



Response to the National Infrastructure Commission

8 January 2016

1. Summary

- 1.1 MAG welcomes the opportunity to make initial comments to the National Infrastructure Commission on the first two elements of its consultation: Northern Connectivity and London's Transport System.
- 1.2 The NIC has a key role to play in fully assessing the network of transport assets across the UK, the way they should be connected and how they will drive growth in the UK economy over the coming decades. To do that, a comprehensive look at the current and potential economic contribution of integrating road, rail and air connectivity is essential. While there are significant gaps in the evidence, modelling tools developed for the Airports Commission will enable the NIC to undertake this work.
- 1.3 On Northern Connectivity, the Commission must ensure that its plans focus not just on city to city connectivity but on the creation of an efficient transport network which integrates opportunity for international connectivity via the North's global gateway, Manchester Airport. It must also prioritise the development of east-west connectivity through the Northern Powerhouse Rail (NPR) network and high speed rail.
- 1.4 On London's Transport System, MAG is a supporter of Crossrail 2 and worked with stakeholders to promote its development. The need for enhancement of the West Anglia Main Line (WAML) is, however, already critical and must not be delayed until the arrival of Crossrail 2 in 2030 to deliver them.
- 1.5 We urge the NIC to recommend a phased delivery of enhancements to the West Anglia Main Line, ensuring the benefits of step-change improvements to services are realised ahead of Crossrail 2.

2. Introduction

- 2.1 Manchester Airports Group (MAG) owns and operates four airports in the UK (Manchester, London Stansted, East Midlands and Bournemouth), handling some 50 million passengers per annum. Our airports are nationally significant infrastructure assets, providing essential connectivity both for the regions they serve and the wider UK economy, contributing over £4 billion in GVA each year.
- 2.2 Aviation is a key driver of economic growth, creating jobs and facilitating trade. The sector contributes over £50bn to the UK economy and supports more than a million jobs directly. Airports, as the physical infrastructure that underpins the sector, should be considered vital national assets and therefore fully integrated into any national infrastructure plans set out by the Commission in due course.

- 2.3 While airports invest heavily in their own infrastructure, failure to meet the wider surface access needs of passengers wishing to travel seamlessly for business or leisure will limit connectivity and hamper growth. Road and rail access to UK airports very often defines both their catchment area for potential passengers and, in turn, their competitive position in attracting new airlines.
- 2.4 Investing in these schemes, therefore, that connect cities with major airports as well as each other, may stimulate stronger growth as well as greater regeneration potential. It will enable the most productive use of spare capacity and connectivity from all UK airports, inducing a catalytic effect for the regional and national economy.
- 2.5 The National Infrastructure Commission (NIC), therefore, has a key role to play in fully assessing the network of transport assets across the UK, the way they should be connected and how, in doing so, these assets will drive growth through better productivity and more effective utilisation. In assessing the UK's infrastructure investment priorities and enabling the integration of those spending plans, the NIC will address a long-term weakness in UK infrastructure planning. Too often, a siloed, project by project approach to capital investment has failed to harness the true value of the UK's network of infrastructure assets.
- 2.6 By taking a comprehensive look at the kind of connectivity the UK needs and ways of supporting more effective network planning for domestic transport infrastructure, the NIC will be in a position to co-ordinate the investment programmes required to get there. This consideration must, as a matter of course, include airports, airspace and air freight.
- 2.7 We believe there is currently a significant gap in the evidence base for this work. The dominant focus of the Airports Commission was to consider the most appropriate location for new runway capacity in the period to 2030. For example, the AC did not assess in any detail the future growth scenarios at other major UK airports, including Manchester and London Stansted. As such, we believe there is a need for the NIC to take a more broadly focussed analysis of the economic potential of a wider range of UK airports and the infrastructure required to support their growth.
- 2.8 Furthermore, although the Airports Commission identified short term priorities in its interim report, a number of its key recommendations have not been addressed by Government. We would encourage the NIC to look again at these issues and come to its own views on the strategic importance of the AC's recommendations.
- 2.9 The Commission's initial focus on Northern and London connectivity is naturally an area of considerable interest for MAG. As we have not yet had the opportunity to meet with the Commission or secretariat to discuss areas of most interest to MAG, we would be happy to provide further information at a later date, as appropriate. We are pleased,

therefore, to offer our initial views to the Commission as part of this consultation and would welcome the opportunity for further engagement over the coming months and years.

2.10 This response is focussed on the first two elements of the Commission's consultation.

3. Northern connectivity

- 3.1 Manchester Airport is the global gateway for the North of England and the largest UK airport outside London. The airport supports 21,500 on-site jobs and contributes £918million in GVA to the UK economy each year, of which £627m benefits the North West alone.
- 3.2 Currently, Manchester has more than 75 airlines operating to around 200 destinations worldwide. With runway capacity to serve 55 million passengers a year, it currently serves around 24 million with a strong mix of full service, charter and low-cost operators. This range of services and carriers caters for both tourist and business travellers, while handling over 100,000 tonnes of exports each year.
- 3.3 Over the last decade, Manchester Airport has been successful in bringing more direct, long haul services to the North of England, including to Dubai, Abu Dhabi, Qatar, Hong Kong, Singapore, New York, Washington and Chicago. In 2016, services to Beijing, Los Angeles and Boston will commence. In most cases, Manchester is the only UK airport north of London offering these routes.
- 3.4 MAG has recently announced its intention to invest £1bn in the Manchester Airport Transformation Programme. Over the next 10 years the airport will benefit from an overhaul of its terminal and other passenger facilities, introduce new technologies and improve access to the airport.
- 3.5 The £800m Airport City project is also being developed next to Manchester Airport's terminals and sits at the heart of Greater Manchester's Enterprise Zone. It aims to attract global businesses to the region, especially those that would benefit from having close access to both the airport's route network and its road and rail connections with the rest of the North and beyond.
- 3.6 The lure of these factors has already led to companies like DHL and Amazon announcing plans for major logistics operations at Airport City, helping to meet the project's target to create more than 10,000 jobs over the next decade. Its success hinges on two factors. The first of those is Manchester Airport's ability to continue to secure new long haul passenger and cargo services of relevance to potential occupiers. The second is being able to link to a modern and efficient ground transport network that would serve the logistics needs of businesses basing themselves there at the same time as enabling as many people as possible to access the jobs being created.
- 3.7 In many ways, the factors that will drive the success of Airport City also demonstrate Manchester Airport's ability to help drive the success of the Northern Powerhouse. MAG is committed to investment in the region and helping to rebalance the UK economy but Manchester Airport has the potential to play an even greater role and

there are steps the Government must also take to unlock that potential as soon as possible, to the benefit of the North and the wider UK.

The power of connectivity

- 3.8 It is not new to observe that businesses need connectivity to succeed. They rely on having good access to skills, supply chains and markets – both domestic and international. Poor transport links can, therefore, be an obvious barrier to success. Poor facilities, journey times, overcrowding and congestion affect the perception of proximity, reliability and easy access, which are vital issues for businesses, investors and tourists alike.
- 3.9 The area widely recognised as constituting the ‘Northern Powerhouse’ – covering the cities of Newcastle, Sheffield, Leeds, Manchester and Liverpool – is smaller in size than Beijing. However, its competitiveness – both domestically and internationally – is being significantly hindered by poor transport links, most notably from east to west.
- 3.10 Centre for Cities research shows that over the 10 year period from 2004, northern cities have had lower GDP per capita, fewer business start-ups, lower employment rates and lower population growth than the South East. For every 12 new jobs in the South, just one was created in the rest of Britain and seven of the ten cities/towns experiencing the lowest growth were in the north of England.¹

Rail access and the North

- 3.11 Compared to London and its commuter hinterland, existing rail services across the North are slow and without the required frequency, either for freight or passengers. This is constraining the development of new businesses and trade across the region, not least as people find it difficult to travel from one area to another and companies find it difficult to trade goods and services across the country.
- 3.12 One illustration of the way in which transport connectivity is serving the North poorly is commuting patterns, with between 85-96% of working people in the Northern Powerhouse cities live and work in the same city region. Fewer than 1% of people living in either Manchester or Leeds commute between the two cities, despite being just 36 miles apart. This lack of labour force mobility is emblematic of the poor connectivity between the major conurbations and must be addressed. Transformational performance improvements can only be delivered through transformational investment; an incremental approach will not achieve the step-change in performance that the Northern Powerhouse needs to become a reality.
- 3.13 Equally, access to Manchester Airport as the North’s only true global gateway is key to improving its trade, tourism and inward investment prospects. Long journey times to Manchester Airport limits the extent to which its connectivity delivers benefits to the

¹ Rochdale, Blackpool, Hull, Grimsby, Huddersfield, Wigan and Burney

region: businesses and passengers cannot reach the airport quickly or efficiently enough; and airlines cannot access large enough catchments to make new services viable. This, in turn, severely hinders the geographic spread of economic benefits from Manchester Airport's connectivity.

- 3.14 Put simply, better connections and vastly reduced journey times across the North would, therefore, have a transformative impact on the airport's competitiveness by simply bringing Manchester Airport's global connectivity closer to all Northern cities.
- 3.15 We strongly support Transport for the North's approach to these issues, which recognised in its interim report, published in November 2015, that the initial focus of its work around the 'Northern Powerhouse Rail' network was *'developing the case for substantially improved connectivity between the main cities of the North, and between these and Manchester Airport'*.
- 3.16 Widening the airport's catchment area in this way would improve its ability to attract new airlines and secure more direct and more frequent long-haul services to key overseas markets. That, in turn, would enable the economic/trade benefits associated with access to key global markets to be spread to a much greater area across the North. **Therefore, the Commission must ensure that its plans focus not just on city to city connectivity but on the creation of an efficient transport network which integrates rail and air, maximising the potential for the new Northern economy to maximise its potential internationally as well as domestically.**
- 3.17 Currently, access to the airport is primarily by road, rail and Metrolink tram services. Users of the latter two modes of transport are typically from the local catchment area rather than further afield, as current rail services often do not provide attractive options for passengers from the wider region. That is mainly due to long journey times, lack of frequency or the absence of a direct service. However, there is widespread demand for improved connectivity to the airport, as illustrated by the positive reception received by the announcement of new services as part of the recent TransPennine and Northern Rail franchise agreements.
- 3.18 The scale of the opportunity for transport accessibility can best be illustrated by the increase in total passenger catchment within two hours of the airport by public transport that would result from the delivery of high speed rail across the North. Current, limited, rail access to the airport – particularly west to Liverpool and North Wales – means the population within that catchment stands at around 8 million. We estimate that with the right East-West rail services (HS3) this could leap to 18 million and support new air services to a wide variety of new long haul markets. With further improvements to road and rail, this would only increase further.

High Speed Rail

- 3.19 MAG has consistently supported the development of high speed rail and we welcome further commitments by HS2 Ltd and the Secretary of State in December to developing a station stop at Manchester Airport in Phase 2b. Integrating the airport into the high speed network is important to the long term success of the Northern economy, increasing the number of people able to access its services and stimulating growth through competition with airports in the South East.
- 3.20 Further high speed rail from east to west (HS3), however, would have truly transformative impact on connectivity. With HS2 and HS3 together, there lies the potential to close the productivity gap between the North and South, which Treasury has estimated would equate to in excess of £40 billion additional GVA by 2030. Together they have the potential to reduce journey times to Manchester Airport by around 50% across the North and Midlands – effectively bringing key cities twice as close as they are today.
- 3.21 Initial work by Network Rail and HS2 Ltd last year has shown that dramatic improvements are indeed possible between Manchester and Leeds city regions, for example – making a journey time of 26-30 minutes comparable to Crossrail's connection between Heathrow and Canary Wharf – that can only serve to drive trade and labour movement between the regions. Connecting HS2 and HS3 with Manchester Airport would provide excellent connectivity for air passengers across the North and Midlands, connecting quickly the wider economic region to global markets and providing a complementary counter-weight to the London/South East economy.
- 3.22 MAG believes that development of east-west connectivity should be a priority for the NIC's work. Further, we agree with the Airports Commission recommendation that more weight should be given to the specific needs of air passengers when developing strategies for the UK's rail network.**

Economic benefit analysis

- 3.23 We anticipate that a key focus for the NIC will be to develop evidence to quantify the economic benefits associated with the infrastructure proposals that it considers. An important element of this for Northern Powerhouse Rail (NPR) will be to understand the wider economic benefits that would be generated by better city-to-city connectivity, and also by better connectivity to Manchester Airport from across the region.
- 3.24 NPR will expand the airport's catchment by improving access to key population centres across the North, and significantly increase the number of air passengers within the airport's two-hour isochrone. Airlines will respond to this expanded passenger market by launching new routes to previously unserved destinations as they become commercially viable.

- 3.25 Enhanced international connectivity from the North will generate significant wider economic benefits for the regional economy, particularly in terms of improved productivity and improved access to global markets. Assessing the value of these connectivity benefits should be a key priority for the Commission in its assessment of the NPR business case.
- 3.26 The Airports Commission recently modelled the value of the connectivity benefits associated with options for new runway capacity at Heathrow and Gatwick. The AC's work on these issues would provide the NIC with a ready-to-use suite of models to assess the aviation-related economic benefits associated with NPR and surface transport improvements for other airports.
- 3.27 The output from the AC's models would also provide the NIC with a consistent approach to valuing such benefits, and give the Government a more complete assessment of the economic benefits associated with airport growth over the coming decades. Following the Commission's initial report to the Chancellor in March 2016, we would encourage the Commission to address these issues in further detail for all major UK airports.

4. London's transport system

- 4.1 The Mayor of London and Transport for London have estimated London's population will increase by almost three million over the coming decades, reaching 11.3million by 2050. This will present significant economic and social challenges, particularly in terms of housing and jobs. The London Mayor's 2050 Infrastructure Plan identifies east London as a key area for economic development to accommodate this growth and the East of England is currently one of the fastest growing UK regions – it too will see a dramatic growth in population and economic output.
- 4.2 Transport schemes that improve cross-city access for North and East London are essential for linking new homes in the Capital's opportunity areas with jobs and services. For businesses, too, gaining access to a larger talented labour pool will facilitate increased growth and economic productivity.
- 4.3 Crossrail 2, for example will enable businesses like Stansted Airport to draw on a new labour market and tap in to demand for business and leisure travel. Economic and population growth is, naturally, one of the many drivers of passenger demand (forecast to increase by up to 3% per annum to 2050), which will inevitably place a strain on all London airports over that period.
- 4.4 So for London's airport capacity, it is essential to learn lessons from Heathrow's decade of capacity constraint. It is vital that, without revisiting the work of the Airports Commission, the National Infrastructure Commission develops a full understanding of aviation demand in the South East and recommends proposals to government that will look at medium and long term requirements for the sector.
- 4.5 Even being optimistic, it is likely to be 15 years before any new runway capacity is developed in the South East. London Stansted serves more than 22 million passengers per annum, predominantly through the provision of services with low cost carriers and charter airlines, but has existing capacity to support growth to 45 million passengers.
- 4.6 Making the most productive use of this spare capacity will be vital to maintaining choice and value for consumers and developing the best possible connectivity for the UK economy and to support this, the Airports Commission made clear recommendations for urgent improvements to Stansted's rail connections into London.
- 4.7 It recognised that only by improving journey times would it be possible to enlarge its catchment and improve services to key regeneration areas. Facilitating and capitalising on population growth in North and East London will enable Stansted to play a wider role in the London airports system.
- 4.8 Improved rail connectivity to London and Cambridge is critical to enable London Stansted to achieve its full potential. Doing so would provide passengers with greater

choice and competition and help to foster growth and regeneration along the London-Stansted-Cambridge economic corridor. The need for investment in the West Anglia Main Line (WAML) has also been acknowledged as a strategic gap in the rail network by Network Rail and we anticipate its inclusion in the Anglia Route Study, due imminently.

Integrating Crossrail 2 with a programme of WAML investment

- 4.9 MAG is a supporter of Crossrail 2 and has worked with TfL and other parties to promote its development. Careful consideration, however, must be given by the NIC to how the project is integrated into a wider programme of investment on the West Anglia Main Line. The need for enhancement of the West Anglia Main Line is already critical and cannot wait until Crossrail 2 is delivered in 2030 to deliver them. A phased approach to WAML improvements could see very significant improvements to service frequency, reliability and journey times over the intervening period and would dramatically contribute to the region's regeneration and economic growth, including through more productive use of Stansted.
- 4.10 We agree that a new rail link, enhancements to the infrastructure and a tunnel across London will deliver significant benefits for the rail network, the region and Stansted Airport. Crucially, it will free up space on the congested mainline into Liverpool Street, stimulate regeneration in key sites like the Lee Valley Opportunity Area, unlocking further jobs and homes and maximise the growth potential in the London-Stansted-Cambridge economic corridor.
- 4.11 For the airport, it will help to grow Stansted's catchment by improving travel times and accessibility to south west London, Surrey and beyond. It will also enable the airport to serve a greater share of the London market, both in terms of geography and the range of passenger services available, increasing choice and competition for consumers.
- 4.12 Prolonged underinvestment on the WAML has been a key factor in the decline in rail services to the East of England in recent decades. For example, journey times to the airport from central London are now up to 10 minutes slower than they were a decade ago. This deterioration in service has led to the share of Stansted's passengers using rail falling from around 30% in 2005 to 22% currently. More importantly, this deterioration in the quality of rail services has had a negative impact on Stansted's competitive position in the London airport market.
- 4.13 Evidence shows that poor performance and lengthy journey times deter passengers from using the airport and hold Stansted back from attracting new airlines. Strengthening the airport's rail connectivity is key to unlocking its potential as it will dramatically increase the catchment area for passengers into central London as well as support economic development and regeneration throughout North and East London, which is key to the Mayor of London's long term plans.

- 4.14 Faster, frequent and more reliable rail connectivity are key to attracting new airlines and passengers – diversifying the airport’s offer from low-cost European destinations to full service carriers offering competition on European routes and new long-haul destinations. This would foster competition with other airports and deliver economic benefits of growth across the region by making full use of Stansted’s spare runway capacity.
- 4.15 There is an urgent need for a major programme of enhancements to the WAML, which spans the short, medium and long term. This programme needs to be phased to deliver a step change improvement to journey times and reliability in the first instance followed by additional capacity and frequency to support economic growth and regeneration along the Upper Lee Valley over the long term.
- 4.16 While many of the longer term improvements on the WAML would be considered ‘large-scale’, such as four-tracking and Crossrail 2, in fact incremental and significant changes can be achieved more quickly and cheaply. In the short term, for example, improvements to timetabling emanating from the new East Anglia rail franchise and line speed enhancements in the medium term would see dramatic improvements in journey times and reliability for Stansted Express services over the next five years.
- 4.17 MAG has already completed detailed technical studies (in consultation with Network Rail, DfT and TfL) to develop an up to date assessment of the options for Stansted rail services and the WAML. It identified a strong business case for renewing the infrastructure to enable trains to operate at higher speeds along key sections of the line. Increasing speeds for the Stansted Express from 80 to 100mph would see journey times between the airport and London improved by eight to ten minutes, with corresponding time savings for commuters using services on the line, from Tottenham Hale in the south through to Harlow, Bishop’s Stortford and Cambridge in the north.
- 4.18 These faster trains would attract more passengers and widen Stansted’s catchment – increasing the number of potential passengers living within two hours of the airport by 7 million – taking the total to 22 million passengers. The present value of the additional fare revenue from these improvements is forecast to amount to more than £500million and deliver a benefit cost ratio (BCR) of 3.7 from investment of around £370million².
- 4.19 We believe it would be entirely feasible and appropriate for Government to commit now to delivering these essential line speed improvements early in CP6 and to take forward the planning and preliminary work for these enhancements during the remainder of CP5. This would require little or no up-front capital cost but would give certainty and confidence to airlines and stakeholders planning investment in the region.

² At 2014 prices, excluding optimism bias

- 4.20 Looking to the longer term, we have also campaigned in partnership with the London-Stansted-Cambridge Consortium, neighbouring local authorities and the West Anglia Task Force to bring forward investment in four-tracking the WAML as a precursor to the development of Crossrail 2. By delivering four tracking in the mid-2020s, this development would realise significant early transport benefits through a step-change in service frequency, journey times and reliability. For the wider London-Stansted-Cambridge Corridor, it would also support better regional connectivity by supporting additional inner suburban and regional rail capacity into central London.
- 4.21 **We urge the Commission to recommend that improvements to the WAML must be phased and delivered ahead of the delivery of Crossrail 2 and ensure the full integration of London Stansted Airport and Crossrail 2 services.**
- 4.22 In the round, for all future planning on rail, we agree with the Airports Commission recommendation that more weight should be given to the specific needs of air passengers when developing strategies for the UK's rail network.

Funding mechanisms

- 4.23 In light of uncertainty over the prioritisation and delivery of enhancements to the WAML, MAG has been considering ways to accelerate their delivery. As part of this work we have recently commissioned specialist consultants to explore and develop options that would enable third parties to fund and deliver the type of infrastructure enhancements envisaged for the WAML, drawing on the significant incremental revenues that would be generated as a result of the line speed enhancements.
- 4.24 As well as contributing to the Shaw Review of Network Rail, in which some of these issues are also being considered, we would be happy to share the conclusions of this work with the Commission once the study is complete. We anticipate this will be towards the end of January 2016 and would support the Commission's further consideration of these alternative options to facilitate this third-party investment. We suggest that a key requirement for these options will be that they should provide potential investors with a clear and easily understood template for investing in such infrastructure enhancements.