

# Use of the UK's existing airport capacity

1 August 2014

## Consultation Response -

### Institution of Civil Engineers

The Institution of Civil Engineers (ICE) is a UK-based international organisation with over 75,000 members ranging from professional civil engineers to students. It is an educational and qualifying body and has charitable status under UK law. Founded in 1818, ICE has become recognised worldwide for its excellence as a centre of learning, as a qualifying body and as a public voice for the profession.

ICE would like to thank the Airports Commission for the invitation to take part in the consultation and for extending the deadline to allow us to respond to this consultation. We would therefore like to set out our response to several of the questions in the following pages.

### Questions on the role that non-London airports currently play in providing connectivity and utility to the UK.

*Is the Commission correct to identify a reduction in air connectivity between the UK regions and the London airport network over the last decade? How do recent new routes to the capital, and the stabilisation in passenger numbers on domestic routes to and from London since 2010, affect this analysis?*

The Commission is correct to identify a reduction in air connectivity between UK regions and the London airport network over the last decade, but fails to address the impact that Air Passenger Duty (APD) has had on Regional airports ability to compete.

As stated in ICE's Aviation: Time to choose report (2012), regional airports play a crucial role both via direct point-to-point flights and through connecting flights to a future UK hub, or the London Airport Network. ICE believes that there is strong evidence that the UK's regional airports' ability to fulfil this role is currently being undermined by the lack of access to landing slots at Heathrow, as identified by the Commission, but also the negative impact of a level of Air Passenger Duty (APD) that is significantly higher than the EU average.

APD is currently 3-4 times that of the median rates in Europe. The Airport Operators Association state that this is costing UK businesses £1/2bn per year and it's the highest air passenger duty anywhere in the world<sup>1</sup>. UK airports, excluding Heathrow, have suffered a 3.3% annual decline in traffic from 2007 to 2011. Regional airports in France, and Germany have seen an increase of 0.9% and 2.0% respectively, whilst even harder hit economies, such as Spain and Greece have seen modest decreases of 0.8% and 1.2%.

The bottom line of this issue is that smaller regional airports are currently disadvantaged from accessing Heathrow and Gatwick. We would therefore recommend that the Commission reviews the impact of current levels of Air Passenger Duty on the competitiveness of UK regional airports.

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<sup>1</sup> Airport Operators Association: A fair tax on flying (2014): <http://www.aoa.org.uk/policy-campaigns/a-fair-tax-on-flying/>

**Questions on how the business models of these airports are changing, and how they can be expected to change further in time.**

*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?*

See comments above on Air Passenger Duty, which ICE has identified as a major barrier to regional economic development, and enhanced connectivity.

*In the longer term, what is an appropriate, adequate or ideal shape for the UK's airport system? Is consolidation of the airport network desirable, inevitable, both or neither?*

ICE recommends that the Commission investigates the Introduction of a Public Service Obligation (PSO) on Heathrow and any future UK hub, preserving landing slots to key UK regional airports where a High Speed Rail option is not available. This would need to be accompanied by appropriate compensation arrangements for hub operators.

**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?*

ICE does not believe that the Commission has adequately identified a clear set of outcomes, and the conclusion is not entirely clear. ICE would recommend that the Commission attempts further analysis to recommend what Government should do, and be clear in its advice.

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

To achieve positive change, the Commission should address accessibility to London airports from regional airports, and ICE's recommendation of a PSO at Heathrow and Gatwick, and/or reducing APD to levels similar to regional airports' European competitors<sup>2</sup>.

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<sup>2</sup> See ICE's Aviation 'Time to choose' report (2012): <http://www.ice.org.uk/Information-resources/Document-Library/Aviation---Time-to-Choose>

### **Questions on the constraints to developing further utility and connectivity at airports serving London and the South East, as well as how and by whom these constraints can be mitigated (Chapter 6)**

#### *Geographical Constraints*

*Are there any ways that government, or any other stakeholders, could improve airport site access?*

*Are there any innovative ways that airports could resolve site access problems?*

The Aerotropolis concept<sup>3</sup> is gaining popularity, with cities such as Birmingham and Warsaw, as well as new developments proposed at Manchester. This concept is a new urban form of placing airports in the centre with cities growing around them, connecting workers, suppliers, executives, and goods to the global marketplace.

These new developments are opening up new marketplaces, and are a progressive method of encouraging regional economic growth. If the Aerotropolis is to truly prosper in the UK, connectivity with the London network will be crucial to success.

#### **Impact of Commission final report**

*Are there any topics or areas of further study beyond those set out in the Appraisal framework, that would allow the Commission to understand the impact of development at Heathrow or Gatwick on the other London Airports?*

Besides ICE's earlier comments on the need to review the current levels of APD, ICE does not currently consider that enough research or investigation has been conducted to fully assess the impact or cost of 'doing nothing' (i.e. continuing with the status quo). This is an important argument to make when attempting to explain to the public why the UK needs to invest in infrastructure development.

Currently, the UK stands to lose ground to its European competitors who have the capacity to connect with emerging markets. Over time, we could see trading houses and other International organisations move to better connected cities in Europe, which would be to the detriment of the UK's economic development and prosperity.

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<sup>3</sup> An urban form placing airports in the centre with cities growing around them, connecting workers, suppliers, executives, and goods to the global marketplace.