[redacted]

From: Edwin Morgan [redacted]
Sent: 22 April 2015 17:59
To: BAL AirportsConsultation
Subject: RE: Airports Commission Consultation
Attachments: Airports Commission consultation-response-form.doc; IoD survey results for Airports Commission consultation.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Hi Katie,

I've attached the form, and the survey results which complemented the response. We only answered question 1, so I've pasted that in below as well.

If the form still won't open let me know and I'll try something else.

Best,

Edwin

Edwin Morgan
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@IoD_Press

q.1

In preparation to submit a response to this consultation, the Institute of Directors surveyed its members on the subject in November 2014, receiving 1,119 completed individual surveys.

66% of the respondents were small or micro business, with fewer than 50 employees, and a further 18% were medium sized businesses, with 50 and 250 employees. 17% were respondents from large businesses. 44% of respondents were based in London or the South East, with the rest spread across the UK.

The full results of the survey are attached to the same email as this document, but to directly respond to this question, when asked where expansion should take place, a clear majority (61%) supported Heathrow over Gatwick (39%). This preference reflects the airports IoD members use for business, 63% having travelled through Heathrow in the last year, compared to 38% who used Gatwick.

While they are not part of the Commission's consultation, we felt it was also important to ask the members about a wider range of options, including a Thames estuary airport and expansions at Stansted or Birmingham, in order to understand the strength of support for the three options put forward by the Commission. When given six options, 60% of IoD members gave one of the Heathrow options as either first or second preference, while 39% did the same for Gatwick.

Of those who chose Heathrow, 51% favoured the North West runway option, while 22% favoured the extended runway. 27% did not express a preference. While this appears to be a large margin in favour of a third runway, we would not want to overstate the strength of the preference for one option over the other, which may largely reflect a lack of awareness of the Heathrow Hub proposal – a third runway has been suggested for many years, but an extended runway is a relatively new option.

When asked in the earlier question to choose the top two preferences for expansion, of those who chose either Heathrow option, 40% selected a third runway first, with 29% ranking it second, while 23% chose an extended runway first, with 39% ranking it second. It is possible to say that IoD members have a preference for expansion at Heathrow, but it would be making the data work too hard to use it throw the IoD's support as an institution behind either of the two options at that airport.

Members view the Commission's options as having different advantages and disadvantages. A third runway at Heathrow is seen by members at the best option for providing a wide range of global destinations, while a second runway at Gatwick leads on regional destinations and as a base for low cost carriers. A third runway at Heathrow is judged the best solution for UK airport capacity in the long term.

The IoD's role, under the terms of its Royal Charter, is to represent the views of its members. Accordingly we give significant weight to their preferences in this matter. But we are also clearly aware that the location of additional airport capacity in the South East of England involves considering a range of factors, including the amount of public subsidy the options would require, and the impact on competition.

The question of cost, economic benefit and subsidy is not one that can be ignored in the context of continuing pressure on the public finances. The Airports Commission has higher estimates for the cost of each of the three expansion options than the proposers of each project. Heathrow estimate the cost of a third North West runway at £14.8bn, while the Commission's estimate is £18.6bn. The cost to the taxpayer is estimated at £5.7bn, while economic benefits from 2026-2086 are predicted to be between £112-211bn.

Heathrow Hub meanwhile have estimated the cost of their proposal at £10.1bn, with the Commission producing a higher figure of £13.5bn. The taxpayer subsidy required would be £6.3bn, and the economic benefits over the same period are estimated at £101-214bn. The third option, a second runway at Gatwick, would cost £7.4bn (or £9.3bn on the Commission's figures). Gatwick claim they would not need taxpayer funds to finance their proposal, meeting the £800m for surface access costs themselves. Estimated economic benefits come in between £42-127bn.

There is a large degree of uncertainty in all of these figures, but in short, the Heathrow options are more expensive and require taxpayer subsidy, but offer greater potential benefits, while Gatwick is cheaper, needs no subsidy, but brings lower estimated economic benefits. To gauge their views, we asked IoD members what they thought about the provision of a degree of public subsidy for south east airport expansion.

While we cannot put a number on the amount of subsidy that members would find acceptable, 46% agree with the statement, 'as vital infrastructure, subsidy must be paid to ensure it is a success', while a further 35% would support some subsidy if kept to a minimum. 16% oppose any subsidy. The amount of subsidy required for both Heathrow options is substantial, especially as it comes at a time when both the Conservative and Labour parties have committed to further public spending reductions should they form a government after the General Election. How the eventual costs of any of these plans would develop were demand for air travel to fall short of the long-range Department for Transport forecasts also remains to be seen.

This does not mean the IoD members would not accept clearly defined taxpayer funds for airport expansion as priority for government spending, but it does mean that if either Heathrow option is recommended by the Commission, their proposers cannot expect a blank cheque from the taxpayer. Indeed it is possible that if, as any project progresses, the requirement for taxpayer funds increases, the level of support from IoD members may diminish.

The IoD thinks that competition should form a more significant part of the Commission's decision. One of the reasons that the Competition Commission recommended in 2009 that BAA be forced to divest itself of several airports was that common ownership has resulted in no new runways being built in the 20 years since privatisation. The IoD supports competition in the airports market, and notes that Global Infrastructure Partners has invested £1bn in Gatwick airport since taking it over five years ago. The Competition Commission found in 2009 that there was a high potential for passengers to substitute one South East airport for another, and since the break-up of BAA there has been some evidence of emerging competition between Heathrow and Gatwick. Fully developed competition is being inhibited by capacity constraints.

While expansion at Heathrow may be the expressed preference of IoD members, we would not want to present the impression that this alone would meet the UK's needs in the long term, or create a highly competitive market for passengers. For the purposes of this consultation we have asked members to choose between the options, but there are also strong arguments for future development at Gatwick, which is supported by a large minority of members, and has the advantage of not requiring public subsidy. Stansted is not included as an option by the Commission, but it could help to relieve some of the capacity if access were improved with faster trains to London and Cambridge. Birmingham is not a South East airport, but the construction of HS2 could make it another option for passengers.

-----Original Message-----
From: HALL Katie [mailto:khall@systra.com] On Behalf Of BAL AirportsConsultation
Sent: 22 April 2015 16:02
To: Edwin Morgan
Subject: RE: Airports Commission Consultation
Importance: High

Dear Edwin,

Thank you for your response to the Airports Commission consultation on shortlisted options for extra runway capacity in the UK.

We are having difficulty accessing the attachment to your email. Therefore, we would be grateful if you could resend your full response to this address as soon as possible to ensure that it is included in the analysis of consultation responses.

If you have any queries, please don't hesitate to contact me on the number below.

Kind regards,
Katie

0207 529 6567

South-East Airport Expansion Survey from Policy Voice

The following survey was conducted online from November to December 2014, through the Policy Voice, the IoD's public policy panel. Through a programme of short monthly online surveys, Policy Voice connects over 3,000 members directly to the IoD Policy and Parliamentary Affairs Team, allowing directors to shape the IoD's approach to the key business issues affecting their organisations. For this survey we received 1,119 completed individual surveys.

Q1) In the last 12 months how many round trips have you flown for business or for leisure?

	Business	Leisure
0	24%	15%
"1-5"	40%	71%
"6-10"	17%	12%
"11-20"	12%	2%
21 plus	6%	1%

75% of IoD members took a flight for business in the last twelve months, with 35% flying six times or more. Clearly the ability to fly is very important to this group of business leaders.

Q2) How many times did you have to connect via a hub airport to reach your final destination?

	Business	Leisure
0	58%	67%
"1-5"	32%	31%
"6-10"	6%	2%
"11-20"	3%	0%
21 plus	1%	0%

42% of IoD members have had to connect via a hub airport for a business trip in the last 12 months. This includes all hubs, so covers journeys from the UK connecting at hubs in Europe and the Middle East, and flights originating in the UK involving a connection at another UK airport. Members were more likely to connect at a hub for when traveling for business than leisure, indicating that business travellers benefit from the range of destinations and frequency of flights provided by hub airports. This question does not, however, give an indication of how important it is that the hub be situated in the UK.

Q3) Which UK airports have you used in the last two years?

	Business	Leisure
Aberdeen	7%	2%
Belfast International	7%	3%

Birmingham	14%	11%
Bristol	7%	7%
Channel Islands	3%	3%
East Midlands International	6%	6%
Edinburgh	17%	9%
Gatwick	38%	50%
Glasgow	12%	5%
Heathrow	63%	53%
Leeds Bradford	5%	4%
Liverpool	3%	4%
London City	17%	7%
Luton	10%	10%
Manchester	16%	14%
Newcastle	5%	3%
Stansted	13%	14%
Other English regional	8%	7%
Other Scottish regional	2%	1%
Other	4%	3%
None	16%	8%

We are aware that there are many more airports in the UK that members may choose to fly from but they could not all be fitted into the survey. So we chose to keep to a shortlist of those with the highest number of passengers. The top 5 airports for business use are Heathrow (63%), Gatwick (38%), London City (17%), Edinburgh (17%) and Manchester (16%). The top 5 for Leisure were Heathrow (53%), Gatwick (50%), Stansted (14%) , Manchester (14%) and Birmingham (11%). London City stands out because it is the only major airport where a majority of passengers are known to be on business and this is reflected in the survey.

Q4) Which is your preferred UK airport?

	Business	Leisure
Aberdeen	1%	1%
Belfast International	1%	1%
Birmingham	8%	7%
Bristol	2%	3%
Channel Islands	0%	0%
East Midlands International	2%	3%
Edinburgh	3%	4%
Gatwick	11%	17%
Glasgow	1%	2%
Heathrow	41%	29%
Leeds Bradford	2%	2%
Liverpool	1%	1%

London City	7%	3%
Luton	1%	3%
Manchester	8%	7%
Newcastle	2%	2%
Stansted	4%	6%
Other English regional	4%	5%
Other Scottish regional	0%	0%
Other	2%	2%
None	1%	2%

This question shows that Heathrow is the most preferred airport by a large margin for business and leisure (41% and 29%), followed by Gatwick, Birmingham, Manchester and Stansted. This may also be an indicator that many IoD members live in the South-East and that they find Heathrow convenient and currently as the biggest airport, able to provide the highest frequency and choice of destinations.

Q5) What is the key driver of your choice of airport?

	Business	Leisure
Geographical convenience: close to work/home	49%	52%
Preferred airlines	6%	6%
Connection to where I wish to fly	13%	10%
Cost of flights	3%	8%
Airport amenities	1%	2%
Transport links to airport	4%	4%
Direct flight to destination	17%	14%
Direct flight to hub airport	1%	1%
Other	2%	2%
Don't know	3%	1%

The leading preference by a wide margin for members is geographical convenience in their choice of airport, by 49% for business and 52% for Leisure. The next biggest driver for members is for direct flights to destination (17% and 14%), followed by Connections to where they want to fly (13% and 10%), then preferred airlines (both 6%) and in fifth place, the cost of flights. The differential between business and leisure on this question is very slight. The least important driver for those surveyed is for direct flights to hub airports and amenities at the airport.

Q6a) What are your first and second preferences for airport expansion in the South East of England?

Total		1119
A second runway at Gatwick	1	19%
	2	21%
A New Thames Estuary airport	1	19%
	2	10%
Expansion of Stansted with fast rail link to London and Cambridge	1	7%
	2	11%
Expansion of Birmingham with fast rail link to London	1	9%
	2	8%
A third North West runway at Heathrow	1	24%
	2	17%
Extension of the existing Northern Heathrow runway (Heathrow hub)	1	14%
	2	23%
Other	1	2%
	2	3%

With this question we have looked beyond the shortlisted options of the Airports Commission as a future government will not be bound by them. That said, even when given a wider range of options, 80% of members gave a first or second preference to at least one of the Commission's shortlisted options.

On first choices, the three most popular options are a new North-West runway at Heathrow (24%), a new Thames Estuary Airport (19%) and Gatwick (19%). Looking purely at the three options identified by the Airports Commission, they rank in order of preference, a third North West runway at Heathrow (24%), a second runway at Gatwick (19%), and finally the Heathrow hub recommendation (14%).

When asked to select from a wide range of options, 38% of IoD members put one of the Heathrow expansion options as their first choice, compared to 19% who favoured Gatwick.

Q6b) The Airports Commission is making a recommendation to the Government of the future of aviation capacity in the UK. Which ONE of these locations do you believe they should recommend?

Total	419
Heathrow	61%
Gatwick	39%

A clear majority support Heathrow, but Gatwick is able to command a significant 39%.

Q6c) Of the two Heathrow options, which do you prefer?

Total	255
A third runway at Heathrow (Northwest of existing facilities)	51%

An extension of the existing north runway (Heathrow hub)	22%
No preference	27%

We cannot say definitively why members prefer a third runway to an extended runway by this margin. It may simply be a question of familiarity; while a third runway has been discussed for many years, the Heathrow Hub proposal is relatively new.

Given that 27% expressed no preference, we would not want to overstate the members' preference for one option or the other.

Q6d) What do you believe will be the most likely long term outcome for airport expansion in the South East? (the actual outcome, not what you might view as the desirable outcome)

Total	1119
A second runway at Gatwick	25%
A New Thames Estuary airport	1%
Expansion of Stansted with fast rail link to London and Cambridge	4%
Expansion of Birmingham with fast rail link to London	1%
A third North West runway at Heathrow	30%
Extension of the existing Northern Heathrow runway (Heathrow hub)	24%
Other (please specify)	3%
Don't know	12%

Despite being the second most popular first choice, a new Thames Estuary Airport is seen as the least likely outcome for airport expansion. The three most likely choices for members are a third North West runway (31%), Gatwick at 25% and the Heathrow Hub at 24% (both Heathrow options together, 55%).

Q7) What should be the driving factors in deciding the location of an expansion in airport capacity?

With this question, surveyed members were invited to select their top two criteria with no first or second preference.

Total		1119
Ability to accommodate low cost carriers	1	3%
	2	6%
Expansion of services to new or emerging markets	1	36%
	2	19%
Expansion of connections to the rest of the UK	1	13%
	2	12%
Expansion of more point to point destinations	1	20%
	2	22%

Environmental concerns (noise and pollution)	1	14%
	2	16%
Cost to the taxpayer (public subsidy)	1	9%
	2	20%
Other	1	3%
	2	3%

When both percentages are combined, the top two factors for members are expansion of services to new or emerging markets (54%), followed by expansion of more point to point destinations (42%). Second tier, but still with significant minority options are environmental concerns (30%), cost to the taxpayer (29%) and UK connections (25%).

Q8) What is your view on the provision of a degree of public subsidy for south east airport expansion?

Public subsidy is often required to meet the costs of connecting infrastructure from outside the airport – roads and rail for example.

Total	1119
No subsidy is justified (If you wish, please specify why)	16%
Subsidy should be kept to an absolute minimum	35%
As vital infrastructure, subsidy must be paid to ensure it is a success	46%
Don't know	3%

While we cannot put a number of the amount of subsidy that members would find acceptable, nearly half support taxpayer funds for 'vital' airport expansion, while a further 35% would support some subsidy if kept to a minimum. Only 16% oppose all subsidy.

Q9)How do you see your future demand for air travel developing?

	Business	Leisure
I expect to travel much more within Europe	10%	10%
I expect to travel much more globally	12%	16%
I expect to travel much more within Europe and globally	18%	23%
I expect to continue with my present travel patterns	42%	44%
I expect to curtail the amount I travel in future	12%	3%
Don't know	6%	4%

42% of IoD members expect to travel the same amount for business in the future, and 40% expect to travel more (whether within Europe or globally). Only 12% expected to reduce the amount the travel for business in the future. These results provide the backdrop to desire for airport expansion.

Q10) How are the following airport expansion needs best met?

	Extensive range of global destinations	Extensive range of regional destinations	Cost effective services for low cost carriers	Air Freight	Long term capacity to grow
A second runway at Gatwick	16%	20%	28%	12%	14%
A third runway at Heathrow	41%	17%	4%	14%	25%
Extension of existing North Heathrow runway	12%	8%	3%	6%	6%
Thames estuary airport	14%	10%	6%	11%	26%
Expansion of Stansted	3%	12%	28%	21%	9%
Expansion of Birmingham	6%	14%	11%	16%	9%
Existing situation is fine	6%	14%	13%	12%	3%
Did not answer	1%	5%	7%	7%	8%

There is no perfect solution for airport expansion. Each expansion option has perceived relative advantages and disadvantages. A third runway at Heathrow is seen by members at the best option for providing a wide range of global destinations, while a second runway at Gatwick leads on regional destinations and as a base for low cost carriers (on which Stansted also scores well). A third runway at Heathrow is just edged out by a Thames estuary airport as the best solution for UK airport capacity in the long term.

Perhaps equally important is the rejection of the current situation. Only 6% of members thought the existing range of airports offered a broad enough range of global destinations, while only 3% thought they offered the long term capacity to grow.