

July 2014

London City Airport submission to the Airports Commission

Utilisation of the UK's Existing Airport Capacity

Introduction

London City Airport¹ (LCY) makes – and will continue to make – a vital contribution to airport capacity and connectivity in London, the south-east and the UK as a whole. While the airport acknowledges that it is not a significant participant in the wider airport capacity debate, in the short to medium term it will be able to relieve pressure on other capacity constrained airports². In the long-term, under any solution proposed by the Airports Commission, LCY expects to be able to continue to operate - and grow – to its permitted level of 120,000 movements.

In **Discussion Paper 06: Utilisation of the UK's Existing Airport Capacity**, the Airports Commission has called for commentary on – amongst other items – the following topics:

- Air connectivity between the UK regions and London, and developing trends
- The analysis that should be undertaken when facing a potential airport closure
- An appropriate/adequate/ ideal shape for the UK's airport system
- The constraints to developing further utility and connectivity at airports serving London and the South East and how these might be mitigated
- The more extensive surface transport improvements that could support London airports to make best use of capacity
- Actions to support airports in mitigating commercial constraints and best practice in same
- Impact of development of Heathrow or Gatwick on other London airports

London City Airport - Background

- London City Airport is a unique airport in terms of location (12 minutes from Canary Wharf and 22 minutes from Bank, while national rail links are less than 45 minutes away), convenience (transport links), speed of transit, passenger profile, punctuality and customer service

¹ London City Airport (LCY) is the only London airport situated in London itself, just three miles from Canary Wharf, seven miles from the City and 10 miles from London's West End and linked to all via the Docklands Light Railway. Catering for circa 3.5 million passengers (63% travelling on business, and 61% inbound) and 70,000 movements annually, in 2013 LCY celebrated 26 years of operation. LCY offers a unique rapid transit proposition – a short check in (door to lounge) of around 20 minutes, and a shorter arrival (tarmac to train) of around 15 minutes. 11 airlines fly out of LCY, serving 46 mainly European destinations, eight of which were new for 2013, 7 for 2014. The airport has permission to increase its operation to 120,000 movements per annum – carrying 6 million passengers - which it intends to do by 2023. Further information about the airport and its services can be found at www.londoncityairport.com (London City Airport's own data and research 2014)

² Some 15% of Heathrow's traffic is shorthaul and some 64% of its shorthaul passengers are O&D passengers – who would be better served flying into LCY (Heathrow and ACL data)

- LCY serves the centres of finance, commerce and government in London and across the UK and acts as Europe's gateway to the heart of the capital
- 2013 was the airport's busiest year ever, with circa 3.5m passengers using the airport and increasing 'catchment share' driven by the airport's activities. This figure represents a growth of 130% over 10 years, in which period total London growth has been 16%, and some 10% of total London passenger volume growth in that time
- The City Airport Development Programme (CADP) – for which the airport is currently seeking planning permission - will act as a catalyst for the future development of the east of London and the airport's immediate catchment areas (including London's Royal Docks) in particular
- The City Airport Development Programme will allow the airport to reach an already permitted yearly level of 120,000 flight movements (permission granted 2009) by 2023 and an associated 6m passenger throughput³
- LCY delivers some £750m of economic benefit to the UK each year – this is expected to grow to £1.5bn each year by 2023⁴
- The airport employs around 2,000 people on campus – this is expected to grow to 3,500 with the CADP, plus a further 500 jobs during the construction phase of the project.⁵ A significant number of these jobs are filled from the communities surrounding the airport
- The airport has already helped bring significant inward investment to London's Royal Docks with development proposals such as Silvertown Quays and the Asian Business Port (ABP)⁶ both citing the airport as a key factor in their location decision. Sir Edward Lister, Deputy Mayor for Planning has been quoted as saying that the Royal Docks (London Borough of Newham) would draw "*significant development in the next few years*" largely driven by London City Airport and its planned expansion⁷
- These, and other, developments around the airport will contribute to a cumulative economic impact of £75bn by 2023 and £6bn per annum thereafter and an estimated 50000 new jobs.
- East London is the home of technology and innovation with clusters such as Tech City and iCity leading the way⁸
- More than 1,000 creative companies are located in East London, including household names such as Cisco, Vodafone, Facebook and Intel, all of which recognise the advantages of being part of this thriving centre of technological excellence, and rely upon easy-access travel connectivity

General Comments on Discussion Paper 06: Utilisation of the UK's Existing Airport Capacity

³ An increase of some 3 million passengers over 2013 figures and some 10% of the projected passenger increase in the London airport system over the next 10 years (*DfT air travel estimates*)

⁴ (*York Aviation data 2013*)

⁵ (*York Aviation data 2013*)

⁶ Some \$3bn is to be invested in London's Royal Docks, creating up to 50,000 jobs within 20 years (*businesses' own estimates*)

⁷ (*Financial Times May 11 2013*)

⁸ Tech City refers to the technology and creative industries cluster in and around Old Street, already home to some 1,300 businesses. BT has chosen iCITY at the Queen Elizabeth Olympic Park as the home of its new BT Sport channels, contributing to the Olympic legacy, by providing jobs and opportunities to the local community

Re: Para 1.12 LCY notes the Commission's reference to the establishment – by Flybe – of the first new daily route into London from a UK region (Exeter-LCY) since 2004. Regional routes such as this require smaller aircraft, the viability of which depends on facilities such as London City Airport. LCY is ideally placed to serve regional connectivity to London and facilitate the growth of such connectivity in the future.

Re: Para 4.5 The Commission's Paper recognises the benefits of specialisation, and uses London City Airport as an example for its specialisation in short-haul European (and domestic) business travel which account for some 65% of passengers at LCY.

Re: Paras 5.9-5.13 LCY acknowledges the Commission's full and fair depiction of its business and its plans for growth. This reiterates the benefits of specialisation, the service the airport provides to the UK's business community and contribution it makes – and will make – to airport capacity and connectivity, if allowed to provide the necessary airport infrastructure to achieve its already-permitted growth potential.

Re: Figure 6.2: Surface access journey times impact passengers' propensity to choose an airport – London City Airport was not included in this table, showing journey times to central London from airports serving London and the south-east, despite the fact that a recent survey found that LCY had the best train connections of any 'London' airport.⁹

The airport's main motivators for passengers are its location and accessibility via the DLR – some 12 minutes from Canary Wharf and 22 minutes from Bank, and less than 30 minutes from the West End, while national rail links are less than 45 minutes away. A large proportion of all business people travelling to London by air visit these three areas.

This connectivity will be further enhanced when Crossrail opens in 2018, and – in the longer-term - with the potential provision of a Crossrail station at LCY. The provision of such a station is feasible, financeable and would provide for further rapid access for passengers across a wider catchment area in London and to the west of London – it is currently the subject of discussion with key stakeholders.

Specific Commentary

1. Air connectivity between the UK regions and London, and developing trends

As the Commission notes in its Paper, London City Airport has lost services to Liverpool and Manchester since 2007. In the same timeframe, services to Dundee and Aberdeen have also been lost. Since 2007, however, and despite the route churn, the number of domestic routes flown from London City has remained relatively constant and by the end of 2014 (and with the addition of new routes announced in April by Flybe – Belfast City, Exeter and Inverness) domestic route numbers will have increased.

On July 23 2014, Flybe announced that it would step in to secure vital continuity for customers using the London City Airport to Aberdeen route, with twice daily flights starting in October 2014. The news was deemed important enough for Prime Minister, David Cameron, to comment: "I welcome today's announcement that Flybe will introduce daily flights from Aberdeen to London City Airport later this year - a vital route that helps support the north - south economy.

⁹ (Which? Airport Transport Links Survey 2014)

“Keeping our cities connected is part of our long-term economic plan to encourage investment and promote growth so we can generate jobs, pay our way in the world, and create stability, security and a brighter future for our country.”

It is estimated that the travel time cut-off point for a passenger choosing between air and rail is three hours. In addition, there is no passenger duty on rail travel, which gives an added advantage to rail over shorter journeys, and for most journeys for the more price-conscious customer.

The size of aircraft that use London City Airport, however, allow it to come closer than any other airport to competing with rail. To succeed – broadly speaking – a domestic route requires smaller aircraft.

The route will need several rotations a day to make it work; however, pax numbers will not generate acceptable load factors (and therefore yields) for larger aircraft – which is why LCY is placed to relieve larger airports of short haul traffic, freeing up slots for long haul traffic. The size of LCY - combined with its exceptional punctuality and efficient transport links and services - further enhances LCY’s capability to serve regional connectivity with the London airport system.

LCY provides a gateway for the regions to the business heart of the capital and provides connectivity for those London-based domestic and international organisations doing business with the regions, a unique function that cannot be replicated by any of the other ‘London’ airports. If UK regional air connectivity is to develop, then it requires smaller airports with specific demographics, aircraft portfolios and demand profiles.

2. The analysis that should be undertaken when facing a potential airport closure

Employment effect – In the case of LCY, over 2,000 current, real jobs (and as many as 3,500 by 2023) would be lost in a part of London not well served with employment opportunities if the airport closed and no-one has proposed alternative, realistic employment opportunities.

Passenger demographic - 63% of London City Airport’s passengers are business travellers, and 61% inbound, and the airport’s benefits – in terms of bringing business opportunity and inward investment to London and the impact that business travellers have on the UK economy – are felt across the country as a whole.

Reasons for using an airport - LCY’s passengers would not be better served flying through other airports – a recent survey showed LCY has the best train connections of any London airport.¹⁰

It also has one of the highest levels of public transport usage to access an airport¹¹ and a unique ‘speed of transit’ proposition (20 minutes check-in, 15 minute arrival) which other airports cannot match, and which passengers value.

LCY has also consistently been the most punctual airport in the UK which is important for business travelers in particular.

Competition from other airports - Passengers, especially business passengers, vote with their feet – if they found other airports easier, quicker, or more convenient, they would already be using them.

¹⁰ Which? Airport Transport Links Survey 2014

¹¹ 68% of LCY pax access the airport via public transport, compared with 40% of LHR pax and 37% of LGW pax

Capacity at other airports - London Heathrow's terminal buildings may have capacity for an additional 18 million passengers (New Economics Foundation, April 2014) – but its runways have limited or no capacity for extra flights.

Overall capacity in the system - LCY has proposed taking short-haul traffic from constrained larger airports wanting to grow their long-haul traffic.

Regeneration effect of airports - New developments, such as Asian Business Port (ABP) and Silvertown Quays have come to the area because of the airport (joining earlier developments such as The Excel and The Siemens Crystal which were drawn for much the same reason) not in spite of it.

Canary Wharf has also continued to grow supported by the proximity of LCY.

Current and future developments in Stratford are expected to benefit in a similar fashion from the continued operation and development of LCY. Residential developments have been attracted to the area because of air connectivity, as well as the employment opportunities which the airport creates directly or indirectly facilitates.

Closing airports reduces capacity - The forced closure of LCY – in the case of an Inner Thames Estuary option – would remove crucial highly-targeted airport capacity and connectivity from the UK system and in particular for London.

It would close an existing, proven and successful aviation gateway to London with an attendant loss of local employment, economic contribution and adversely impact the economic development of east London in particular.

This runs contrary to the preliminary recommendations of the Airports Commission, which concluded that the UK has need of additional airport capacity and which has cross-party parliamentary support. It would fail to make optimum use of existing aviation capacity in an already constrained system.

3. An appropriate/adequate/ ideal shape for the UK's airport system

London and the wider UK benefit from an array of airports offering capacity to all types of traffic. Arguments that have been made around the importance of transfer traffic are overstated. The connectivity requirements of the UK and London, now and in the future, cannot be met by one consolidated airport, no matter how large.

Passenger profiles and reasons for travel, as well as convenience, transit times and price, and indeed aircraft fleet developments, dictate that the UK is best served, as now, by a network of airports – across the country and in London and the south-east.

London City Airport is a unique airport in terms of location (12 minutes from Canary Wharf and 22 minutes from Bank, while national rail links are less than 45 minutes away), convenience (public transport links), speed of transit, punctuality (consistently the UK's most punctual airport) and passenger profile, serving London's centres of finance, commerce and government in The City, Canary Wharf, Westminster and acting as Europe's gateway to the rapidly developing east of London.

In the short to medium term London City Airport will be able to relieve the pressure on capacity constrained airports¹². In the long-term, under any solution proposed by the Airports Commission, the airport expects to continue and grow its mainly business-focused operation to the benefit of the UK, London and particularly east London.

LCY acknowledges the practical and realistic approach of the Airports Commission to its task – the airport would simply urge the Commission to ensure that the recommendation it makes in 2015 does not prevent, damage or impede the growing and significant contribution which is being made, in real terms, by existing airports now – a contribution which is not predicated on an unrealised and long-term vision.

The full use and development of existing airport capacity needs to be encouraged, supported and promoted to mitigate the short and medium term capacity constraints in the London airport system. In the long term LCY will continue to provide a unique aviation gateway to London and a growing east London and to facilitate inward investment, economic development and employment. Optimising the use of existing airport capacity at LCY should be encouraged and facilitated.

4. The constraints to developing further utility and connectivity at airports serving London and the South East and how these might be mitigated

Planning applications for the new infrastructure elements contained within the City Airport Development Plan were submitted for determination in July 2013, and it is anticipated that they will be determined in November 2014.

The purpose of the new infrastructure is – as already stated – to allow the airport to achieve its already permitted level of 120,000 flight movements per annum.

Currently LCY handles approximately 70,000 flight movements per annum - the new infrastructure will enable greater domestic and European connectivity as well as allowing LCY to relieve pressure on other capacity-constrained airports by taking some of their shorthaul traffic and freeing up valuable slots for much-needed longhaul traffic¹³.

The constraints to achieving this are elements of the planning system which can impede – perhaps unreasonably – the full and optimal use of existing planning rights for reasons which are wholly unconnected with the development of the airport and its related impacts and benefits. Wider political issues should not be allowed to delay, or curtail completely, the implementation of a programme that can – in the short to medium term – enhance existing UK airport capacity.

5. The more extensive surface transport improvements that could support London airports to make best use of capacity

London City Airport has commissioned a feasibility study into the siting of a new, hitherto unplanned, Crossrail station at the airport.

¹² Some 15% of Heathrow's traffic is shorthaul and some 64% of its shorthaul passengers are O&D passengers – who would be better served flying into LCY (*Heathrow and ACL data*)

¹³ Some 15% of Heathrow's traffic is shorthaul and some 64% of its shorthaul passengers are O&D passengers – who would be better served flying into LCY (*Heathrow and ACL data*)

This will provide greater access to the airport for outbound passengers (68% of all passengers at LCY arrive and depart by public transport, the majority by the Docklands Light Railway), and, for inbound passengers, easier access to London, the south-east and the midlands of the UK.

It is unfortunate that an LCY Crossrail station was not part of the original Crossrail scheme – which highlights the need to factor air connectivity into road and rail infrastructure plans nationwide – however (and in principle) TfL and Crossrail seem amenable to the idea, local businesses are supportive, and (from a technical perspective) the scheme is deliverable.

Such a link, combined with infrastructure developments, would allow London City Airport to reach its permitted capacity, with the attendant benefits for London, the south-east and the UK as a whole, while a decision on additional airport capacity is still pending, and during the implementation of the recommended option.

In addition, it would facilitate a more efficient use of airports within the London airports system by providing connections between LCY and Gatwick and Luton via Farringdon and with Heathrow.

6. Actions to support airports in mitigating commercial constraints and best practice in same

“Investing in improving relationships with airlines, promoting the airport’s brand, and developing customer service propositions that meet the needs of the airlines they work with, are all positive actions that airports can take in making better use of available capacity. All airports in the London system are taking forward work in this area, for instance Stansted’s long-term deal with EasyJet to increase passenger numbers to 6m passengers a year over five years⁸⁷ or the multimillion pound investment in terminal facilities at Southend” ***Discussion Paper 06: Utilisation of The UK’s Existing Airport Capacity***

Speed and efficiency - London City Airport is the most punctual airport in the UK – according to CAA (Civil Aviation Authority) data – driven by rigorous focus on aircraft turnaround. In the last quarter, 89% of flights were on time and our average delay was just 6 minutes, compared with a UK average of 12 minutes. For the airport’s mainly business audience time is money (to a value of around €230 an hour¹⁴) and delays infuriate them – whether a queue for security, a queue for boarding or a delay in departure. Greater punctuality on the ground (turnaround time) also contributes significantly to the economics of our airline partners and contributes to better and more efficient use of the constrained airspace in the skies above London.

Use of technology - One of LCY’s projects for 2014 is the Smart Airport Experience – utilising M2M (machine to machine) communications to measure, monitor and manage the passenger journey through the airport (in real time), anticipating problems before they happen and providing the customer with data and options that smooth and facilitate the journey.

Sales and marketing - There are three priorities for LCY – passenger numbers, new routes and increased frequencies on existing routes. The airport works with airline customers to help them identify and develop new routes, and the airport is promoted directly to passengers – both in the UK and at the end of route (mostly in mainland Europe) – with the aim of increasing passenger numbers so that the airlines can justify increased frequencies.

¹⁴ (LCY research 2013)

2013 was the airport's busiest year ever, with circa 3.5m passengers using the airport and increasing 'catchment share' driven by the airport's activities. This figure represents a growth of 130% over 10 years, in which period total London growth has been 16%, and some 10% of total London passenger volume growth in that time.

In the past 18 months LCY has been developing strategic partnerships with its core airlines and has signed agreements with British Airways, Cityjet and Flybe to provide the right commercial environment for the airlines in return for commitments to deliver an agreed number of movements and passengers. This has improved on already strong airport/airline relationships at LCy and is helping to foster a deeper engagement around operational and customer service initiatives that will further improve airline efficiencies and customer service.

Route development - As routes close as well as open, the airport looks for new opportunities on a constant basis, including those presented by airlines who might not utilise LCY at present, but have the aircraft to do so and may be open to an opportunity. Passenger sentiment research is leveraged to build cases for particular routes and to demonstrate to existing or potential airline partners that there would be demand. LCY also works closely with a range of aircraft manufacturers to develop the use of 'next generation' (next gen) aircraft which will deliver improved efficiency and operating productivity to encourage airlines to develop new routes and secure existing routes while also delivering the benefits of lower noise profiles and emissions levels.

Infrastructure development – A planning application was submitted in July 2013 for permission to expand London City Airport's current infrastructure (the City Airport Development Programme CADP) to accommodate a permitted 120,000 flight movements per annum. This will allow the airport to double passenger numbers over the next ten years, while continuing to attract inward investment into London's economy and acting as a catalyst for the regeneration of its immediate surroundings.

The estimated £200m expansion planned for the airport includes new parking stands – to accommodate larger aircraft – a parallel taxi lane to optimise runway capacity in peak operating hours and a terminal extension to ensure that LCY's convenience and speed-of-transit propositions are maintained.

Non-aviation revenue opportunity – LCY looks at innovative and unique retail and sponsorship opportunities that suit the customer demographic and differentiate the airport's offering.

This is exemplified by the recently-introduced brand partnership with Bloomberg LP which has seen the global news and information provider take over part of the airport's departure lounge to create the Bloomberg Hub – aimed at time-poor, information-hungry business travellers.

7. Impact of development of Heathrow or Gatwick on other London airports

Neither the Gatwick nor the Heathrow options, if put forward by the Airports Commission in 2015 as its recommended solution, will have a negative impact on the operation of London City Airport. As, in 2018, LCY will be served (directly or indirectly) by Crossrail, and transfer for passengers between

LCY and both of London's major airports will be greatly expedited, further widening LCY's appeal as a London gateway and thereby encouraging the establishment of greater UK and EMEA connectivity.

We welcome the Commission's acknowledgement in Section 4.5 of the discussion paper that the combined London system of multiple independent competing airports delivers benefits such as choice and specialisation (over and above the scale of capacity), and citing London City Airport as a good example of a 'specialised', differentiated offering within a competitive market.

There is no room for monopoly in the UK airports system which could have a detrimental effect on the operations and commercial viability of other UK airports. Additional capacity needs to be created in the South East which still permits UK airports to continue to compete, specialise and grow.

It is vitally important that the regions of the UK have the access to London (and onward connections through London) that they need. London airports have an essential role to play in connecting non-London airports to London, the South East, and onward to a wide range of destinations.

As the Commission has noted in its discussion paper, Flybe plans to establish five domestic routes into London City, including Exeter, the first new daily route established into London from a UK region since 2004. These examples illustrate that a multi-airport system in the South East with sufficient capacity would be well-placed to deliver domestic connectivity.

Conversely, were an Inner Thames Estuary solution to be recommended, the Airports Commission's Interim Report states (as do the subsequent Thames Estuary Feasibility Studies) that LCY would close with a consequent loss of jobs, investment and economic benefit.

Were an option to be shortlisted that effectively destroyed LCY's business, the airport would object strenuously, and were the solution to be recommended and taken up by the government of the day, LCY would seek full and fair compensation on behalf of its shareholders.

Conclusion

- London City Airport acknowledges the need for greater aviation capacity in the South East – a need which should be met by optimising the use of existing airport capacity and then by the provision of new airport infrastructure
- There are, however, clear benefits in having a number of airports serving London - not least of which is the convenience of having an airport with relevant connectivity located in proximity to each of a traveller's key locations e.g. home, workplace, leisure destination or business accommodation
- In the short to medium term, London City Airport can make an important contribution to increasing total airport capacity through its infrastructure development plans (the CADP) which will allow it to achieve an already permitted 120,000 aircraft movements per annum
- London City Airport has the appropriately sized aircraft that are necessary to make a regional route work and its location facilitates a two-way flow of business and investment opportunity. Next generation aircraft due for delivery between 2015 and 2020 will continue to see a ready supply of appropriate aircraft to serve regional connectivity.
- London City Airport provides a vital service to the finance, business and government sectors in the City of London, Canary Wharf and Westminster.

- Its location (along with the airport's 'speed of transit' proposition) is the unique quality that allows it to deliver the benefits that it does to London and the south east both now and, most particularly, as London develops and grows
- The removal of London City Airport would come at the cost of thousands of current and future jobs both at and around the airport (following CADP this would account for the loss of 3,500 jobs at LCY). It would also diminish and curtail current and future business opportunities and investments across Newham, the surrounding boroughs and the entirety of East London.
- Furthermore, it would prevent the City Airport Development Programme being the catalyst for the future development of the east of London, Newham specifically and London's Royal Docks in particular
- In the long-term, under any solution proposed by the Airports Commission, London City Airport expects to continue and grow its mainly business-focused operation
- If further work being undertaken by the Airports Commission and NATS shows that an Inner Thames Estuary airport solution would effectively close LCY then the airport would naturally object to such a solution in the strongest possible terms and – in the case of it being progressed by the government of the day – would seek full and fair compensation for its owners

-ends-