<u>Response to Davies Airports Commission – Consultation 6</u>

<u>UK Existing Airport Capacity</u>

Royal Aeronautical Society

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Is the Commission correct in assuming a reduction in connecting services between regional airports and London?

Yes, although there are some mitigating trends. There is no effective solution to assured connectivity between regional airports and hubs other than by direct, guaranteed services. Various *ad hoc* options have emerged over time such as services provided by low cost carriers to destinations served by long haul airlines. However, these are not guaranteed and may not serve the appropriate London airport.

In assessing the issue of UK airport capacity, Heathrow is the one UK airport that is effectively full; the airport is working at 98% of capacity and hence vulnerable to weather or other forms of disruption. Today's shortage of airport capacity specifically relates to scheduled airlines, and not other segments of aviation. Other airports in the SE England may also become capacity-strained, primarily Gatwick and at some time in the 2020s, Stansted. There is no shortage of capacity in any other part of the country. Indeed, some airports financially are loss-makers, and the challenge facing these airports is to get their spare capacity utilised.

The shortage of runway capacity at Heathrow has led to an airport charging philosophy that implies a need for more passengers per aircraft and this by default has become the only method by which passenger numbers through Heathrow can grow. As a result, it has become ever-more expensive to operate smaller aircraft, which has tended to encourage a reduction in the number of UK domestic flight connections. Whilst some other London airports have provided additional UK domestic services, in practice this has been inconsistent: some routes have been added and frequency improved, but others have been discarded. In part this has been caused by the lack of arriving/departing connectivity with other scheduled services.

Are there any surface transport developments that are likely to improve connectivity?

While in theory terrestrial links may appear satisfactory in practice traffic congestion or difficult inter-station transfers may be required. This is especially problematic for passengers travelling by rail to Heathrow from the West Midlands or the Northwest via Euston. It is debatable whether proposals such as HS2 will wholly improve such direct linkages, and certainly improvements will not be apparent for several years ahead.

Is the Commission's view that multiple factors affect domestic connectivity accurate?

Yes, the loss or collapse of connectivity is due to a mix of commercial and practical reasons. There is a natural commercial preference for some Heathrow slot holders to focus on more profitable long haul services, although recent acquisitions by larger carriers of smaller airline slot allocations have been used to improve domestic connectivity. If further rationalisation occurs there is little that can be done to demand intra-UK allocation of slots. Although Public Service Order (PSO) subsidy and protection may mitigate this to some extent, these are strictly defined and available only under carefully prescribed conditions.

How do market dynamics affect connectivity?

In principle, the market drives decisions as to where and when airlines operate.
Heathrow is the most expensive airport in the UK by a considerable margin; if other UK airports are cheaper, it should follow that airlines would look to use cheaper alternatives. It is however clearly the case that other commercial factors influence choice and the primacy of Heathrow and its connections drive this popularity. This will be further enhanced with the gradual grouping of airline alliance as Heathrow's modernisation programme is completed.

Is the Commission's view of changing route structures and the impact on connectivity correct?

In general yes: the main driver for change has been the growing popularity of offshore hubbing and direct flights to subsidiary airports in popular destinations should help to fill spare capacity. Should this trend intensify it would have the effect of reducing the importance generally of Heathrow as a "national" hub. Indeed, and as such this trend should be seen as a commercial threat to Heathrow's ranking as a world hub. From a regional perspective, this is not a disincentive to encourage the growth of offshore hubbing, but it does underline the political sensitivities caused by concerns over the economic disparities between UK regions and perceptions that London is especially favoured in terms of infrastructure investment. This could become more intense if, in the event of Scotland voting for independence, Scottish airports were able to benefit from lower airport passenger duties.

In some cases, prices via offshore hubs may be cheaper than direct flights, a practice facilitated by increased use of web-based ticketing services. On the other hand, indirect operations may have an increased environmental cost generated by additional take-off and landing as well as longer routes.

What are the primary factors affecting the development of major regional airports?

Expanding direct services to emerging economies from regional airports, while technically increasingly possible, will depend upon the commercial choices of airlines and their individual assessments of a route's viability. Clearly, airports can do much to encourage airline choices through terminal and other infrastructure improvements (such as Birmingham's runway extension that has necessitated the diversion of a major road artery). But in the absence of subsidisation and other inducements (illegal under EU law to all but the smallest regional airports), UK airport growth will again remain dependent on the judgement of individual airlines. It is also the case that the national airlines of many emerging economies, unless there are special reasons encouraging services into UK provincial airports (such as cultural and community links), prefer London, and Heathrow if at all possible, as their primary UK destination.