

RESPONSE TO DISCUSSION PAPER UTILISATION OF THE UK'S EXISTING AIRPORT CAPACITY

BY –

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Introduction

This response is submitted jointly by Exeter City Council and Exeter International Airport. We welcome the opportunity to participate in the discussion about utilisation of the UK's existing airport capacity, and the opportunities and challenges facing smaller regional airports.

Reduction in travel from Regional Airports to London Airports

We broadly support the conclusions drawn in Chapter 1 concerning the reduction in air connectivity between London and the UK regions. In particular there has been, in many regions, an emphasis on securing faster and more reliable rail services, so for access to London itself (rather than to London airports for onward connections) rail can often offer comparable or better point to point journey times, greater flexibility on departure times, and a more consistent work environment (less time at terminals, more time on travel mode).

Exeter is however beginning to buck the identified trend for regional airports, as evidenced by the announcement of the new Flybe service to London City (para 1.12). This is a sign of confidence in Exeter and its subregion, reflecting the fact that the city is an employment hub supporting a population of more than 500,000 people, having grown at 6.6% per annum between 1999 and 2009 (compared with a national average of 4.6% pa), thereby creating 19,000 additional jobs. The claimant count for the city of 1.3% of working age population is below the average of 2.4 for England and Wales¹. Exeter's Core Strategy provides for at least 12,000 additional dwellings, 60 hectares of employment land and up to 40,000 square metres of net retail floorspace by 2026.

This confidence by Flybe in Exeter indirectly supports the conclusion in paragraph 1.22 of the paper that the failure of *most* regional domestic connections to experience a recent uplift in traffic is because regions outside the south east were more severely affected by the recession and are taking longer to recover. Exeter was less affected and has been recovering well, and the new service is undoubtedly a response to that.

The new Flybe service to London City may also reflect the fact that Exeter and the South West Peninsula is unlikely to benefit from "order of magnitude" improvements in rail connectivity, which will be achieved in other parts of the country through electrification (Great Western main line and Midland main line) or HS2.

General reductions in travel from Regional airports

We broadly support the conclusions of the analysis presented in chapters 1 and 2.

In particular, we have previously highlighted the disproportionate impact of APD on domestic flights and therefore on regional airports. In early 2013 Flybe announced it was shedding around 300 staff (100 in Exeter), due to financial pressures and particularly APD, for which its bill of £68m represented over 18% of its ticket revenues. Comparable figures (from "[The Economic Impact of APD](#)", PWC for the major UK airlines, Feb 2013) were about 11% for Easyjet and 7% for BA, and as low as 1% for Lufthansa, Air France and KLM.

We have previously pressed for differential APD as a way of diverting flights and traffic from the congested south east to other regional airports with more capacity. We recognise that APD is an important source of revenue for Treasury, and hence had advocated a re-balancing with reduced levels of APD charged at regional airports offset by slightly higher levels at the main London airports. We were disappointed that the Commission appears to have no appetite for this, but welcome the recommendation in the Interim Report that APD should be set nationally and not devolved to the Welsh

¹ Souce: ONS, June 2014

Assembly Government. The HMRC study in October 2012, "[Modelling the Effects of Price Differentials at UK Airports](#)", predicted a loss of traffic from Exeter (and Bristol) airport to Cardiff in the event that APD at Cardiff were reduced to zero. The current paper recognises the financial pressures on small regional airports and it would be potentially disastrous to the south west peninsula to allow Exeter airport to be undermined in this way.

How we see these trends developing in the future

We believe that the paper is right to identify (in paragraph 1.34) an increasing demand in point-to-point connections to the capital, citing the Flybe service from Exeter to London City as evidence of this. While not providing anything like the number of onward connections as Heathrow, London City is excellently placed for the capital's main business districts and to be able to fly direct to this central airport will enable door-to-door journey times for the business traveller to compete effectively with the train.

That will remain the case notwithstanding planned and aspirational improvements to rail transport between Exeter and London. The western rail link to Heathrow will provide a more direct link to that airport by train, and improved rolling stock (such as the new Intercity Express Project) will enable journey times to London to be improved. These factors make it even more unlikely that an Exeter to Heathrow air connection will be established in future, but should not affect the attractiveness of the London City flights for point-to-point travel. Likewise, improvements that are being considered to the A303 trunk road, including additional dualling, would benefit journey times and reliability to Heathrow, but a car journey would still not be able to compete with a flight to London City.

What additional factors, if any, should the Commission be mindful of?

Much of the south west peninsula suffers from poor connectivity. Road links east of Exeter comprise the M5 and the A303/30, the latter containing significant single carriageway sections. The improvements which are currently subject to feasibility work would over time see the A303 upgraded to dual carriageway to Ilminster, and via the A358 to Taunton, but would not include dualling between Ilminster and Exeter. This would leave the M5 as the only dual carriageway road into the peninsula.

Both of the rail links to Exeter (from London Paddington via Taunton and from London Waterloo via Salisbury) have suffered repeatedly from flooding and landslips during the last two to three years, in addition to the well-publicised closure at Dawlish during spring 2014. The majority of the Salisbury to Exeter route is single track, reducing its usefulness as a diversionary route.

The main road and rail routes are therefore extremely vulnerable to interruption by weather and other factors. By contrast, Exeter International Airport has a good weather record. Following the closure of Plymouth airport, Exeter is the only airport between Bristol and Newquay, and its record for reliability makes the new London City service a much-needed and welcomed additional link to the capital.

What future trends do we envisage in connectivity between regional airports and non-London destinations?

The paper is correct in identifying (in paragraph 1.37) growth in traffic from regional airports to foreign hubs, but it should be noted that other UK airports are also developing a hub role. Exeter, for example, has two flights a day to Paris CDG but also three a day to Manchester. These provide numerous onward connections, including through Flybe's code sharing arrangements with Etihad and Air France. These hubs are vital to the connectivity of smaller regional airports, regardless of whether they are located in the UK or abroad.

The paper identifies the benefits generated by airports for the wider economy:-

- Economic benefits –employment, both direct and indirect, the latter by facilitating movement of goods and services, trade, investment and inward tourism.
- Improving quality of life for residents by making travel easier.
- Other roles for which there is no capacity in London, eg. Fire safety and other operational training.

Factors affecting smaller regional airports

Experience in the South West is very much in line with the analysis in Chapter 2, that smaller regional airports have faced a challenging financial climate, and are likely to do so for the foreseeable future. By contrast, the larger regional airports – Bristol in the South West – can command a population catchment sufficiently great for operators to expand the range of destinations served, and to reach beyond Europe.

The implications for this could be some further closure of regional airports, where there are several in reasonably close proximity, but there is a need to ensure accessibility to air services is maintained by retaining regional airports in more peripheral areas such as the South West peninsula.

The paper correctly identifies surface access improvements as a potential beneficiary of public funds. Achieving effective and convenient public transport links remains a significant challenge for smaller regional airports, particularly at a time when downward pressure on local authority transport budgets is putting supported bus services at risk.

Exeter International Airport benefits from a bus service to and from the city that operates approximately hourly throughout the day. This service pattern is necessary for operational reasons but does not mesh particularly well with flight arrivals and departures, which begin early in the morning, continue late into the evening, and are not regularly distributed throughout the day. With the exception of a few peak time journeys which are well used (helped by location of significant employment at and near the airport), the bus service carries low numbers of passengers and is dependent on County Council support. While Devon has not to date experienced the cuts to supported bus services seen in other parts of the country, continued pressure on local authority finances will inevitably put services like this at risk. There is a case, therefore, for targeted Government support to ensure that smaller regional airports maintain an adequate level of public transport accessibility, with links to railway stations and major cities and towns.

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