection of Nature and Environment and local citizen's initiatives of people living near the airport, FoE Netherlands won several cases in court, which helped to stop the special treatment Schiphol enjoyed in the past. Though there is still much room for improvement, Schiphol is finally starting to be seen as a business like all others that should -keep within its environmental limits.¹⁸

Issue resolved, case closed?

Just as it had in 2001, Schiphol remained within the noise limits during the following operational years. For years now, the airport has remained within the limit of 12.000 affected houses according to the management. However, two points have to be made here. First of all: the noise limits seem to stretch each year. Second, however, the issue surrounding the airport does not only concern the debate on noise. It has always also concerned environmental pollution, expansion, noise and safety standards. Environmental organisations remain doubtful about whether the environment will be protected and safety guaranteed when Schiphol expands - as Prime Minister Kok promised in 1998. Undoubtedly, they will announce themselves once again since the limits are constantly being expanded.

The aftermath

The fifth runway has become operational in 2003. According to Schiphol, this and the modified landing routes will lead to a significant decrease in the number of houses most affected by noise. Schiphol has increasingly shifted its orientation from a business-to-business to business-to-consumer company.¹⁹ The AirportCity concept is focusing increasingly on providing services to shopping consumers. Should a receding government present itself, the field of tension for Schiphol would no longer be comparable to the situation of ten years ago. The management of Schiphol is well aware that communication with its social environment is crucial. This is quite a challenge given the great number of parties involved. Schiphol also plans to employ the Internet in conducting the dialogue on interface issues with interested parties. The information aims to address public concern about air pollution, noise nuisance and safety. One can, for instance, find information on landing routes of aeroplanes on specific days. This component has in fact already been integrated into the website of Schiphol. This does not do away with the fact that Schiphol does not always agree with all aspects of the new standards either. Apart from that, decision-making on the future of airports is increasingly taking place on European level. In Brussels, Schiphol is confronted with yet another public-private interface, such as the European Commission.



¹⁸ <http://www.milieudefensie.nl/foenl/successes.htm>, consulted on 3 October 2004.

¹⁹ Koesen, W. (2001), 'Interview with Schiphol CEO Gerlach Cerfontaine', *Management Team*, 20 April 2001, p. 84.



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