

## **Airports Commission Discussion paper 6 – Utilisation of the UK's Existing Airport Capacity: North East Chamber of Commerce Response**

I write to set out the North East Chamber of Commerce's (NECC's) submission of evidence in response to the Airports Commission Discussion Paper Six. NECC is the North East of England's leading business membership organisation and the only regional chamber of commerce in the country. We represent more than 4,000 businesses located throughout the Tees Valley, County Durham, Tyne and Wear and Northumberland. Our members are drawn from all sizes of business across all sectors and employ about 30% of the region's workforce across our two Local Enterprise Partnership areas.

The North East is the only region in the UK to enjoy a positive balance of trade which illustrates the fact that exports play a vital role in our economy. Aviation is therefore of critical importance to the North East business community due to the role of exports and to the volume of opportunities in the global marketplace.

NECC welcomes the Government's ambition to rebalance the economy in order that the private sector makes up a greater share of wealth creation in the UK. The North East already enjoys an innovative and successful manufacturing sector which is increasingly taking the strain from the service sector upon which UK Plc has become too dependent. Growing our number of exporters will require affordable and world class links to markets elsewhere in the world and access via a hub airport in particular is hugely important to businesses throughout the UK.

Reforms to aviation policy must ensure that UK exporters have affordable and efficient links to their markets in order to ensure they can remain competitive. Policies that impact on the viability of routes from regional airports in particular will have a damaging effect upon the rebalancing of growth across the UK. As has been suggested by the Transport Select Committee (May 2013) Heathrow must be viewed as a national asset that serves people and businesses throughout the country rather than as a policy issue faced by a relatively small number of people in the near vicinity of the airport.

In the North East our Airports play a vital role in providing world class connectivity to foreign and domestic markets. As opposed to many airports in the South East of the UK, North East airports have capacity to cater for growth sustainably in the coming years as demand for air connectivity grows. Our two airports cater for business and public demand in an area stretching from North Yorkshire in the South to Southern Scotland in the North and as far west as Cumbria.

Newcastle International Airport accommodates in excess of five million passengers annually yet it enjoys terminal capacity to cater for between 7 and 8 million. Furthermore, Newcastle's runway has capacity to accommodate 20 million passengers or more based upon a typical regional airport fleet mix. Add to this, there are relatively few environmental constraints to the future development of the Airport with a lower noise profile than most other airports, strong local and regional support.

Newcastle is the largest airport in the North East of England and 11<sup>th</sup> largest in the UK. It serves a catchment area that includes Tyne and Wear, Northumberland, County Durham, Teesside, as well as parts of Cumbria, North Yorkshire and Southern Scotland. The Airport is critical to the economy of the North East, supporting 7,800 jobs in the region, and

contributing £402m (or around 1% of total North East gross value added) directly to the regional economy every year.

Durham Tees Valley International Airport also provides access to international markets for North East businesses. Seventy per cent of the largest 100 businesses in the Tees Valley Wilton business cluster are foreign owned. This means that where access to and from it becomes less competitive in comparison to locations elsewhere around the world, international companies are minded to relocate.

Hub airport links are, as the Commission rightly points out, crucial to the health of regional airports. However, while it is vital that a more effective use is made of existing airport capacity this will not be possible without a sensible approach to developing UK hub capacity.

North East businesses currently use Heathrow Airport as the key hub by which they access markets elsewhere in the world. Heathrow access is crucial not only for internationally trading North East based businesses but for an entire supply chain of companies that Heathrow, air-freight and air related services support.

Visitors arriving in the North East via long haul connections contributed around £50m during 2012 and supported in excess of 2,000 jobs. Furthermore, the 430,000 international visits to the North East in 2012 accounted for a total spend of £230 million according to the Office of National Statistics. Around 1 in 4 visitors travelled for business purposes therefore it is clear that existing links are well used and appreciated. Safeguarding this flow is crucial to some of the key organs in the North East economy – not least of all Newcastle Airport and its supply chain which support a large and growing number of businesses and jobs.

NECC members see Heathrow as a vital link both in terms of the physical link it offers to markets but also in terms of the reputational link it provides to head-offices or potential investors. Access to a world-known brand such as Heathrow is commonly cited by members as a “deal-clincher” with investors on the opposite side of the world who might not necessarily know a great deal about UK regions, cities or towns. Protecting and building on this brand is hugely important with Heathrow playing a central role not only for the South East but for the whole of the UK. Heathrow is a national asset and must be seen as such.

Improving airport use throughout the UK, in particular in regions, means that other reforms will be necessary where policy currently disincentivises their use. Air Passenger Duty (APD) has a disproportionate impact on connections to regional airports because these flights are more marginal and have less elastic demand than major hubs. APD therefore hinders the development of new connections from the North East to key international markets, making trade from this region more difficult.

Is vital that APD reform is given greater consideration in terms of potential changes that enhance regional connectivity, as opposed to viewing it through the lense of capacity constraints in the South East of England,

Furthermore, reform of APD should be viewed as an opportunity to progress the Government’s stated aim of rebalancing economic growth throughout the UK. To ensure that the finances of UK Plc are truly sustainable, vital economic resources, such as our regional airports, must be utilised effectively.

However, in its present form, APD will stifle the development of new air routes from the North East and thus place into jeopardy the connections upon which exporters depend.

Connections that airlines provide, such as those Emirates offers from Newcastle International Airport, are placed under increased pressure as a result of APD. These links boost international trade and economic activity in the North East. Since 2007 the Newcastle International Airport Emirates link has carried over 500,000 passengers, increasing our export markets to areas such as the Middle East and Australia. This has brought with it a direct economic benefit which has become highly valued by many of NECC's exporting members.

Furthermore, 2013 freight data shows that the value of exports carried through the Newcastle Airport grew from under £20m per annum in 2006, before the Emirates service started, to over £250M in 2013. The vast majority of this is carried by Emirates, which highlights the transformational effect a single long haul scheduled service can have. In the same period, trade between the North East and Australasia has increased from under £150M to over £360M.

Regional airports facilitate international business links as well as trade, both of which are essential to the rebalancing of the UK economy. A reform of aviation policy that gives greater consideration to the vital role that regional airports play could and should be implemented in order to hasten economic recovery, rebalancing and growth, while this could also help to alleviate pressure on crowded airports in the South East of England.

I hope that you find my comments helpful, please do not hesitate to contact me if you would like to discuss this matter further.

Yours sincerely

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