

Utilisation of UK's Existing Airport Capacity – Liverpool City Region 'Call for Evidence' Submission

There are a number of key issues in relation to the Liverpool City Region economy, the importance of Liverpool John Lennon Airport (LJLA) to that economy, and the commissions discussion paper “Utilisation of the UK's Existing Airport Capacity” we would like to make:

The importance of regional airports to national economic growth

Regional Airports are important contributors to national economic growth and will continue to have a significant role to play going forward. They not only provide connectivity for businesses and leisure passengers, they also contribute to economic growth through reducing the cost of getting products to market, increasing trading links, opening up new opportunities for sector collaboration, facilitating export activity and attracting of inward investment. Regional airports have a significant role in rebalancing the UK economy.

Areas such as Liverpool City Region make a significant contribution to the growth of the UK economy. The City Region is one of England's fastest growing regional economies, with a population of 1.5million driving a £25.3bn economy. LJLA is a valuable City Region economic asset contributing an estimated £170million per annum of Gross Value Added (GVA) and 4,750 full-time equivalent jobs.

Latest Office for National Statistics figures highlight the City Region's robust economic performance, over the last 15 years the City Region has had the highest growth in output per head of population of all LEP areas, and the third highest growth over the last five years. This recent renaissance has brought increased inward investment and tourism growth as an international visitor destination.

Liverpool City Region is a growing centre of export orientated businesses. The economy is an exporting economy, with strengths in advanced manufacturing (such as chemicals and automotive), life sciences and low carbon – with businesses such as Jaguar Land Rover, Stobarts, Getrag, NSG (Pilkingtons), Unilever and Cammell Laird – businesses that export throughout the world. Many of these businesses rely on international connectivity and their location in the UK can be enabled by Regional Airports with access to Hub airports.

There are financial pressures on many UK regional airports raising questions regarding the viability and sustainability of some, however this should not distract from the significant detrimental impact on a local economy from the consolidation of regional airports. Strategic benefits for local economies are gained from regional airports and expansion at a handful of larger regional airports despite the density of the UK airport network would not compensate for the loss of these benefits.

The importance of improved connectivity

There has been a decline in air connectivity between London/the South East and the regions over the last decade. The result, largely, of capacity constraints in the capital and South East, Air Passenger Duty and airport charging mechanisms combining to squeeze out domestic routes. Not only would an air link to London serve a market looking for quick access by air to the capital, connectivity to a London hub provides access to key international markets.

Demand in Liverpool City Region for a link to a domestic hub and improved global connectivity has increased and is greater now than at any point in the past 20 years. Despite the City Region recording huge improvements to its economy and cultural offer, the lack of global connectivity remains and hinders the potential for greater success in an internationally competitive market.

Actions to address a lack of global connectivity by regional airports have led to growth in the access of hubs outside of the UK. This trend is likely to continue without the reestablishment of domestic London links.

There is strong anecdotal evidence that investors place transport infrastructure as one of the top determinants of whether to invest in a particular place. Having no convenient air access can result in a region never registering for particular inward investments. This highlights the importance of maintaining and enhancing key City Region transport infrastructure assets.

Development of Regional Airports needs to be integrated into wider long-term economic development plans

With globalisation continuing, partners in the City Region including the private sector, have recognised this opportunity and have developed the concept of the **SUPERPORT** – the inter-connections between the port, airport, road, rail and logistics assets that in combination represent a nationally strategic and important freight and logistics hub in close proximity to the second largest population centre in the UK as well as the manufacturing heartland with considerable export potential.

In response to globalisation, the changing nature of the logistics industry in the UK, and the opportunity it provides to create jobs and growth Liverpool City Region developed the “Liverpool City Region Freight and Logistics Hub” project. This programme of projects builds on the £340m private sector investment in Liverpool2 and £600 million Mersey Gateway both of which are critical elements of the City region’s long-term **SUPERPORT** approach. Liverpool John Lennon Airport is an integral element of **SUPERPORT**; the City Region has prioritised improvements in connectivity to LJLA from across the City Region and beyond. **SUPERPORT** provides Liverpool City Region with unique market facing opportunities in the freight and logistics sector.

There is potential for Regional Airports to help the UK cope with increased aviation demand, through emerging opportunities to ease pressure through the growing market for freight and logistics traffic from regional airports and specialist services to be carried out by airports outside of the capital. National aviation policy should clearly reflect and consider issues around freight and logistics.

Need for Government support for Regional Airports

There are a number of key measures and policy areas where government can intervene to support regional airports. However these measures and policies need to be sufficiently flexible to reflect the specifics of the UK regional airport market, and the positive economic impact on a region if significant benefits are to be achieved.

Government intervention to reduce Air Passenger Duty (APD) - APD remains a barrier to airline growth in the UK; it continues to be a factor in airlines developing more intra-European services as opposed to serving the UK market. Reduction in APD would stimulate the aviation market,

particularly at regional airports where low cost airlines dominate and APD makes up a higher proportion of the air fare. APD acts as a deterrent to new domestic services linking regions of the UK, through double charging on intra-UK flights.

Regional Air Connectivity Fund – The new Air Connectivity Fund, announced in the 2014 Budget, is a good example of how Government support could make a difference to regional airports with up to 5million passengers per annum, creating new routes that would otherwise have been difficult to attract. The availability of support through the difficult early start-up phase of a new route would provide airlines with more confidence to start new services. It is important that air connectivity funding, along with Public Service Obligations and Route Development Funds are flexible, allowing funds to enable routes to both London and other airports.

New EU State Aid regulations for regional airports with up to 5million passengers per annum need to be interpreted with flexibility by Government. The specific characteristics of the UK regional airport market and the density of population as well as airports needs to be considered, the creation of new services would result in significant economic benefits for all regional airports and regional economies regardless of their size or proximity to other airports. Therefore a determining factor in application of the fund should be the economic benefit to the local economy.

Increased capacity in London and the South East linked to guarantees of access to local economies

A planning condition providing a binding legal commitment needs to be put in place to ensure that, wherever additional capacity is provided in London and the South East, there are sufficient slots available for regional services. Without such arrangements, there is a real danger the pattern of recent years, which has seen regional routes lost in order to feed the demand for more profitable international long-haul services, would simply continue.

Access to London and ring-fencing slots at whichever extra capacity is created is crucial for smaller regional airports and for local economies. This will ensure vital business connectivity and key trading links. Competitiveness needs to be retained and strengthened, particularly when business and investment decisions are made on a global basis.

Submitted by:

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