

Airports Commission  
6th Floor  
Sanctuary Buildings  
20 Great Smith Street  
London SW1P 3BT



3 February, 2015

Dear Sir

**RESPONSE FROM THE REGIONAL AND BUSINESS AIRPORTS GROUP TO THE AIRPORTS  
COMMISSION'S CONSULTATION DOCUMENT**

The Regional and Business Airports (RABA) Group are pleased to have the opportunity to respond to the Airports Commission national consultation document.

RABA Group's airport membership has now expanded to include the Crown Dependency Airports and currently stands at:

Glasgow Prestwick	Durham Tees Valley	Newquay Cornwall
Gloucestershire	Exeter	City of Derry
London Southend	Coventry	Norwich
Carlisle	Isle of Man	Guernsey
Alderney	Blackpool	London Biggin Hill
Lands End	Doncaster-Sheffield	Lydd London- Ashford
Jersey		

Highlands and Islands Airports Ltd (HIAL - owners and operators of Airports at Sumburgh, Kirkwall, Wick, Inverness, Stornoway, Benbecula, Barra, Tiree, Islay, Campbeltown and Dundee) have also confirmed their support for this representation which also reflects their views. The positions expressed in this document therefore represent the considered opinions of thirty UK Regional and Business Airports.

The vital importance of thriving regional airports to the economic development prospects to the UK outside London is well known and has recently been acknowledged by a number of knowledgeable and intelligent bodies. RABA Group have, for instance, undertaken discussions with both London Gatwick (LGW) and London Heathrow (LHR), the Civil Aviation Authority and the Department for Transport in recent months and has also been invited to participate in the deliberations of both the Transport Select Committee<sup>1</sup> on Smaller Airports and a series of evidence-gathering undertaken by the All Party Parliamentary Group on Regional Aviation.

In addition to being conduits for connectivity from their region, nation or Crown Dependency to the wider global economy, the vast majority of our Member Airports also act as important employment hubs in their own right. As such, these airports are accessible business locations, supporting clusters of economic activity and providing an anchor for their local economies. Given the strategic fit element of the Commission's appraisal framework, and the current emphasis being given to

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<sup>1</sup> We were invited to provide oral evidence to the Committee on the 19<sup>th</sup> January and include in an Annex an extract of a written submission being prepared as a follow up to that session.

economic re-balancing within many strands of Government policy, these considerations are material and need to be given prominence in the Commission's decision-making.

Many of our Member Airports have aspirations to attract an air service that will link them and their hinterland with a UK National Hub - for the first time or as a resumption of one of the many services to have been displaced from London Airports. Some of these Members also wish to see other airfields, not currently hosting commercial services (but in close proximity to London, LHR or LGW and with spare capacity) identified by the Commission as an opportunity to enable services from Regional and Business Airports throughout the UK to London and its biggest airports resume or commence in the very short term - pending the construction of the preferred new runway at either LHR or LGW. Because regional services could be introduced to these airports within a matter of months, such an event will enable the economic development prospects of the regions to avoid the inevitable delays associated with the new runway at LHR or LGW and will quickly assist with rebalancing the National economy in favour of the regions.

For its Member Airports in the London area, RABA Group seeks the articulation in policy of a clear role within the South East airport system for reliever airports, not least for those whose business is focused on business and general aviation services.

**Q1: What conclusions, if any, do you draw in respect of the three short-listed options?**

RABA Group has positively engaged with the operators of both of the short-listed airports to better understand their attitudes and intentions to the issues of greatest concern. This process continues and seeks to identify voluntary measures which might be agreed with the promoters. From a regional connectivity standpoint, RABA has taken the pragmatic approach of:

- Not distinguishing between the two Heathrow schemes; RABA is content to leave the detailed evaluation of their relevant merits against other criteria to the Commission – there is a small difference in capacity provided but not, we understand, sufficient to fundamentally affect the acceptability of the core measures we seek.
- Assuming that Heathrow Airport Ltd (HAL) will be ultimately responsible for taking forward the Heathrow Hub option - if this proves to be the Commission's preference. RABA has therefore considered it apposite to focus all discussions about Heathrow options with HAL rather than the less well resourced Heathrow Hub team.

RABA Group's negotiations with the principal scheme promoters are not sufficiently advanced to enable us to reach a concluded view about which of the shortlisted proposals may most closely provide and safeguard the opportunities we seek. It is therefore not RABA Group's intention at this stage to indicate a preference between the short-listed proposals. We hope to be in a position to do so before Parliament is dissolved for the General Election and the prorogue period begins. However, RABA Group is absolutely certain that:

- The **whole** of the UK must benefit from enhanced direct and onward connectivity from whichever South East runway option is approved. If there is a question mark over whether this is achievable or any evidence of lack of commitment from a scheme promoter, then we will not support that scheme and will resist it.

- RABA will support the scheme that offers the best network, frequency, schedule and affordable pricing of appropriately timed slots allocated to and safeguarded for services from the UK's regions, nations and Crown Dependencies.

Our submission is therefore a reflection, not just of the interests of our individual component members, but also of local MPs and other key stakeholders who support our Group airports and our approach to addressing the issues with which the Commission is concerned.

Naturally it is also our intention to work positively and constructively with the promoters of whatever scheme the Commission eventually recommends and/or Government chooses, with a view to securing the benefits outlined in this and our previous submissions.

**Q2: Do you have any suggestions for how the short-listed options could be improved, i.e. their benefits enhanced or negative impacts mitigated?**

As indicated above, our view is that a portfolio of slots on a new runway at whichever major UK hub/gateway airport in the South East is favoured by the Commission must be ring fenced to enhance air connectivity to the UK regions, nations and Crown Dependencies, if the project is to be truly national in character, rather than overwhelmingly benefitting only London and the South East. If the scheme promoters have not themselves indicated the scale of their response in this area and how it would be achieved, we would look to the Airports Commission to do so in its final report to Government. We are aware that there is some debate about whether and how this can be legally achieved. However both airports have assured us that if a mechanism can be found to achieve this they will happily cooperate.

In terms of mechanisms, our members have variously suggested:

- using Public Service Obligations;
- making guaranteed regional access a condition of the chosen scheme being given planning approval;
- creating pricing and timing policies that better protect smaller regional aircraft and their need to serve international departure waves;
- re-tasking the CAA (with a new regional connectivity brief)<sup>2</sup> to ensure that this is delivered;
- changing the composition of the slot allocation committee to include Local Rules specifically concerned with consideration of regional interests; and
- securing a hybrid package with the European Commission, who are likely to wish to engage positively given the UK's leading role in the EU aviation sector, its peripheral location within the EU and its airport geography which sees its largest airports at one end of the country.

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<sup>2</sup> Currently, the CAA Economic Regulation Group is solely focused on the economics and functioning of markets – and will remain so unless the Secretary of State directs them otherwise. Consequently CAA has no remit to examine social policies or the effects of slot systems and airport pricing regimes on regional accessibility.

RABA Group believes that on their own or as a mix, these approaches will allow slots on the chosen new runway to be allocated and safeguarded for regional services. Commitment from the Commission and then Government is essential if these benefits to the regions, nations and Crown Dependencies are to be delivered without offending key single market principles.

RABA Group is particularly anxious to caution against continuation of the DfT policy, where in the face of intense slot shortages at Heathrow and an ideologically (rather than pragmatically) driven advocacy of a 'laissez faire' approach by CAA in its 2005 and 2007 regional reports, the UK has relied on foreign hubs to protect her vital strategic regional interests. Many foreign hub airports are forecast to exhaust their capacity for growth in the foreseeable future (Amsterdam Schiphol will effectively be full in 2017, Frankfurt and Paris between 2025-30). There can be no guarantees that the UK regions, nations and Crown Dependencies will be in any way better protected at those hubs than the UK government has historically managed at home.

It is RABA Group's belief that the UK's regions, nations and Crown Dependencies have had their expectations of what is a reasonable policy position to expect regarding air connectivity to London's airports, so downgraded that only through the game changing opportunities offered by a new runway can those pre-conceptions be changed and their global marketing ambitions be re-kindled. Inbound and outbound business activity and investment and inbound tourism will benefit enormously as a consequence of ring-fencing new runway slots for regional services; this is a vital component of rebalancing the economy by encouraging additional growth elsewhere than the South East. Strategic investment decisions are greatly influenced by connectivity and communities in and around Cornwall, Inverness, Aberystwyth, Carlisle, City of Derry or Norwich, Dundee or Wick, Teesside or Humberside and Blackpool will all continue to suffer without the UK having clear plans to improve and safeguard their future air connectivity? Not every investment can or is appropriate for London or indeed a core city.

Business passengers, inbound tourists and several categories of leisure traveller (such as the elderly and passengers of reduced mobility) simply cannot justify or make long expensive surface journeys. Cities, regions and sub-regions with aspirations participate fully in the world economy cannot burden their businesses and visitors with these sorts of lengthy commutes or convoluted journeys.

Moreover, as Which surveys<sup>3</sup> have highlighted, UK travellers like regional airports. They appreciate the simpler access, parking, transit and security queues. Researchers have also noted that OAPs and families often prefer to use their local airport<sup>4</sup>.

RABA Group requests the Commission to encourage the promoters of shortlisted schemes to improve their proposals to address UK regional accessibility ambitions by:

- Quantifying the number regional slots they are prepared to allocate and safeguard;
- Indicating which UK regional destinations they will serve, and if these include the Crown Dependencies;

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<sup>3</sup> The 2014 poll by consumer group Which? found smaller airports had customer satisfaction ratings of up to 85% compared with less than 50% for some of the largest airports. London Southend and Robin Hood Doncaster Sheffield topped the table, with Luton at the bottom with a rating of 37%.

<sup>4</sup> Scoping Study - Dundee Airport – 2013 Transport Scotland

- Addressing the challenge of affordability for smaller aircraft (19 or 34 seats);
- Explaining how they would justify to themselves and their shareholders, the CAA, the EU and others the opportunity cost of linking thinner regional routes to the hub i.e. how would they propose to square this with their obligations to price users fairly and in a non-discriminatory manner;
- Describing what long term re-assurances and guarantees they can give to the regions that 'their' slots will not be re-cycled and lost in the face of a future capacity scarcity.

As was highlighted in our earlier submission on the Airport Commission's Interim Report, enabling RABA Group's Member Airports to link with the UK hub may transform their outlook and future sustainability, and that of regional economies they serve.

A measure of the importance of the Commission should attach to these considerations is evidenced by the strong support RABA Group and its Member Airports have received from local public representatives, LEPs and their devolved equivalents, local Chambers of Commerce, FSB and others such as SCDI in Scotland.

**Q3: - No Comment.**

**Q4: In your view, are there any relevant factors that have not been fully addressed by the Commission to date?**

RABA Group was initially very disappointed by the lack of consideration given to the needs of regions, UK nations, Crown Dependencies and their airports. However, public statements by Sir Howard Davies and the Transport Select Committee's inquiry into the challenges facing smaller regional airports<sup>5</sup>; similar interest from the All Party Parliamentary Group on Regional Aviation, and the formation of the National Connectivity Taskforce all give RABA confidence that the Commission will respond to the needs of our Member Airports. We are encouraged that the Airport Commission has made the issue a key aspect of their appraisal of the remaining short listed schemes and hope to see regional air access obligations imposed by the UK Government on whichever shortlisted option the Commission recommends.

RABA Group urges the Commission not simply to rely on commercial viability as a measure of what is required to address regional access needs; some markets are simply too small. We hope, therefore, that equity of access to London and onward to international markets will be a key consideration of the Commission's recommendations to Government.

With regards to the effect of RABA Group's proposals on the economics of supporting the interests of regional access, we are aware that the greater the market intervention envisaged, the more likely it is that larger airports will rail against market distortions and state aid. At the same time both short listed operators are already substantive beneficiaries from Government capital investment as are the larger regional airports - **both** 'direct' (eg £52m at LGW Station, MAG Transport Interchange,) and 'indirect' (rail subsidies, trunk road investment, BHX runway extension support related to A45 adaptations) in contrast to the much more limited support provided to smaller airports. This should

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<sup>5</sup> See our dealings with the TSC in more detail in the Annex

be borne in mind if resistance to supporting regional air services and the potentially distorting effect of state intervention is encountered. This is another area where explicit re-balancing is required if smaller airports are to be afforded the equivalent scope to develop commercially.

We also want to mention that possibility that RAF Northolt could be drafted into service either as a temporary, early response or more long standing element in any enhanced UK regional air access solution to the current main UK hub. This would have the advantage of permitting smaller regional aircraft to use the facility and yet still link with the long haul more seamlessly than at present. We would be happy to cooperate with any government study on this option to establish its practicality and attractiveness to our group.

**Q5: Do you have any comments on how the Commission has carried out its appraisal of specific topics?**

RABA Group notes that the Commission has not comprehensively examined regional connectivity to any meaningful extent in its forecasting and appraisal processes to date. The additional forecasting data published most recently, does not offer significant detail, although it does seem to suggest some rather more plausible model outputs by airport than provided by the DfT's NAPAM model hitherto. RABA Group hopes that the National Connectivity Task Force's work will fill this and other key gaps in the Commission's analysis and would urge them to give appropriate weight to its analysis and recommendations.

RABA Group is concerned at how the Commission plans to use the strategic airline competition and choice scenarios developed for it under the OECD's umbrella. Some of these scenarios represent no more than theoretical outcomes and therefore cannot be given the same weightings as others. In our view Figure 6.1 from the second OECD report<sup>6</sup> therefore becomes critical:

Figure 6.1. Likelihood of the airline responses under different aviation scenarios as defined by the Airports Commission

	Heathrow Option			Gatwick Option		
	Response 1	Response 2	Response 3	Response 4	Response 5	Response 6
Scenarios:	Hub carrier growth at Heathrow, point-to-point growth at Gatwick.	Two hub operations at Heathrow, point-to-point growth at Gatwick.	Point-to-point growth at Heathrow and Gatwick, Heathrow remains network hub.	Hub operation at Heathrow and a competing hub operation at Gatwick.	Partnerships – Gatwick becomes a low-cost "gateway", Heathrow remains the network hub.	Gatwick point-to-point growth, Heathrow remains the network hub.
A Assessment of Need	+	o	o	o	+	o
B Global Growth	+	o	–	+	+	o
C Relative Decline of Europe	o	–	o +	–	+	+
D Low-Cost is King	– o	–	+	–	+	o
E Global Fragmentation	o +	–	–	–	o	+
Overall likelihood of airline response across scenarios	+	–	– o	–	+	+

Key:

+ High likelihood

o Moderate likelihood

– Low likelihood

Of the various future global market scenarios, RABA Group believes that Global Growth and Global Fragmentation are the most likely. The demise of EU hubs in favour of the Middle East is much discussed - but ignores the fact that with the possible exception in the future of Istanbul, the Middle East hubs are dependent on highly mobile interlining traffic to a dangerous degree. The underpinning point-to-point market is small and diminishing as these airports grow. Political instability, oil price effects on their economies, changing airline technologies that offer the prospect of twin-engine long haul aircraft being used to fly from secondary cities into EU hubs or hub by-passing the Middle East hubs as markets in China and India develop sufficiently to support direct routes.

The UK should certainly not be adopting a strategic approach that depends for its success on these hubs remaining as dynamic and dominant as they are today. If it does it is the UK regions that are likely to suffer disproportionately from any shift in market trends.

With this in mind, we believe Heathrow Response 3 and Gatwick Response 5 are the most likely outcomes and should be used for appraisal purposes.

**Q6: - No Comment.**

**Q7: - No Comment.**

**Q8 Do you have any other comments?**

RABA Group strongly believes that the nearest airport analysis offered in DP6 is unacceptably unrefined and superficial and that consequently little weight can be attached to it. Our intention is to examine this matter in more detail and to respond separately with our comments. However, we suggest that, for instance, the analysis should examine different markets and schedules available from different airports. An understanding of the definition of an appropriate density of UK airports needs to take account of the value of their disparate roles and the vital social and economic contributions they make to their local communities.

RABA Group hopes that the Commission will offer thoughts to the government on useful region-friendly measures that can be adopted in the meantime, before any new runway is built<sup>7</sup>. It would be sad if a new airport was built but more of our regional airports were closed in the meantime. The Commission is well placed to offer this additional policy advice, which is a very pressing concern for the UK regions.

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<sup>7</sup> Extracts from our Submission to the Transport Select Committee in Annex highlights some of these.

We hope that our response to the Commission's Consultation document is helpful and we will be very pleased to answer any questions you may have.

Yours sincerely

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**Regional and Business Airports Group**



## **Annex: - Other Dialogues**

RABA Group has spoken with both LGW and LHR, the CAA and DfT in recent months and has participated in the deliberations of both the Transport Select Committee on Smaller Airports and in autumn 2014 with the series of evidence gathering sessions undertaken by the All Party Parliamentary Group on Regional Aviation.

In the recent oral hearing before the Transport Select Committee and in a subsequent written submission RABA offered the following points, many of which are related to regional air access and the provision of new runway capacity in the south east.

### **Key Points**

Small airports face many challenges, most notably how to remain or become commercially sustainable. This issue has been highlighted by the 10 year transition timetable set by the EU in its revised state aid Guidelines for regional airports published at the beginning of 2014. We believe this puts an onus on national and regional governments to work with the sector to ensure the viability of many small regional airports is secured within this timeframe as possible.

#### **1. Strategic Importance of Regional Airports**

- a. Our group members are typically airports serving the UK's secondary or tertiary cities or more remote and peripheral regions. In addition, brown field sites they often are also host to significant aviation, and even non-aviation, related employment clusters. Their connectivity (air and surface) is often seen as a USP for inward business investment.
- b. More policy recognition is being accorded to the importance of secondary and tertiary cities and their regions in efforts such as the City Deals programme and the Scottish Cities Alliance. Smaller regional airports invariably are an important aspect of ensuring these cities and the regions and sub regions they support are effectively connected to the world economy.
- c. It must also not be forgotten that regional airports play host to a wide range of specialist roles such as fire, pilot and aeronautical training; aircraft maintenance, testing and teardown; dedicated freight (parts, perishables), aid or mail operations: national security and emergency services, ad hoc military use, offshore support, business aviation and more recently UAV's as well as 'events' such as air shows and more routine GA, that cannot be accomplished at more congested airports.

#### **2. Disproportionate Regulatory Regime**

There are a range of issues related to the high fixed costs incurred by airports with smaller passenger throughput.

- a. *Support for the cost of nationally imposed obligations:* Compensating airports for the system-wide and network benefits associated with common security, immigration and customs regulations they pay for, particularly smaller airports where these impose a disproportionate burden given the smaller number of passengers which pass through those airports.
- b. *Reviewing cost/risk balance within certain operational safety measures should be reviewed (e.g. RFFS and air traffic control).* Risk based approaches adopted for smaller

airports that will allow costs to be managed downwards from current one size fits all standards.

- c. *CAA Terms of Reference*: These could quite easily be extended to promote enhanced regional air connectivity and assist in making smaller airports more commercially sustainable.
- d. *Larger airports are much more substantive beneficiaries from Govt capital investment*: **Both** 'direct' (eg £52m at LGW Station, MAG Transport Interchange, BHX runway extension grant), and 'indirect' (rail subsidies, trunk road investment) than smaller airports. There needs to some explicit re-balancing if smaller airports are to be afforded the same scope to develop commercially.
- e. *Public / Private Ownership models*: The regional airports sector in the UK should not be described as 'privatised' by Government and its agencies but as having a range of ownership/governance models from full public ownership (regional and local - Cardiff, Newquay, HIAL, PIK etc), to majority public ownership (e.g. MAG, Newcastle, Birmingham), to concessions and minority public ownership (e.g. Luton, Leeds Bradford) and fully privatised (e.g. HAL, GIP). Regional interests are often prepared to take significant steps to ensure the survival of their airports and the surrounding business clusters and where there is a clear operational/economic need this should be welcomed /encouraged in Central Government circles rather than frowned upon as at present.

### **3. More Flexible and Supportive Policy Framework**

- a. *Introduce a presumption in favour of airports being allowed to develop their estates*. Roll out a package of incentives to encourage the creation of employment clusters which would allow smaller airports to diversify their income streams so they can become less exposed to the vagaries of the aviation cycle on income. The Newquay Aerohub Enterprise Zone is held up as an example that could be replicated and encouraged across the country.
- b. *The prospective National Policy Statement (NPS) for Airports needs to address issues related to small airports in a positive manner.....* because airports are on the outskirts of towns or cities, planners often regard them as unsustainable locations and seek to tightly define the aviation related uses that can locate at them reducing their ability to generate a critical mass of clustered business activity. The NPS should encourage the potential of smaller regional airports as generators of economic activity, which will complement their role in providing regional connectivity and will also improve the viability of public transport, which itself will enhance sustainability.

### **Other Measures**

- a. *New runway capacity in the South East*: An airlink to the main UK international hub would transform the finances of many of RABA Group members. It would be sad if a new airport was built but some of these regional airports were closed in the meantime. The resolve must be that any new runway capacity benefits the whole UK and the regional airports are one important aspect of this. Ensuring inbound tourists can be delivered effectively to all the regions of the UK is another benefit of policy delivering regional air access links to an invigorated UK international hub.

- b. *Voluntary Arrangements on Affordable Slot Prices*: The possibility of entering into agreements with Gatwick and Heathrow for the allocation of appropriately timed and costed slots should be mentioned. RABA group seek such arrangements with the various runway promoters on the understanding that any new airport capacity, better serving the UK regions, will inevitably better gain the support of regional MPs.
- c. *Appropriate Density of UK Airports*: The CAA has produced research that some interpret as suggesting that several UK airports could close without greatly impacting regional connectivity. However the methodology does not bear the interpretations that are being placed upon it in that it was based upon pure drive-time and takes no account of range/type of destinations (e.g. hub connections, business routes, domestic services, international short haul and long haul) and frequency. RABA intends to look into this matter in much more detail, particularly from a business traveller's perspective, as serious policy mistakes could be made as a result.