



## **Submission to the Airports Commission consultation on “Use of the UK’s existing airport capacity: call for evidence”**

### **Evidence from discussion meetings with regional stakeholders**

The Smith Institute, in association with Transport for London, hosted meetings in Liverpool, Inverness, Glasgow, Darlington and Newquay between 10<sup>th</sup> and 21<sup>st</sup> July 2014. The discussions featured contributions from business people and business representatives, representatives from local airports, politicians and local government officers and academics. The meetings were held under Chatham House rules. Quotes from the meetings are italicised.

The main issues raised were:

#### ***Importance of airports to local economies***

- It was universally agreed that local airports were vitally important in attracting investment and to growing the local economy.
- The discussions focused on the business passenger. Whilst tourism was important, business users were most important to growing local economies.
- There were fears about the future of regional airports with many unsure how sustainable they would be and what this would do to their local economy. For example, in Liverpool, one person argued that unless the number of routes increased: “more and more business will relocate to the Manchester region.”
- It was thought that the debate so far on economic development and the airports had been too London-centric.

*“Connectivity is vital to growing the economy”*

*“The main barrier to bigger success is connectivity”*

*“The airport is the most important asset for international connections”*

*“Where would the next investment decision go if our airport went? We wouldn’t get on the shortlist. If you don’t tick the connectivity box you’re not even on the shortlist for a multinational.”*

*“Some businesses have relocated outside the county because of poor connectivity”*

### **Views on London and its importance to the regions**

- London was seen as a global city and a huge market which their region had to connect with.
- One respondent also made the point that it was equally important for London to consider how important the rest of the country was to London's economy.
- There was a general feeling that the considerations about London's airport capacity had ignored the impact on other parts of the UK.
- For some, London received too high a share of infrastructure funding at the expense of the regions.
- The general view was that any future decision about airport capacity in London and the South East had to have regional connectivity as an important component especially if rebalancing the economy was to be a policy priority.

*“London airports are seen as London's airports”*

*“We're always a last minute thought”*

*“It's a London discussion whether it is Gatwick, Heathrow or Isle of Grain – if it doesn't happen we will go elsewhere”*

### **Connectivity to London and the rest of the world**

- Views differed as to whether point-to-point air travel was important. Those with fast rail connections to the capital were less concerned about flying to London. In contrast those in more remote parts of the country were concerned about having a slot to any airport in London.
- All those who attended the discussions thought that global connections were vitally important.
- It was stated that being able to fly direct to Spain might be good for tourism. However if local economies were to grow it was important for business to be able to fly to a hub which could link them to the rest of the world.
- It was stated that whilst business might be able to find a way of travelling to meet clients or investors the reverse was less likely if fast, convenient, reliable and affordable connections were not available.
- It was said at the discussions where the local airport was not connected to a hub that in order to fly for business meetings they would have to travel the night before. This not only increased the cost of travel but also reduced the hours they could work.
- Others noted that they had to travel across London to get their onward flight.
- The nature of airlines was also mentioned. If low cost carriers connected the city with the hub because a different operator was needed for the onward flight they could miss their flight and not claim compensation.

- For those who could travel quickly to London via train connecting to a *London* hub was not the biggest concern. The attitude was any hub would do and 'if London did not want us we would fly to Schiphol'.
- However, there were concerns about airports losing connections to Schiphol as demand increased.

*"We fly the night before because we can't take the risk [of missing our connection]"*

*"Its 6 hours on the train [to London].... we're so disconnected"*

*"Airports are great for tourism but without a global connection they're not great for business"*

*"Demand can't ever deliver direct flights, we need a hub"*

### ***Increasing capacity in London***

- There were concerns that a three runway hub solution would not offer much for the regions.
- It was believed by some that a three runway solution would soon reach capacity once opened and that regional airports would lose their slots.
- It was also thought that extra capacity in London could just mean that regional airports had slots into London but not to the hub.
- It was also stated that even if there was capacity the best slots would be taken by long haul flights at the expense of regional connections.
- The general view was that capacity had to be increased.

*"The Airports Commission has missed the point. The first slots at peak times will be filled by other routes than those to the regions"*

*"How quickly will the slots be filled [at an airport with a third runway]?"*

*"Capacity and connections are what is important"*

*"Not bothered where it happens [extra capacity], just that it happens"*

*"It doesn't matter we will just be squeezed out"*

*"It's not true that if you own the tarmac you control where the planes go"*

### ***The role of regulation and the state***

- There was concern that if there was an additional runway that other routes would be more financially viable and chosen over flights to the regions.

- Several of those attending the meetings thought that there could be greater use of Public Service Obligations (PSOs) by the UK government which seemed reluctant to use this regulatory mechanism in contrast to other European administrations.
- Others recognised that the PSO criteria prevented widespread use of this mechanism and accepted that EU rules would prohibit protecting slots for regional routes. Only additional capacity would help ensure regional connections to a hub airport.
- Even with a PSO, the price of some slots made routes too expensive because of the balance between supply (runway capacity) and demand.
- It was suggested that government could offer more financial support for regions with lower demand but reliant on air travel.

*“Legislation exists but we never use it”*

*“If there is extra capacity in the South East the first priority should be to have slots to the UK regions”*

*“You can only ring fence what you have”*

### ***Air Passenger Duty***

- The issue of Air Passenger Duty (APD) was raised at the discussions, especially in regard to solving shorter-term problems.
- APD was believed to hinder regional air connectivity by making air travel too expensive
- There were calls for an APD holiday for some routes.
- It was suggested that it would be revenue neutral to reduce APD by half for flights from regional airports and increased by £3 for all out bound London flights. This would help make some routes far more viable whilst not impacting London too much.

*“Doing away with APD for this region might be an option”*

*“What are we going to do until it [extra capacity] arrives?”*

### ***Need for an overall strategy***

- Many of those at the discussions called for a strategy for regional connectivity.
- It was thought by some that the decision about extra capacity in London was not connected to a broader strategy for connectivity in the UK, which included other modes (especially the train).
- Others also thought the UK lacked a coherent strategy for regional economic development in which air travel should feature.
- It was feared that other advances such as HS2 would leave some places relatively more isolated and make air connectivity even more important.

*“We’ve got to have an overall transport strategy and it has to be integrated!”*

*“We have to make the case for the regions”*

*“There’s too much uncertainty”*