Birmingham Airport: central to the UK's aviation network

Birmingham Airport's response to the Airports Commission discussion paper: Utilisation of the UK's Existing Airport Capacity

July 2014

Birmingham Airport

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1. Introduction and aim of this document

This paper represents the response by Birmingham Airport to the call for evidence by the Airports Commission on 'use of the UK's existing airport capacity'. It forms part of the wider constructive engagement between Birmingham Airport and the Airports Commission.

Our evidence seeks to give the Airports Commission the latest data on passenger numbers, numbers of flights, new routes, and so on, based on operations at Birmingham Airport. We also seek to address the specific points raised in the document issued by the Airports Commission in support of their call for evidence. Where appropriate, we have suggested our preferred method of tackling some of the issues raised by the Airports Commission.

As ever, we would welcome any opportunity to discuss this evidence, and Birmingham Airport's significant contribution to the UK's economic success, in person.

2. Birmingham Airport: The strategic context

Our vision for UK aviation is a network of long-haul national airports, each supporting the comparative economic advantage of that region to boost trade, foreign direct investment and tourism. As well as providing a much-valued service to over nine million business and leisure travellers each year, Birmingham Airport is an essential component of the UK economy. By plugging the greater Midlands economy into global destinations, markets and jobs, it is part of the answer to a major national question, being asked ever-louder by business, government and citizens, about how the UK rebalances its economy.

Birmingham Airport is part of the answer to challenging questions about how we revive our great cities; bring opportunities to people no matter where they live; how we create vibrant, energetic, prosperous city-regions; and how we ensure that the United Kingdom can compete in a global economy, alongside China, India, and the other fast-growing parts of the world. China, for example, has announced that it intends to build 70 new airports over the next five years.

We would welcome a renaissance of the great cities such as Manchester, Leeds, Liverpool, Sheffield and Birmingham which powered the industrial revolution, and see them develop as centres for new digital technology, arts and culture, modern manufacturing, finance and world-class services, building on today's successes. We are therefore outlining a vision of a country with an economy balanced between London and the South East, and the great metropolitan centres in the Midlands and the North, with citizens served by a modern network of international airports, supported by integrated road, rail and light-rail systems.

Our vision for the UK feeds into a growing narrative, including for example Lord Heseltine's report *No stone unturned: in pursuit of growth*, and Lord Adonis' report *Mending the Fractured Economy*, calling for investment, wealth and opportunity to be distributed evenly throughout the UK's city-regions.

In this 75th anniversary year, we have major developments underway to support growth and connectivity

Birmingham Airport is one of the West Midlands' largest employers, supporting 6000 jobs on site. A £200 million site-wide expansion programme is nearing completion, which includes the extension of our runway for longer-haul flights. Now open, airlines are able to offer long-haul services to the Far East, the West Coast of the US, South America and South Africa to and from Birmingham, allowing goods and passengers from the region to travel further, faster, and attracting inward tourism and investment.

The airport currently handles nine million passengers annually but has the spare capacity to double this figure to 18 million passengers within its existing infrastructure. With further developments, this single runway can deliver up to 36 million passengers a year. As a direct result of having greater runway capability from 2014, a new route to Beijing has been announced. The Beijing flights are charter services operating this summer by China Southern Airlines, and are the first ever direct flights from China to a UK airport outside of London.

We know demand is growing. Birmingham attracted more international visits last year than ever before according to the Office of National Statistics. The research reports that there were almost one million visits to the city last year (941,000) an increase of 228,000 on 2012's figure. In fact, Birmingham's growth in attracting visitors is higher than any other city in the UK. By 2020, based on today's demand, Birmingham Airport is forecast to handle around 14 million passengers a year, an increase of five million passengers.

Business demand is also growing. Birmingham Airport is located at the heart of the manufacturing powerhouse of the UK. We have the largest share of manufacturing activity of any airport catchment in the UK, with manufacturers within Birmingham Airport's catchment area exporting £55 billion of goods in 2011. These are high-value goods in the transport, automotive, aerospace, defence and machinery industries. These sectors are reliant on overseas markets which are a long-haul flight away from the UK. Our region is also the destination for a quarter of all foreign direct investment that comes into Britain.

In addition to catering for this demand, the runway extension and development of the airport is also a driver for new growth, both in terms of long-haul flights, connecting flights to feed the long-haul network and increased demand for cargo freight movement. This passenger growth, enhanced by the longer-haul connectivity we are now able to provide, is estimated to help generate an additional 4000 jobs on site and an additional 4000 jobs in the immediate supply chain.

As markets develop, there will be greater demand for long-haul flights. Soon, half a million businesses, with six and a half million employees, will be within Birmingham Airport's catchment area.

It is not only business leaders and entrepreneurs who increasingly rely on Birmingham Airport. Within a few years, investment in the railways, especially high-speed rail, will mean millions of passengers can make a meaningful choice between airports in London, Manchester and Birmingham. Improvements to road and rail will bring 80 million air passengers, currently using other airports, within one hour's travel time of Birmingham Airport.

Instead of piling pressure on London's over-heated airports, Birmingham is in the perfect position, economically and geographically, to soak up the increasing demand as it occurs.

Given this demand, we welcome that Birmingham is recognised by the Airports Commission as an airport which may require a second runway at some point in the future. With the development of the HS2 project, Birmingham Airport proposed a new location for a second runway to the Airports Commission, which would allow for co-location with the HS2 station, delivering a truly integrated transport hub for the future. Under this future vision for a multi-runway airport, Birmingham could handle more than 70 million passengers a year.

3. Aviation trends and forecasts

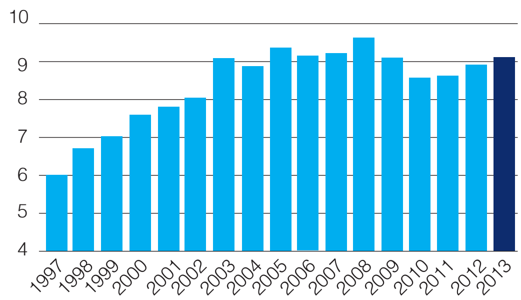
The call for evidence requests the latest data on aviation trends (7.3). Our analysis of recent aviation trends suggests strongly that the UK needs to continue to develop a network of long-haul national airports.

Birmingham Airport is doing well. Our overall passenger numbers peaked at 9.6 million passengers in 2008, dropped as a direct result of the global crash, and in 2013 stood at 9.1 million. This represents solid growth over the past two years.

As table 3.1 demonstrates we are forecast to handle 200,000 more long-haul passengers this year than in 2008/09, over 200,000 more short-haul passengers, over 250,000 more passengers on low cost fights, but over 500,000 fewer charter flights. This amounts to over 230,000 more passengers with a much smaller proportion flying charter than in 2008**.**

The reduction in charter flights can be partly explained by the changing split in our passenger profile between leisure and business travellers. As table 3.2 shows, business passengers made up 14% of all passengers through Birmingham in 2008, but are forecast to represent 18% this year. Leisure passengers made up 86% of passengers in 2008, and now make up 82%.

Figure 3.1 – Overall passanger numbers (millions)



Aircraft market

We are also witnessing major changes in the aircraft market which will have an impact before any new capacity is delivered. The trend and manufacturing of output of Boeing and Airbus (and other smaller manufacturers) is for the so-called hub busting aircraft such as the B787 and the A350. These smaller aircraft, along with the current new B737 and A320 neo family of aircraft, will be the mainstay of airline fleets for the foreseeable future as they provide greater flexibility. These aircraft, with circa 250 rather than 500 seats, do not need as many transfer passengers to fill them and therefore can rely on the local markets to deliver more lucrative point to point passengers.

Figure 3.2 – Future aircraft market (Boeing)

Airplanes in service 2013 to 2033			Demand by size 2014 to 2033		
Size	2013	2033	Size	New airplanes	Value ($B)*
Large widebody	740	790	Large widebody	620	240
Medium widebody	1,580	3,680	Medium widebody	3,460	1,160
Small widebody	2,390	5,570	Small widebody	4,520	1,140
Single aisle	13,580	29,500	Single aisle	25,680	2,560
Regional jets	2,620	2,640	Regional jets	2,490	100
Total	**20,910**	**42,180**	**Total**	**36,770**	**5,200**

*$ values though out the CMO are catalog prices.

It is clear that manufacturers and airlines see a very different future than that outlined by those proposing hub arguments. Indeed, according to Boeing, their total future orders will double the fleet but the largest growth is going to be in the single aisle and smaller wide-body aircraft – from 13,580 single aisle airlines in service in 2013 to 29,500 in 2033, and from 2,390 small wide-body airplanes in service in 2013 to 5,570 in 2033. This trend adds commercial background to the need for a network of great airports.

Forecasts

The discussion paper calls for responses on whether larger regional airports, like Birmingham Airport, are

Table 3.1 – Types of passanger per year

	Actual	Actual	Actual	Actual	Actual	Actual	Budget
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Long-haul	705,548	786,643	817,578	782,387	728,752	825,654	905,975
Low cost	4,966,529	4,756,357	4,205,691	4,299,693	4,658,115	4,822,657	5,321,806
Short-haul	1,498,765	1,386,290	1,497,641	1,641,931	1,762,182	1,818,192	1,720,199
Charter	2,313,797	2,079,401	1,997,480	1,874,824	1,761,354	1,781,498	1,791,575
Other	31,841	11,092	6,860	6,234	6,385	–	7,000
	9,516,480	9,019,783	8,525,250	8,605,069	8,916,788	9,248,001	9,746,555

Table 3.2 – Business versus leisure

	Actual	Actual	Actual	Actual	Actual	Actual	Budget
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Business total	1,292,606	1,286,305	1,342,615	1,476,230	1,567,792	1,661,801	1,712,938
Business percentage	14%	14%	16%	17%	18%	18%	18%
Leisure total	8,135,104	7,639,282	7,116,639	7,086,426	7,342,611	7,586,200	8,026,617
Leisure percentage	86%	86%	84%	83%	82%	82%	82%

Table 3.3 – Forecast passanger traffic

Forecasting assumption	2020	2030	2040	2050	2060
Low assumption	13.0m	17.1m	20.4m	25.4m	28.8m
Central assumption	13.8m	21.2m	29.3m	41.6m	48.6m
High assumption	17.1m	27.4m	39.1m	57.9m	68.7m

Table 3.4 – Continued growth

	2015/16	2016/17	2017/18	2018/19	2019/2020	2020/21
Long-haul	1,101,509	1,205,100	1,299,817	1,430,795	1,497,139	1,565,123
Low cost	5,410,698	5,686,851	6,085,330	6,344,200	6,611,018	6,873,614
Short-haul	1,876,456	2,051,488	2,254,348	2,461,988	2,735,512	2,828,751
Charter	2,026,817	2,114,842	2,231,432	2,331,452	2,488,451	2,593,340
	10,415,480	11,058,281	11,870,927	12,568,435	13,332,120	13,860,828

growing in the connectivity they provide (7.4). We expect our steady growth in passenger numbers to continue, as the economy improves; as improvements to road and rail links make us even more convenient; and as our quality of service makes using Birmingham an even-better experience for passengers. For example, Birmingham Airport recorded the best overall flight punctuality of any UK airport operating both scheduled and full service charter flights in the third quarter of 2013, the busiest period of the year.

Using data from Steer Davies Gleave, an independent forecaster, we estimate that our passenger traffic will increase by significant amounts between 2020 and 2060 as shown in table 3.3.

If we look at the top-line figures in more detail, based on our 2014/2015 business plan, we can forecast continued and significant growth in long-haul passengers between 2015/16 and 2020/21 of over 460,000, and steady growth in other areas (see table 3.4).

Improved connectivity

Birmingham Airport will continue to grow, based on its central location at the heart of the UK; on the growing number of people able to conveniently travel to the airport; and because of decreasing journey times as rail and road connections are improved. In addition, we are also clear that our offer will continue to improve as we expand our long-haul destinations, especially in emerging markets.

We are delighted to be at the forefront of developing new long-haul networks. The Airports Commission document issued in support of this call for evidence notes, at paragraph 1.39, that:

'The recent growth in route networks at larger regional airports has been accompanied by the establishment of some eye-catching long-haul networks… Birmingham served eight long-haul destinations, including New York, Delhi and Islamabad, and this year will begin charter flights to and from Beijing, making it the first UK airport outside of London to host direct flights to China.'

This proves an important point with our overall argument, that significant non-London airports such as Birmingham can provide the UK with the long-haul connections to its new economic partners around the world. Birmingham Airport is calling for the Commission to back our vision for a network of long-haul airports to meet growing future demands, and to relieve increasing congestion in the South East.

A supply-side understanding of aviation growth is required

The discussion paper invites questions on how airport business models are changing (7.4). Birmingham Airport would like to report to the Airports Commission that the relationship between the short-haul and long-haul flights we provide is crucial for enhancing the connectivity of our region. Whilst the previous tables separate long and short haul flights, growth between the two is highly interrelated. For example, airlines serving the UK from long-haul destinations are increasingly looking towards Birmingham as a destination from which it can connect its passengers to short-haul locations across the UK and Europe. This interest is a result of the critical mass of short and long-haul routes we offer.

This supports evidence that we have previously delivered to the Airports Commission about the changing shape of aviation, and how we require a supply-side model for understanding the future of demand, not only a demand-led model. It is crucial that, in its modelling, the Airports Commission considers the importance of critical mass for providing connections.

Given the importance of connectivity and supply-side growth, we continue to question the methodology used by the Department for Transport (DfT) to forecast passenger traffic. We consider there are four main flaws in the methodology: first, that there is an exaggeration of past behaviour, which does not necessarily predict future behaviour; second, that the economic growth inputs used by the National Air Passenger Allocation Model (NAPDM) lacks granularity, as it assumes uniform growth across the UK, rather than accounting for regional and sub-regional variations; third, the DfT's reliance on the NAPDM means that it fails to properly allocate future traffic, notably the impact of the 'ballooning effect' from traffic spilling out of constrained airports, and also its failure to consider how airports compete with overseas airports for hub traffic.

We do not think policy decisions can be sensibly based on the DfT model. Wider evidence, patterns of growth, and the impact of improvements will be vital for understanding future passenger traffic numbers. Within this, it is crucial to consider the growing role that non-London airports can play in providing long-haul to short-haul connections, and the central role that a critical mass of connections plays in growth.

4. Methods of attracting new long-haul routes and improving surface access to long-haul airports such as Birmingham

This Airports Commission discussion document offers a range of options to support and bolster the regional airports sector, and seeks submissions on these (7.5 and 7.6). These options include state-aid, changes to the tax regime (including air passenger duty (APD)), targeted international tourism, use of local enterprise zones to subside business relocations, improvements to road and rail connects, public service obligations to guarantee services if they are considered vital to peripheral regions, and even outright nationalisation of Britain's airports.

Improvements to road and rail

We strongly support HS2, which will significantly shorten journey times, and place 30% of the UK population within 60 minutes of Birmingham Airport upon completion of Phase 2 of the project. It is vital that there is excellent connectivity between Birmingham Interchange station and the rest of the network, and between the rail hubs and the Airport itself. 80% of our rail traffic currently passes through Birmingham New Street. We want to explore whether a new connection directly to Birmingham International rail station from the East Midlands would increase passenger numbers at the Airport.

Further improvements to the road and rail network serving our regional airports are essential. We need a system of transport in the UK which integrates the roads, high-speed rail and light rail systems, so that passengers can enjoy seamless, fast and cost-effective travel to and from our airports. This includes the role of highways improvements such as those at Junction 6 of the M42, and the proposed five lane running. This also includes integrated time-tabling and ticketing on the railways, which should be included in the franchise deals struck between the Department for Transport and rail companies.

Passengers at Birmingham Airport have experienced continuing improvements to surface access

For example, regular train services connecting the Airport to Scotland, and the announcement of the Virgin Trains Shrewsbury to London Euston via Birmingham route which will make access from Wales more convenient, have and will bolster our connectivity.

Whilst our North to South surface connections continue to improve (and with HS2 will transform), we identify a need for better connectivity between East and West of the country. This includes the key East Midlands cities of Nottingham, Derby and Leicester, and their satellite towns and suburbs. We are supported in this view by the Local Economic Partnerships (LEPs) for the East and West Midlands, the local Chambers of Commerce, the Integrated Transport Authority (ITA), and the Midlands Connect partnership, which is arguing for improved rail services, including for freight, to improve the economy across the East and West Midlands.

Our experience leads us to the following conclusions:

- That HS2 is vital for the regional, and national, economy and must form part of an integrated rail/road/air transport system.
- The Government must insist on integrated ticketing and through ticketing as part of rail franchise deals.
- The Government should ensure that Local Economic Partnerships (LEPs) and other strategic bodies view integrated transport as an essential part of their role.
- Network Rail and the rail companies need to co-ordinate to guarantee early and late trains to and from large airports such as Birmingham, and avoid repairs where possible which significantly disrupt air passengers.
- We need serious consideration to how to reduce the number of times a passenger has to change trains on the way to the airport, including new fast lines.

Changes to the tax regime

Government needs to take measures, in the short to medium term, to relieve pressure on the South East and make best use of existing airport capacity to connect all of the UK to growing and emerging markets. The Airports Commission has previously looked at differential APD rates and concluded that, whilst higher taxes on congested airports would both shift traffic to non-London UK airports, it would also shift existing connectivity to non-UK airports.

Given the congestion in the South East, Birmingham Airport is therefore keen to explore how alternative APD reforms can allow for the growth of new long-haul connectivity in the UK, without any overall loss in routes.

The discussion paper invites responses on the economic consequences of air connectivity (7.3). Birmingham Airport believes there is a strong case for an Air Passenger Duty (APD) 'holiday' for regional airports for new routes. This will bring demonstrable economic benefits to regional airports and their local economies. Our assessment is that it could encourage 90,000 extra passengers a year at Birmingham Airport. This number might be even larger if an APD holiday leads to new routes opening up. We forecast that an APD holiday would create around 100 new jobs at the Airport and in local suppliers. It would bring between £72 million and £82 million in extra taxes a year for the Government, depending on how it was implemented.

To support our view with hard evidence, Birmingham Airport commissioned a report from independent economic analysts Oxera. The Oxera report is designed to assess the impact of a temporary reduction in APD at regional airports, using Birmingham Airport as a case study.

The report assesses and compares the impact of three different targeted measures to reduce APD. These are:

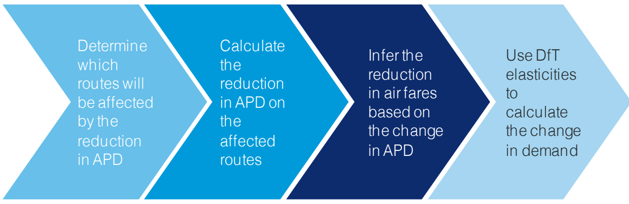
1. All long-haul traffic from regional airports receives an APD 'holiday'.
2. All long-haul traffic from regional airports pays the short-haul APD rate.
3. New long-haul traffic from regional airports receives an APD 'holiday'.

The impact of these three possible scenarios is assessed in terms of the demand from passengers; the impact of the regional economy resulting from increased activity at the airport and its suppliers; and the impact on revenues for the Exchequer, including the reduction in APD and the effect on other taxes if new activity is stimulated.

Impact on demand

We assume that as passengers are currently bearing the burden of APD in their ticket price, so any reduction in APD would be reflected in reduction in ticket price. This assumption is based on the highly-competitive nature of the airline industry. Using Civil Aviation Authority (CAA) data on the balance of different types of ticket, the split between long-haul and short-haul flights, and the average long-haul fare, we assessed the impact of reductions in APD on passenger demand, based on the following methodology:

Figure 4.1 – APD change methodology



The results for each of our three scenarios (outlined above) are:

Scenario	1	2	3
Long-haul average return fare (£)	621	621	621
Average long-haul APD (£)	72	72	72
Average APD under scheme (£)	0	13	0
Long-haul average fare under scheme (£)	549	562	549
Change in long-haul passengers (%)	6.9%	5.7%	6.9%
Change in total passengers (%)	1.0%	0.8%	1.0%
Change in total passengers	91,977	75,269	91,977
APD revenue foregone (£m)	95	78	0*

Note: * This value is based on any displaced traffic from London airports being replaced by excess demand. In addition, the calculation assumes that passengers on any new long-haul routes, which would have occurred in the absence of the APD scheme, still pay APD. All monetary values are in 2013 prices. The scenarios are defined in the scheme design section above.
Source: Oxera.

This represents a significant increase in demand, and in passenger numbers, with scenario two delivering over 70,000 more passengers, and scenarios one and three delivering over 91,000 more passengers.

On top of this, we considered what would happen if new routes were generated as a result of an APD holiday. Many carriers cite APD as the reason for not running new long-haul routes from Birmingham, preferring more favourable tax arrangements in Ireland or other parts of Europe. It is reasonable to assume that a reduction in APD would encourage more flights

Table 4.2 – Economic impact of scenarios

	Scenario 1	Scenario 2	Scenario 3
Employment			
Direct	42	34	42
Indirect	55	45	55
Total	97	79	97
GVA (£m)			
Direct	3.3	2.7	3.3
Indirect	2.7	2.2	2.7
Total	6.1	5.0	6.1
Taxes (£m)			
Direct	0.8	0.7	0.8
Indirect	0.7	0.6	0.7
Total	1.6	1.3	1.6

Note: All monetary values are in 2013 prices. The scenarios are defined in the scheme design section above. The tax contribution includes: corporate tax, national insurance, PAYE, and VAT. Productivity of indirect employees is assumed to be equal to the national average.
Source: Oxera.

from Birmingham to the USA, Indian sub-continent and Far East. If APD reduction encouraged new long-haul routes (as it is reasonable to assume), it would lead to even more passengers using regional airports such as Birmingham.

Impact on the local and regional economy

The Oxera report considers the direct and indirect impact on jobs and businesses in the area around Birmingham Airport of the increased demand, as forecast above. We used Office for National Statistics (ONS) official figures for the economic impact of aviation, looking at jobs, 'gross value added' (GVA), a measure of the value of goods and services produced in an area, industry or sector of an economy, and the impact on tax revenues.

Our findings, as set out in table 4.2, are that scenario two delivers 79 new jobs, and scenarios one and three deliver 97 new jobs in and around Birmingham Airport. Scenario two creates £5 million in GVA, and scenarios one and three deliver £6.1 million in GVA. Scenario two generates £1.3 million in extra taxation, and scenarios one and three generate £1.6 million in extra taxation.

So each of the scenarios for an APD holiday creates local jobs, helps local businesses and the local economy, and generates extra revenue for the Exchequer.

There would also be wider economic benefits, including increases in productivity, overseas trade, and encouraging innovative new businesses, each adding to the overall prosperity of the UK.

Birmingham Airport submits to the Airports Commission that even a temporary reduction in APD for certain flights at regional airports would have a significant impact on passenger numbers, new routes and local jobs, as well as welcome reductions in prices for passengers. It would stimulate demand at regional airports, and ease the pressure on London and the South East. We are happy to share the Birmingham Airport report, drawn up by Oxera, at the earliest opportunity.

We recommend that the Commission actively considers an APD holiday on new long-haul routes as a short-term measure which will deliver immediate benefits.

Marketing initiatives

We would advocate strongly the launching by the Government of a major targeted marketing initiative to attract new routes to airports such as Birmingham.

For example, we are part of VisitBritain's China Welcome initiative and Great China Welcome Charter, launched by the secretary of state for culture last year, which aims to secure 650,000 Chinese visits a year by 2020, worth nearly £1.1 billion annually to the UK economy. Our partners include Virgin Atlantic, Hilton, Harrods, John Lewis and easyJet.

Supported by this initiative, Birmingham Airport has become the first ever UK airport to operate direct flights to China outside of London. The first of the China Southern Airlines charter flights landed at Birmingham on 22nd July 2014, with flights continuing until 5 August. The Midlands is the only region to enjoy a positive balance of trade with China, and these China Southern Airlines charter flights highlight Birmingham Airport's role supporting the West Midlands economy, and its growing export and manufacturing base.

The China Welcome initiative serves as an exemplar of how a partnership between airports, the leisure and tourism sector, big brands, local authorities and ministers can serve the greater needs of the UK economy. In securing the service, Birmingham Airport management made multiple trips to China along with organisations such as Birmingham City Council, Marketing Birmingham, VisitBritain and Shakespeare's England in order to familiarise themselves with the market before signing a deal with specialised agencies at each end of the route: Caissa Travel management, one of China's biggest travel operators and United Travel, a local Birmingham company, specialising in outbound travel to China.

In addition, it is welcome that the Airports Commission document (at 3.31) notes the early success of:

'a joint campaign between tourist board, airport, city and airline in support of the new Air India route to Birmingham, which commenced operation in 2013. The campaign measurably increased load factors on flights inbound to the UK.'

Birmingham Airport would welcome greater marketing in India and Pakistan of the direct flights we offer to and from Amritsar, Dehli and Islamabad. And we would welcome further marketing along these lines of new long-haul direct routes, as they open.

Following the experience of the China Welcome initiative, we would welcome further and bolder initiatives for major emerging markets, to support the UK's network of regional airports, backed across government and supported by the Treasury, Foreign and Commonwealth Office and our embassies, UK Trade and Investment and the Departments for Business, Innovation and Skills, Transport and Culture, Media and Sport.

State aid

The EU's new state aid rules allow for Government assistance to airports with fewer than 3 million passengers and, in the 2014 Budget, Chancellor of the Exchequer George Osborne announced a doubling of the Regional Air Connectivity fund for small airports. We understand that, in some circumstances, aid to airports with fewer than 5 million passengers will also be permitted.

We do not consider state aid to be a sustainable or suitable mechanism to support small regional airports, especially when there are larger regional airports nearby. Whilst it may serve to prop up smaller airports in the short-term, at huge cost to the taxpayer, it does not in many cases serve the long-term national economic interest as it can endanger overall UK-wide connectivity. This is not the case with small airports at locations distant from airports with long-haul connectivity, where Government support may be necessary to maintain networks where there are no alternatives.

When there is a better-connected airport nearby, state aid to small airports can pose a danger to overall UK connectivity. In our experience, for an airport to be successful it must be in a position to provide the wide array of routes that passengers and businesses demand, as well as the long-haul to short-haul connections that are a central component of many journeys. A critical mass of routes is therefore essential, and this is something small airports cannot provide. State aid for small airports where there is a nearby larger airport can damage a region's critical mass, taking connectivity away from larger airports and reducing their ability to provide connections, damaging the region as a whole.

The focus of the Airports Commission and Government should be on ensuring short and long-haul connectivity for domestic and international passengers and businesses, rather than on ensuring a multitude of small airports. In many cases, improving surface access between communities and larger airports with a critical mass of connections is preferable to supporting small airports that can never develop a critical mass of routes.

We will be developing this argument when the Department for Transport consults later this summer on the issue of the new EU state aid guidelines.

Nationalisation

We rule out further nationalisations as an option; we do not consider that any advantages accrue from having state-owned airports, in terms of value to the tax-payer, investment, quality of customer service or future expansion and modernisation.

5. Birmingham Airport can take the strain from London and the South East

The discussion paper invites responses on the constraints to developing further utility and connectivity at airports serving London and the South East (7.7). London's major airports are already at capacity. Even in 2011, soon after the financial crash, Heathrow had spare capacity equal to less than one per cent of its traffic. As the economy continues to recover, the pressure on London's airports will intensify. Globalisation means that business and leisure travellers will demand flights to new and non-traditional destinations where the economies are strongest. Asia-Pacific, South America, and Africa will become the destinations of choice for business leaders.

For example, the demand for long-haul flights, according to the Department for Transport will increase from 40 million in 2010, to 95 million by 2050. Along the way, it will hit 22 million passengers by 2030. Yet the majority of the UK's airports do not have the runway length to be able to service long- haul flights to the countries with the fastest-growing economies.

Birmingham Airport is perfectly placed to soak up this increase in demand

The discussion paper asks how constraints on South East airports can be mitigated (7.7). Birmingham has a population of 35 million within two hours travel time, which is the largest catchment of any long-haul airport, and this includes 7.5 million people within Heathrow's catchment area. Britain's population is forecast to grow by 8.75m by 2032, with the area served by Birmingham Airport seeing the largest growth. Over the same period, our region's economic growth will exceed the national average. In order to alleviate pressure on the South East and support the economic growth in Birmingham Airport's region the Airport is calling on the Government to support an increase in the long-haul connectivity provided by Birmingham and other large non-London airports.

When considering the market served by an airport, the catchment area covered can be specified differently for different services. For short-haul (especially domestic and European) routes and discretionary travel, airlines often consider the catchment of an airport as the population within a given time to travel to/from the airport. For journeys where access times to the airport are the most critical, Heathrow has the biggest market. Considering the one hour catchment, Heathrow has the largest catchment at just 11.2 million, while Manchester (10.3 million), Birmingham (9.7 million) and Gatwick (9.7 million) are not far behind. However, for 90 minute travel time, Birmingham Airport has the biggest catchment, picking up almost twenty million people, marginally more than Heathrow. This is crucial when one considers the constraints on aviation in the South East, and the longer surface distances people will travel for longer-haul flights.

Steer Davies Gleave data on catchment areas analysed by Capital Economics helps make the case for why the UK's great cities need great airports to compete in the twenty-first century. Figure 5.1 shows how 100% of residents in the UK are within a maximum of 2 hour journey time from one of four macro regions – London, Birmingham, Manchester and Scotland. Each of these regions, London excluded, has one major long–haul airport and we should be seeking to maximise the connectivity of each to support that region and, in Birmingham Airport's case, relieve pressure on the South East.

Figure 5.1

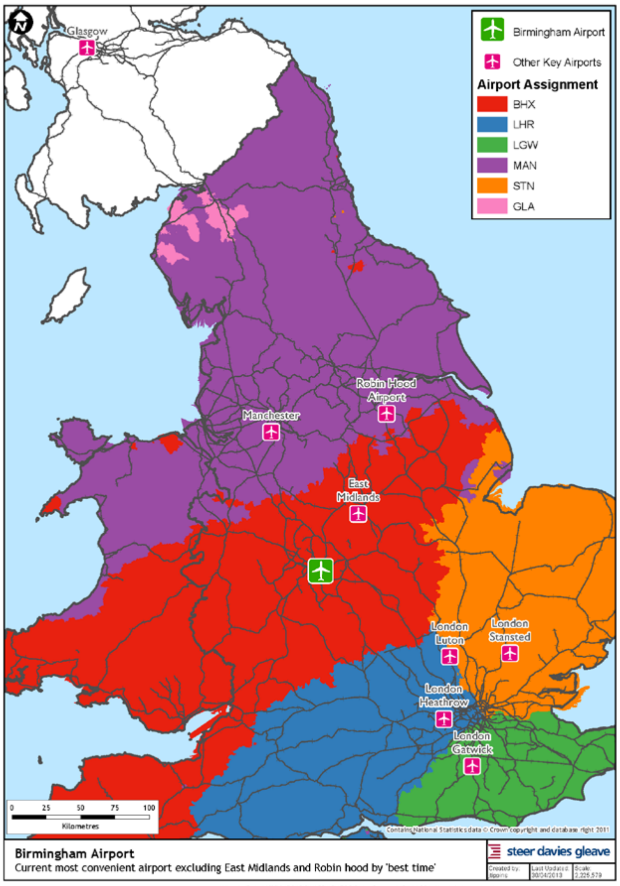


Fig.5.1 100% of residents in the UK are within a maximum of 2 hour journey time from one of four macro regions – London, Birmingham, Manchester and Scotland. Each of these regions, London excluded, has one major long-haul airport.

By 2032, with HS2, Birmingham will be the most convenient long-haul airport for 19 million people.

One of the significant transformations that the opening of HS2 will bring to the UK is drawing millions more people into the catchment area for Birmingham Airport, making it a realistic choice for business and leisure travellers from across a huge swathe of the UK, including much of Wales and the South West. The inevitable impact of this shift will be to take the strain off London's airports. Birmingham Airport will be able to help cool down the overheated South East aviation sector, and spread the load more evenly and fairly.

6. Long-term infrastructure planning to safeguard growth

The document issued with the call for evidence asks about the planning constraints placed on airports serving the South East (7.7). In particular, it asks about the pros and cons of airport developments moving through the nationally significant infrastructure projects (NSIP) process, or Town and Country Planning process, whether these can be improved, and whether and when planning caps for airports in the South East should be lifted.

Birmingham Airport has been able to successfully deliver a number of infrastructure improvements via the planning application process. However, it is clear that any larger infrastructure improvements of strategic national significance, for the benefit of our region and relieving pressure on the South East, would be unlikely to be delivered via this route in a timely manner, if at all.

Strategic planning for the future

Our judgement is that the current planning system does not allow a strategic overview of the country's infrastructure requirements, balancing local needs with regional and national needs. The current system is cumbersome, slow, unresponsive to changing circumstances, and expensive and difficult to navigate and is not appropriate for further major developments at the Airport.

We welcome the fact that the Interim Report identifies Birmingham Airport as a key airport for delivering aviation capacity in the short-medium term as well as highlighting our long-term vision for a second runway were the UK to need additional capacity beyond 2040. However, for this to remain an option for the country, the Commission and Government must consider the mechanisms needed to safeguard future large-scale infrastructure projects, such as a second runway at Birmingham Airport which are at risk of being developed for other commercial uses.

We believe that the answer for the UK is an infrastructure planning body, which looks at the nation's strategic long-term needs, including national security, energy, environment and transport. Such a body should be independent, free from political interference, and take the long view on the distribution of major infrastructure such as deep-water ports, nuclear power stations, high-speed rail links, motorways and airports. However, without this, we call upon the Airports Commission to set out how the land required for a second runway at Birmingham can be urgently safeguarded.

With regards to smaller works, we find permitted development regulations effective in speeding up minor developments and also judge the NSIP process to be effective in speeding up the process where planning applications are required. This process also allows the community the opportunity to comment on any proposals and become involved in the decision-making process, which we welcome. Moving forward, we suggest that thresholds for the NSIP process should be reduced from 10 million passenger increase per year to five million passenger increase per year to enable more developments to be determined in this quicker and more efficient way.

7. Airspace usage innovation

The discussion paper asks whether there are any innovative airspace developments which could support the connectivity of airports serving the South East (7.7).

Due to airspace and runway congestion at Heathrow compared to Birmingham, the propensity for aircraft to be delayed inbound to Birmingham is already significantly less, as demonstrated by the Arrival Sequencing and Metering Area (ASMA) data recorded by Eurocontrol for Single European Sky performance reporting purposes. During 2013, Heathrow had an average of 9.44 minutes of delay per inbound aircraft compared to the 1.03 minutes of delay experienced by Birmingham arrivals.

Furthermore, over the short to medium term, new methods of air traffic management as described in the CAA's Future Airspace Strategy (FAS) will be able to assist Birmingham Airport grow its air traffic capability even further. Many of the FAS proposals such as development of ACDM and introduction of new navigation technologies are already under way at Birmingham. These developments mean that Birmingham is perfectly placed to relieve congestion in the South East.

Longer term innovations with regard to air traffic management across the Midlands as a whole could feasibly be used to better integrate Midlands bound and originating traffic with that arriving at or departing from the London TMA. This would contribute further to the development of airspace capacity serving Birmingham Airport.

8. Conclusion: the need to balance aviation in the UK

The discussion paper asks for views on the ideal shape of the UK's airport system (7.4). Our vision is for the citizens of the UK and international visitors to be served by a choice of world-class long-haul national airports, within comfortable travelling times from their homes and destinations. We see this as essential to the future prosperity of the nation, as well as the success of individual companies. We want to rebalance aviation in the UK away from an over-reliance on London's congested airports, as part of a broader renaissance of British city-regions.

There is a significant opportunity for large regional airports to positively contribute to UK aviation which will assist in rebalancing and redistributing the economic benefits that cities with well linked air services bring. In order for this to be sustainable and successful, we require a critical mass at the larger UK regional airports, and the Government has a significant role to play in supporting this, with a major marketing initiative to advertise Birmingham and other city-regions as open for business; reforms to APD to reduce the costs of opening up new long-haul routes; and surface access improvements to connect regions to their nearest long-haul airports.

Birmingham Airport is an important part of the overall picture, but it also plays a specific role. At the centre of the UK, it is the most accessible airport, and 7.5 million people in Heathrow's catchment in West London and the Home Counties are within two hours travel time of Birmingham Airport. This will only improve with HS2. Unlike Manchester Airport, Birmingham is in a position to alleviate pressure on our overheated airports in the South East.

It is also an airport for businesses. Birmingham Airport's catchment contains the second highest proportion of businesses after Heathrow. But at the moment, too many businesspeople in the Midlands have to travel to London to visit their customers overseas. This is adding cost and time burdens on British businesses.

The medium and long-term context

Any future development of UK aviation must take into account the changing picture, the growth of regional airports, the opportunities afforded by HS2 and other improvements, and the need to rebalance the UK economy. In addition, whilst this discussion paper calls for evidence on existing capacity and for views on how UK connectivity can be bolstered, it is impossible to consider the changing shape of UK aviation without regard to the long-term context and recommendations in the Airport Commission's Interim Report.

We are pleased to have been recognised in the Interim Report as a potential site for an additional runway in the future. However, with the short-listed options all in the South East, it is important for the Airport to consider which option will best support connectivity of our region, and long-haul connectivity for the whole country more generally. Birmingham Airport is calling for a network of long-haul national airports across the country, with healthy competition amongst airlines and airports driving up standards and choice for passengers. It is our clear view that, with global aviation going through unprecedented change and with focus shifting eastwards, the UK requires the flexibility that only a network of airports can provide.

With the South East requiring further capacity, Birmingham Airport is in the position to take pressure off the region in the short and medium term. However, in the long-term, the South East will increasingly require an expanded network of long-haul airports to serve it and drive up standards and choice.

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