

Airports Commission
6th Floor
Sanctuary Buildings
20 Great Smith Street
London
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22nd July 2014

Dear Sir/Madam,

Discussion Paper 6 – Utilisation of the UK's Existing Airport Capacity

Southampton Airport Submission

Southampton is one of the longest established Airports in the UK, with the first flight having taken place over a 100 years ago in 1910. The Airport has evolved significantly, not unlike many other regional Airports in the UK from a predominantly military to civilian use over the past 50 years. The last couple of decades have been underpinned by firstly a substantial rise in air passengers, followed by a measured reduction in the recent recessionary period.

The Airport has proved resilient during the recent economic downturn and is currently operating at 88% of its pre recessionary peak traffic throughput. Being located on the periphery of the South East of England the Airport is well placed along with its strong service proposition to attract new short haul traffic in the next 5 years. To this end it was pleasing that the Commission made reference to the Airport and its position as 'playing a valuable role in providing connectivity and capacity to some parts of London and the South East'

Please find detailed below the individual responses to the questions raised in the recently published discussion paper. As an overall principle Southampton Airport as a small but significant regional Airport would like to highlight the importance that the inter-regional air connectivity brings to its local regional economy. Good connectivity is the lifeblood of any economy and this is pertinent to air as well as rail and road connections for both domestic and international traffic. Within the UK whilst distances are relatively short on an international comparator level, the associated land journey times can be disproportionately longer than the mileage distance due to either the congested nature of the network, or the lack of direct land links, in particular for rail journeys given the radial nature of the railway network centred on London.

Southampton has not answered all the questions raised by the Commission as the Airport does not have any direct air connectivity with London given its position on the periphery of the South East of England. The Airport has however responded below, using the paragraph numbers used in the discussion paper.

7.3 – Non London Airport Connectivity

What future trends do respondents envisage in domestic air connectivity excluding routes into London ?

A number of regional Airports in the UK do not provide direct air connectivity to London, including Southampton Airport. Southampton Airport believes that there are some fundamental differences as well as some similarities between the causes of a reduction in air links into London compared to the air links between non London Airports;

- a) **Capacity Constraints.** The non-London Airports are not subject to the same pronounced capacity constraints as exhibited at London's Heathrow and Gatwick Airports. Therefore connectivity between non London Airports has not, and should not be impacted to the same manner either directly through capacity constraints, or indirectly through increased disproportionate high levels of charging of smaller aircraft which tend to operate on shorter inter regional networks.
- b) **Improvements in rail services.** Line speeds have been upwardly adjusted on a number of mainline routes including most notably the West coast mainline. The rail network however is significantly influenced by London and the radial pattern which developed during Victorian times. As a result and in contrast to connectivity to London, the inter regional rail routes can therefore involve multiple changes or an elongated routeing using London as a hub, involving an intermediary change between London's mainline stations. The proposed HS2 plans will only continue, and indeed reinforce this radial and London focus on connectivity in the South of the UK with London acting as the rail hub. For example the journey time for a passenger travelling from Southampton to Newcastle takes at best 5 hours 14 minutes (source National Rail enquiries) and involves 2 changes. Likewise a rail journey from Southampton to Glasgow takes 6 hours 39 minutes (source National Rail enquiries) and involves 3 changes. In comparison the air journey from Southampton to Newcastle Airport is 1 hour and 20 minutes and for Southampton to Glasgow Airport 1 hour 30 minutes. Given that no significant rail infrastructure projects are planned to address this issue in the planning horizon of the Airports Commission, passengers will have to look for alternatives. In the case of inter-regional connectivity therefore air journeys play a significant factor in delivering short and quick journey times.
- c) **Thinner regional networks.** The passenger volumes on inter regional routes are not surprisingly smaller than London centric traffic, and whilst rail improvements are predominantly centred on London, it is not envisaged that inter regional volumes will grow at a disproportionally higher level when compared to London origin and destination traffic in future. The lower demand for inter-regional connectivity usually results in smaller aircraft types being deployed, which in turn do not enable the same economies of scale in aircraft to be employed, therefore there are smaller market stimulation opportunities compared to 'thicker' routes into London where economies of scale enable lower cost, and therefore lower priced opportunities for travel.

In respect to the similarities Southampton Airport would however agree that inter regional connectivity has observed the market wide impact in regard to the overall suppression of demand as a result of substantial increases in APD whose affect was compounded during the recessionary period on the cost and attractiveness of air travel.

Is the Commission correct in its analysis of changing purposes of travel and routes types at non London airports ? What are the drivers and ramifications of this change ?

Southampton Airport enjoys a disproportionately high percentage of Business traffic, accounting for 37% of total journeys, highlighting its attractiveness to this market segment, plus the Airport's relative importance to the regional economy. Southampton Airport has not been immune to market changes in the past five years and concurs with the Commission's view that Business routes have been the main loss in the recessionary period with 5 scheduled year round routes lost (Liverpool, Hannover, Frankfurt, Dusseldorf and Isle of Man) or approximately 10% of the total routes served from Southampton lost in the period, of which 80% were Business routes.

Southampton Airport believes that there have been a number of contributory factors which have particularly impacted on business travellers over the last 5-10 years including the following:

- Reduced spend on travel by businesses in the recession, as air travel was in part seen as discretionary expenditure.
- Increase in APD, particularly the double impact hit of APD on return trip Domestic flights.
- Increased security measurements have negatively impacted on the perceived convenience of flying
- Convenience and facilities of alternative modes of transport. Improvements in the punctuality and facilities for rail services including the provision of on-board Wi-Fi for the entire journey.

7.4 – Airport Business Models

Is the Commission right to identify particular financial challenges for smaller airports ? Can respondents corroborate or refute any of the commission's evidence on financial pressures at regional airports ?

Southampton Airport would agree with the observations made in the Discussion paper on the challenges facing smaller Airports in the UK.

In particular Southampton Airport would agree that the Commission is right to note that smaller airports are under significant commercial pressure and that they often lack the market power that larger airports have to negotiate costs, and lack the economies of scale of the major Airports. The relative high degree of fixed costs for small Airports which can be in excess of 50% of the total costs including for example the provision of a fire service are well documented. The analysis by ACI Europe on the costs which airports must cover irrespective of passenger figures is well evidenced. In addition the peakiness of flight movements , both daily, weekly and seasonal tend to be exacerbated at smaller Airports particularly where schedules reflect business traffic at the start and end of the operating day.

Finally the cost challenge is also magnified by the inequality of services provided by airports for air traffic services. For example the Airports in the London region including Heathrow, Gatwick, Luton and Stansted do not have to incur the cost liability for the provision of approach radar services. These are provided and costed for within the enroute traffic function which all airlines pay in the UK. Conversely regional airports outside of the London Airport area do have to provide all services including approach radar which is a cost for the Airport and airlines operating at that individual site.

From an income perspective smaller airports, because of their smaller passenger throughput, and predominance of both domestic and EU traffic results in a reduced ability to source the breadth of opportunities for non-aeronautical income. Conversely larger airports tend to attract a greater proportion of non EU traffic which can take advantage of all duty and tax free goods from a larger range of retail units.

Is the Commission accurate in its analysis of the market dynamics affecting the non-London airports sector ?

See response in section 7.3

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 airport's route networks shrink ? what explanations can respondents provide for this trend ?

See response in section 7.3

Can respondents provide any evidence to counter or support the Commission's analysis of the UK population having quick access to relatively high numbers of Airports, or to build on the Commission's comparison between the UK and other countries airport networks ?

Southampton Airport believes that the analysis highlighted in the Commission's report whilst accurate based upon the criteria used is correct, however the criteria used should be expanded to account for other factors. For example Airports are not a homogenous product, with different airports exhibiting different capabilities, mainly in respect to their runway length. For example Southampton Airport has a relatively short runway length and could not be considered a substitutional airport product compared to Gatwick or Heathrow for medium or long haul flights. Southampton Airport would suggest that the analysis and therefore the conclusions are rather over simplistic in their approach, and that a more detailed understanding and analysis is undertaken to evaluate the real choice offered in a geographical area based upon the capabilities of the alternatives, plus using an assessment of drive time rather than mileage as a more accurate measure of access.

What analysis ought the national or local Government to undertake when faced with a potential airport closure?

The proposed closure of any major transport infrastructure should be carefully considered given the aggregate economic impact both in regards to the direct employment, but also the secondary impact of supporting services. In addition the broader social and economic impact on the reduced competitiveness of a region should also be assessed given the proximity of alternative air connectivity opportunities.

7.5 Questions on how the connectivity provided by these airports can be enhanced, and on the options to intervene in this sector.

- **Has the Commission correctly identified the major options to support or bolster the regional airports sector? Of the options here explored, which have the potential to be most beneficial?**

Southampton Airport is supportive of the analysis undertaken by the Commission and in summary would highlight the following areas be progressed which would have the greatest merit to support the regional airport sector:

- Reduction in APD to improve the development of new routes and support the UK's competitive position in respect to existing trade, inward investment and inbound tourism.
- The removal of the double APD taxation on return Domestic Flights. The imposition of a £26 APD levy on return Domestic flights is both prohibitive and disproportionate to the length of the flight, especially when compared to other land based forms of transport.
- Targeted inbound tourism. Of the £16.3 billion spent by International tourists in England last year, only 38% was outside London. Indeed the disparity has increased during the recession with spending increased in the rest of the UK by just 1%, set against an increase of 24% since 2008 in London. (Source Visit England). Additional emphasis should be given to regional economies and their ports of entry to rebalance this position.
- Regional Air Connectivity Fund. The announcement earlier this year is welcomed, and is seen as a positive first step to enable smaller regional Airports to commence new business routes to a point whereby they are economically sustainable. The opportunity to suspend APD on new routes for a limited period would also be worthy of investigation as an additional incentive for route development.
- Local Enterprise zones. The further deployment of enterprise zone status on areas adjacent to or including regional airports as stimulus for local regional economies should be considered, particularly if they are developed in conjunction with Local Enterprise Partnerships to strengthen regional or sub regional sector clusters.

7.6 Can respondents suggest means of bringing about positive change in the context of these options? What recommendations could the Commission make in these areas?

See response in section 7.5

7.7 Constraints on Airports serving London and the broader South East

Surface Access

Southampton Airport enjoys the close proximity to a mainline station with excellent connectivity on a North–South axis, with journey times of only 6 minutes to Southampton central and 1 hour 10 minutes to London Waterloo. The Airport has been actively engaged in supporting rail connectivity for air passengers with 18% of travellers choosing rail as their means of accessing the airport. The excellent rail connectivity on the North-South axis however is not matched by East-West rail connectivity. 20% of passengers originate to the East of the Airport in the city of Portsmouth and its environs. The current journey time from Portsmouth is in excess of an hour although the city is only just over 20 miles from the Airport.

The Airport has been very supportive of specific bids made by the Solent Local Enterprise Partnership in the recent local growth fund bids to improve rail connectivity to the East, with a target to reduce journey times to 30 minutes. The improvement in rail journey times would not only benefit improved access to the Airport but is also aligned to the aspirations of Portsmouth City council for improved access, and resides on an axis of future housing and commercial development between the Airport and the City.

Planning Constraints

Local authorities should play a key role in curtailing the building of housing and other noise sensitive buildings in noise footprints around airports, so that fewer people in future live in areas where there is aircraft noise. Future noise contour forecasts should also be considered as part of any new proposed development.

Local Plans drawn up by local authorities should determine the types of buildings that can be developed under flight paths; and local authorities should use the same noise metrics included in the Aviation Policy Framework, with national planning guidance directing them to do so.

Airspace Constraints

Southampton Airport operates in a relatively constrained area of airspace on the South coast of England with a number of other neighbouring aeronautical users including the military to the North, leisure flying along all its boundaries given the attractiveness of the coastal fringe, and over flights from the London Airports. The Airport would benefit from improvements through expansion of the constrained airspace to the North of the airport which could yield the opportunity for environmental improvements through the implementation of continuous descents for traffic from the North, plus reduced track miles through the use of more direct routeings. The substantial cost for the redesign and consultation of the airspace given the high number of adjacent other aeronautical users currently makes this an impractical financial proposition for a relatively small airport to bear.

Southampton Airport would therefore recommend that a more strategic review is undertaken of airspace across the UK at both low (< 4,000 feet) as well as high level, and where environmental benefits can be demonstrated that a different form of funding arrangement is implemented which is remunerated through the total aviation industry, as opposed to the individual airport concerned.

Southampton Airport would be more than happy to provide further details on its response to the consultation.

Yours sincerely

A black rectangular box used to redact the signature of the Managing Director.

Managing Director