

**Airports Commission Discussion  
Paper 06: Utilisation of the UK's Existing  
Airport Capacity  
July 2014**

## **1.0 Introduction**

- 1.1 Edinburgh Airport welcomes the Commission's discussion paper that acknowledges that the Commission's work is not solely focused on the South East of England but is an issue for the whole of the UK.
- 1.2 This document gives Edinburgh Airport's perspective on regional airports, their capacity and its utilisation. It makes no apology for giving that via the prism of the Scottish aviation industry which may differ to that of other parts of the UK.
- 1.3 The first part of the document offers a general commentary on our position regarding the key themes of the paper. The second directly answers those questions posed that were appropriate for Edinburgh Airport to answer.
- 1.4 Scotland's relatively small population makes it likely that its airports will always be served by a mixture of direct and indirect routes.
- 1.5 Passengers generally value direct international services over indirect services, and Edinburgh Airport's sharp focus will remain on developing a robust and sustainable network of direct international routes.
- 1.6 However, Scotland values its connections with London airports, not simply to do business in the UK's capital, but to take advantage of the high number of destinations served through these larger airports.
- 1.7 We would urge the Airports Commission to always be mindful of its UK remit and to consider that the large London airports are national strategic assets, which provide benefits to the UK as a whole. These are not merely London airports.
- 1.8 That said, we believe that the importance of the traditional hub model in the UK is overplayed and that it is an outdated view of our changing industry.
- 1.9 Airlines are investing in long-range aircraft such as the Boeing 787 and the Airbus A350, prioritising direct international services ahead of transfers.
- 1.10 Scotland's continued access to long-haul markets depends upon our connections to large London airports, and similar airports overseas, in Europe, the Middle East and North America.
- 1.11 In arguing for new capacity, it is our view that Scotland's needs are better served by spreading our 'risk' across multiple airports, and supporting deliverable proposals as opposed to those which are not.
- 1.12 Furthermore, we believe that the concentration of a large number of long-haul services at one airport, for example at Heathrow, leads to more expensive ticket prices as that airport's effective monopoly position is compounded.

- 1.13 At a simple level, the passenger will benefit more from the competitive 'constellation' system advocated by Gatwick, which will require airports and airlines to compete for all traffic, bringing ticket prices down and raising standards of customer service.
- 1.14 The Gatwick option is also the most deliverable both politically and in terms of actual construction. Our passengers tell us that they want a quick and deliverable solution. We agree with them and believe Gatwick delivers that.
- 1.15 Too often in the past, the understandable but narrow interests of London have dominated national airport policy decision. If that approach is allowed to endure, then it is often the more remote parts of the UK that are affected first, and disproportionately, by a lack of capacity in London.
- 1.16 Domestic connectivity in the UK is vital to Scotland, both in terms of access to the Capital itself and the onward connections its airports offer.
- 1.17 Our separation from BAA has allowed competition to flourish and our passengers have seen the benefits of increased investment in our facilities, service improvements, innovation and greater choice of routes as existing carriers increase services and we attract new airlines.
- 1.18 We believe that such competition injected into the London airports can benefit passengers similarly. Competition will provide choice and drive service.
- 1.19 Government intervention has to be structured in such a way as to enable this to happen. Current interventions such as Air Passenger Duty (APD) do not do that and are a major drag on an airport's ability to offer choice.
- 1.20 We would wish to understand the requirements for a Public Service Obligation (PSO) route, particularly in relation to the recent award in Dundee Airport.
- 1.21 We welcome this opportunity to again give our views on this vitally important issue and we hope that the Commission can press the case for urgent and decisive action.
- 1.22 Too many times, it has proved difficult to turn policy into reality. We hope that the result of this consultation and dialogue with the industry as a whole will result in solutions that can and that will be delivered.
- 2.0 Is the Commission correct to identify a reduction in air connectivity between the UK regions and the London airport network over the last decade? How do recent new routes to the capital, and the stabilisation in passenger numbers on domestic routes to and from London since 2010, affect this analysis?**

- 2.1 Domestic connectivity is a key part of Edinburgh Airport's success; the Edinburgh – London route is the UK's busiest domestic route.
- 2.2 We broadly agree with the Commission's assessment of domestic connectivity in recent years. Clearly, the recession has had a temporary effect and when looked at on a longer term basis growth is strong.
- 2.3 We do think that the Commission has overstated the reduction in demand for business traffic. Edinburgh Airport has seen this fall, but not to the levels anticipated and believe that this is entirely linked to the economy.
- 2.4 Market factors, including the recession; airlines' allocation of scarce slots at Heathrow and Gatwick to higher yield routes; APD and increased connections from the regions to other hubs, have dampened demand.
- 2.5 The Commission is correct to indicate the detrimental effect of APD on domestic air travel and this continues to remain an issue for the industry.
- 3.0 How do respondents view these trends developing in the future?**
  - 3.1 Much depends on the recommendations of the Commission, the political reaction and activity following their publication.
  - 3.2 An economic recovery, coupled with increased capacity in the South East, with a plan enacted quickly and efficiently, will see domestic air travel demand rise and airlines meet this demand accordingly.
  - 3.3 Government aviation policy, including the treatment of APD will also factor.
- 4.0 Is the Commission's analysis of the multiple factors influencing domestic air connectivity between London and the UK regions accurate? Of the factors outlined, which are the most significant or important for explaining how the market has developed? What additional factors, if any, should the Commission be mindful of?**
  - 4.1 We agree in general with the Commission's analysis of the influencing domestic connectivity.
  - 4.2 We believe that the economies of both the UK and in Edinburgh's case, Scotland, are the key factors in the health of UK aviation. Demand for routes will be created by economic growth, which will be met by airlines, thereby creating further economic stimulus.
  - 4.3 Edinburgh Airport in particular has benefited from a resilient Edinburgh economy which although was affected, managed to avoid the worst effects of the recession.

- 4.4 Edinburgh Airport has also been successful in connecting to other hub airports in Europe and beyond and agrees with the Commission's assertion regarding passengers choosing other hubs on the basis of capacity and better service elsewhere.
- 5.0 Is overall transport connectivity between London and the regions at an appropriate level? What are the social or economic consequences of changes to air connectivity? Can respondents provide any comparisons or other evidence to support their response.**
- 5.1 Edinburgh Airport offers some 40 services per day to London airports and the figure is growing. This month alone has seen BA add more rotations to London City and Ryanair offer a three daily service to Stansted.
- 5.2 Clearly, demand will also shape the situation in other airports and business communities, such as the one in Inverness that has fought hard to retain its London link to Gatwick. It is clear that the economic consequences of losing such links can be significant.
- 5.3 We do question, however, the government funding used to support London routes, such as the one from Dundee, when the services from nearby airports are so comprehensive.
- 5.4 Ultimately, services will only run if they provide the profitability and yields required and contribute to the airline's overall network.
- 6.0 Is the Commission accurate in its analysis of the market dynamics affecting the non-London airports sector? Is the Commission correct to identify a broad trend, especially since 2007, in larger regional airports retaining or building their route networks whilst smaller regional airports' route networks shrink? What explanations can respondents provide for this trend?**
- 6.1 The Commission is accurate in its analysis, borne out by the situation in Scotland, where we can see smaller airports struggle and lose passengers even with millions of pounds of Government subsidy.
- 6.2 Clearly any economic recovery will benefit smaller airports as demand increases and routes that are currently loss making become viable again.
- 7.0 In the longer term, what is an appropriate, adequate or ideal shape for the UK's airport system? Is consolidation of the airport network desirable, inevitable, both or neither?**
- 7.1 The UK currently benefits from a competitive and vibrant aviation industry.

- 7.2 Edinburgh Airport has been successful in the wake of the ongoing break up of BAA monopoly which has seen competition flourish where it did not exist before.
- 7.3 Clearly, Edinburgh benefits from the strength of its city as a destination, its location, which enables a large catchment and the efficiencies that its size provides. Not all regional airports are as fortunate.
- 7.4 We see consolidation of the airport market inevitable and in some cases, desirable. Competition, which has brought so many benefits to UK aviation, should be allowed to grow.
- 7.5 We believe that Government should support life line routes and encourage access to links. But this cannot be to the detriment of other airports, as we can see happening at Prestwick and Dundee Airports at the moment.
- 8.0 Has the Commission correctly identified the major options to support or bolster the regional airports sector? Of the options explored, which have the potential to be the most beneficial?**
- 8.1 We agree with the measures identified by the Commission in this area.
- 8.2 However, given our current experience with the PSO awarded between Dundee and Stansted we would wish to review the requirements for such an award. We believe they are useful tools when used in the appropriate areas.
- 8.3 Our view, as mentioned on a number of occasions in this document, is that a reduction in or abolition of APD would be a key measure in supporting the regional airports sector.
- 8.4 As the Commission notes, Scottish passengers incur the charge on both legs of the journey.
- 8.5 We support the Scottish Government's position in this area and believe that using the tax creatively, with breaks for new routes for example, would not only ease the burden on passengers but allow regional airports to compete more easily.
- 9.0 Are there any ways that government, or any other stakeholders, could improve airport site access? Are there any innovative ways that airports could resolve site access problems?**
- 9.1 Much like the current debate on capacity and the issues that affect other infrastructure schemes in the UK, surface access to airports would benefit from clear and consistent political prioritisation and decision making on both regional and national levels.

- 9.2 Both Edinburgh and Glasgow airports have seen rail links proposed and the necessary legislation to build them approved by the Scottish Parliament before been cancelled by a new party in power.
- 9.3. Different administrations have different priorities resulting in no infrastructure being built.
- 9.4 A clear articulation of priorities, supported by a comprehensive analysis of requirement linked not just to airport development and demand, but the transport network requirements as a whole, would allow the best decisions to be made.
- 9.5 We also understand that the attractiveness of London airports for travellers across the UK can be measured in terms of the end-to-end customer experience, and in terms of choice, service and connectivity with London.
- 9.6 Therefore, any investment in new runway capacity must be met with a proportionate investment in surface transport connections, with support where appropriate from the bus and rail industries and the public sector.
- 9.7 The varying quality of airport rail links in the South East must be addressed, and the public and private sector should be encouraged to work together, to procure dedicated rail services to and from each of the large London airports.
- 10.0 Are there any areas of legal, tax or regulatory constraints, not considered by the Commission in its Interim Report, which merit further review?**
- 10.1 We do not believe that we can over-labour the need to change the APD regime. It is especially punitive on regional airports – affecting the viability of existing routes and hamstringing sales teams when trying to attract new routes.
- 10.2 It is the highest aviation tax anywhere in the world and it is our belief that the Commission cannot examine capacity in the UK's regional airports without considering the current and future effects of this tax.