Department for Transport

Developing a sustainable framework for UK aviation: Scoping Document

5. Questions

The aviation sector

5.1   *How does the aviation sector as a whole benefit the UK? Please consider the whole range of aviation activities including, for example, air freight, General Aviation and aerospace.*

The aviation sector performs a vital role in supporting the UK and regional economies, including Scotland. Efficient and effective air connections, both for passengers and high value, time sensitive freight, is essential. Aviation also performs a crucial role in reducing peripherality and tackling social exclusion in the most remote regions of the UK, including the Highlands and Islands of Scotland, through the provision of lifeline services. Key sectors of the Scottish economy, including oil and gas, financial services, media and life sciences and inward tourism rely heavily on effective global connectivity.   Scotland is a significant contributor to the UK economy. Parts of the country (Edinburgh & the North East) are in the highest brackets for GVA in the UK.

The geography and history of the UK has resulted in London being the UK's major centre of commerce and central transport hub. This in turn leads to very significant need for travel between parts of the UK (including Scotland) and London. Scotland is a good distance from London and significantly further than other major urban conurbations such as the midlands and north west region of England. This distance results in the need for aviation as the only currently viable means of transport particularly for our businesses.

This need for business connectivity is not restricted to London as journeys by air from parts of Scotland to other UK destinations e.g. Glasgow to Southampton, Aberdeen and Dundee to Birmingham say are not viable business journeys by surface transport.

The importance of UK domestic and global air connectivity is equally crucial in supporting inward tourism – for example nearly 70% of oversees golf tourism visitors to Scotland arrive/depart by plane.

5.3   *Are some sub-sectors of aviation more important than others? If so, which and why?*

Aviation serves to enhance the economy in many ways. However in developing a policy for the future consideration should be given to:

International travel:

Export income relies on the ability of people to reach markets across the globe whilst global air connectivity is a crucial element for the UK and Scottish inward tourism markets.

Extending international travel from regional and peripheral regional airports will be an important tool for reducing carbon emissions and increasing competitiveness.

In many cases though this will have to be via a hub airport, i.e. Heathrow. Heathrow's ability to serve this hub function is essential as is people being able to access Heathrow. This access will be different for different parts of the country.

Reducing peripherality in the UK:

A vitally important function of aviation is in reducing real and relative peripherality. It is commendable that efforts are being made to enhance connectivity within the UK by surface modes, particularly High Speed Rail, thereby creating the potential for reducing emissions from short haul air traffic that can switch to a more sustainable mode. Whilst this is encouraged and supported, subject to the UK Government's acceptance of the need to include direct HSR connections to/from the central belt of Scotland by extending HSR lines to/from Edinburgh and Glasgow, these benefits of HSR will mainly apply in the more heavily populated regions. It should be recognised that more peripheral regions of the UK, including the regions of Scotland north of the Edinburgh – Glasgow axis, will still require effective air access to and connectivity through London and its hub airport after full implementation of the UK HSR network,. This need for surety of necessary levels of air access to London will also still apply to central and southern Scotland until the full benefits of HSR are available.

UK aviation policy must support the maintenance and development of air connectivity from Scotland and its peripheral regions, including air access to key regional airports, the London airports and the main UK hub at Heathrow. This should provide for positive Government support and protection for domestic aviation connections and slots where the surface alternative is significantly less attractive.

The outline proposal is:
- There is considerable evidence from Europe and Japan that shows that if comparable long distance rail journey times can be reduced to under 3 hours the great majority of passengers will choose the more environmentally friendly option of the train increasing rail's share of passengers from around 20% to over 80%. Such journey time reductions will result in lesser demand for short haul flights. This is a central plank in the case for High Speed Rail.
- The delivery of the benefits of HSR to Scotland and accompanying reduction in demand for short haul flights will create spare landing slots at London's airports including the hub at Heathrow. The newly created landing slots can be used by the airlines to service the new destinations they want to serve. (It is accepted there will be a lag between securing HSR permissions, introducing this policy at that stage and actual HSR opening – but this could be planned for)
- In return for this creation of slots, as a result of very significant public expenditure, the government will require that landing slots for the more peripheral regions be secured for those regions, at a level which both protects existing regional connectivity and also supports regional economic growth, where this is related to international air connectivity – for example in key business and inward tourism sectors. An agreed mechanism (perhaps based on surface travel time and size of airport or impact of loss of service) would need to be in place to define peripheral regions, which could change as the High Speed Rail network is extended
- A mechanism could be in place to ensure that if an airline wished to withdraw a service they could but that the slot would be protected for another airline to fill the gap. After a suitable period if a suitable airline wasn't found, meaning the demand for the route wasn't there, the government could release the slot back to the market.
- Government could give consideration to the needs of the regions in relation to landing slots it chose to preserve for each region. This means that not all regions would require slots at the Heathrow hub, but those regions whose economy is dependent on international travel (e.g. Aberdeen), would be given priority access, with other regions of the UK potentially being served through an alternative such as Gatwick. This would limit the impact of the policy on Heathrow and Gatwick to a very small fraction of its overall throughput.

Helicopter travel:

Any policy on UK aviation should recognise the essential role played by helicopter traffic in servicing the offshore industries.

Lifeline services:

The UK has a number of air services to remote locations including the Highlands and Islands. Many of these services are lifeline services and it is essential that future UK policy supports and protects these services.

5.7   *Should some aspects of UK aviation be considered to be of strategic national interest (e.g. certain airports, air traffic control)? If so, based on what criteria?*

International connectivity is clearly important to the UK economy and should be viewed as a high priority. Encouragement should be given to protecting and increasing international connectivity from regional and peripheral regional airports. National policy should ensure that those regions of the UK whose economies are strongly dependent on international markets and have less viable surface transport alternatives are able to access the national hub.

Reducing peripherality is also of significant strategic national interest. Air travel has an important role to play in re-balancing the UK economy in ensuring that more peripheral regions can continue to flourish by ensuring good access to the major centres.

Lifeline services are self explanatory and as such are of strategic national interest.

Helicopter traffic is also of strategic national interest. This essential mode not only services the offshore installations but also provides many search and rescue and emergency functions that cannot be fulfilled by other modes.

International connectivity and hub airports

5.9   *How important are air transport connections – both international and domestic – to the UK at both national and regional levels?*

Aberdeen, Edinburgh & Glasgow airports have commissioned economic impact assessments within the last two years. These can be found at:

http://www.acsef.co.uk/uploads/reports/27/Aberdeen%20Airport%20Economic%20Impact%20Final%20Report.pdf

http://www.scotlandsglobalhub.com/media/downloads/edinburgh-airport-economic-impact-2009.pdf

An electronic copy of the Glasgow report is available on request if required.

The studies highlight the importance of Scotland to the UK economy. The studies highlight particular importance of the links to London, although a greater range and frequency of direct international destinations is also seen as an important factor in supporting continuing economic growth.

Highlight figures from the studies show along with other updated data from CAA:

All figures relate to 2009

	Heathrow	Gatwick	Luton	Stansted	London City
Aberdeen	641,000	136,000	127,000		
Edinburgh	1,306,000	648,000	316,000	374,000	327,000
Glasgow	1,080,000	515,000	325,000	305,000	115,000
Dundee					41,000
Inverness		225,000	87,000		

This gives a total of around 6.6m passengers between Scotland and London.

- The proportion of business travellers from Edinburgh & Glasgow is around 30% whilst from Aberdeen it is 56%
- There is a particularly high proportion of interlining from Aberdeen and Edinburgh at Heathrow of 46- 48% with Glasgow showing similar slightly reduced figures (source: bata website) despite the high share of air to rail passengers from the additional distance travelled compared to Manchester/ Newcastle.

This highlights the importance of Scotland's airports to the business community and hence the impact on the UK economy reflecting the relative distances that Scottish business passengers have to travel. This impact is not only on Scotland's economy but also on London's economy.

It is also clear from these high numbers of passengers and the significant volume of business passengers that air travel to London and the wider world is a very significant contributor to the economic well being of Scotland and hence the UK economy. This traffic is likely to be maintained until at least when HSR reaches Edinburgh & Glasgow, and the Northern half of Scotland will continue to rely on these links in the longer term, beyond HSR development.

The studies note:

Air services provide:

- access to other parts of the organisation, particularly headquarters functions, for inward investors;
- access to markets for indigenous companies and for inward investors seeking to use a region as a base of operations within a world area;
- access to suppliers of goods and services from around the world;
- access to knowledge partners and complementary businesses.

From the Edinburgh EIA and extending to include the whole of Scotland:

"The latest Cambridge Econometrics forecast suggest that Scotland is, as a whole, underperforming and that if it is to improve its prospects for the future it needs to maximise the assets available to it. It is in this context that the future development of Scotland's airports needs to be considered. Healthy, growing Scottish airports can help redress this growth gap to the rest of the UK through their role as an economic driver."

In addition to the implications for business connectivity studies relating to inward tourism and destination choice confirm that good domestic and international air connectivity is crucial to maintaining Scotland's extremely valuable inward tourism economy.

The combined GVA impact of Aberdeen, Edinburgh & Glasgow airports is £468m.

5.10 *As long as people and goods can easily reach their desired destination from the UK, does it matter if they use a foreign rather than a UK hub airport?*

Yes. The existence of a UK hub airport offers greater choice for both inward and outward travel. For the passenger the main issue is a matter of choice. The choice of carrier and choice of destination served by the hub airport will determine which airport is used. Central to this is the ability of access to the chosen airport. Availability of UK-based interlining carrier offered at Heathrow may also be an influence on passenger choice. A UK-based hub also offers greater potential for distribution of economic benefit from onward tourism travel within the UK, whereas directing visitors to hubs outwith the UK risks diluting this.

Heathrow provides a wide range of choice of carriers and destinations, particularly the USA and former British Commonwealth countries. Many of these countries are involved in the energy industry and therefore the choice of using Heathrow is important in particular to the businesses in the North East of Scotland.

Generally, each of the main Scottish airports provide good access to other hub airports however the passengers are choosing to interline through Heathrow. Heathrow serves more passengers than those choosing to use Amsterdam and Paris combined highlighting the passenger choice for this hub.

5.11 *Are direct connections from the UK to some international destinations more important than others? If so, which and why?*

Direct connections are vitally important to supporting a range of UK and Scottish business sectors, including the energy and financial industries and tourism.

In seeking to maintain and grow inward tourism it is important to make the journey for the tourist as easy and convenient as possible. The more direct the flight involving the fewest changes of plane or countries transited through the more attractive the proposition. The availability of direct flights from the US and a number of European countries is a major contributor to the success of, for example, golf and heritage tourism. The maintenance of direct connections with the UK's and Scotland's principle business and tourism markets is vitally important.

Edinburgh is the second largest financial centre in the UK and seventh largest in Europe so good air links (preferably direct) with other major financial centres in Europe, Americas and the new emerging financially important countries (e.g. BRICS countries) is of great importance and interlining at Heathrow is a major element in this respect.

As the oil and gas industry has expanded across the globe there has been a change in mode of operation, moving from locating workers and their families to the oil and gas field regions to placing workers in the oil and gas field regions for short periods of time whilst they are based in the north east of Scotland. These fields are therefore now tending to be managed and supplied from a central location with the north east of Scotland being one of these locations. This has resulted in and will continue to result in increased travel across the globe. Such frequent travel demands the minimum of inconvenience and time for the traveller. Anticipated growth in the emerging renewable energy sector in Scotland, as envisaged by the National Renewables Investment Programme, is likely to drive similar and new demands for air travel and connectivity in the future.

5.13 *What are the benefits of maintaining a hub airport in the UK?*

The question isn't so much about the benefits but more about the consequences if the UK didn't have a hub airport. The reasons for having a hub airport, reduced costs, emissions etc by combining passengers from different areas to the one longer haul route are as sensible now as they have always been. It could be argued that as more parts of the globe become developed then the opportunities for British companies increase in more diverse locations then the need for a hub also increases.

If there is a need for a hub then, for a country the size of the UK, with the size of the UK population, the need for a UK hub seems self evident as a matter of national interest to secure UK export opportunities and, as indicated in answer to 5.10 above, also to maximise the distributive potential of inward tourism through the existing London hub.

5.15 *What are the relative merits of a hub versus a point-to-point airport? &*

5.16 *Would it be possible to establish a new 'virtual' hub airport in the UK with better*

connectivity between existing London and / or major regional airports? Could another UK airport take on a limited hub role? What would be the benefits and other impacts?

There is a place for both point to point travel and a hub airport. Point to point has convenience and time saving opportunities but does require sufficient patronage to be a viable proposition for an operator. Where this sufficiency doesn't exist then the hub airport's ability to group passenger numbers is required. Such grouping can also achieve emissions savings if a single flight is used and particularly where access to the airport for many of the travellers can be via surface modes.

Regional connectivity and regional airports

5.17 *Can regional airports absorb some of the demand pressures from constrained airports in the south-east? What conditions would facilitate this?*

Pressures on the constrained airports in the south east could be reduced by reducing demand from the regional airports. This can be done by increasing the attractiveness of surface transport. Question 5.22 below considers this in more detail.

Regional airports can also take some pressure off the south east airports by providing direct access to international destinations. This is of course dependent on establishing a big enough demand for these services without the need for a hub airport. Proposing the concept of mini hubs where a regional airport (or peripheral regional airport) can supply services for travellers from outwith their own region could assist. The answer to question 5.16 has considered this issue.

To some extent this already happens for Highlands and Island passengers through regional Scottish airports.

5.18 *What more can be done – and by whom – to encourage a switch from domestic air travel to rail? &*

5.19 *How could the benefits from any future high speed rail network be maximised for aviation?*

The Government's proposals for High Speed Rail, connecting the main population centres in the country, are supported in so far as they go. To fully achieve the benefits of transference of passengers to High Speed Rail from air travel then the proposals need to extend to central Scotland. This would have a significant impact on air travel from Edinburgh/ Glasgow to London and significantly improves the BCR for High Speed Rail.

The proposals for a direct HSR link to Heathrow when HSR extends beyond Birmingham are supported as enhancing the likelihood of achieving the maximum transference of passengers. This supports the case for the Government making a clear commitment to the early development of HSR connections to/from Edinburgh and Glasgow as part of a fully integrated policy on national and international connectivity.

5.20 *How can regional airports and the aviation sector as a whole support the rebalancing of the economy across the UK?*

Question 5.9 addressed the importance of air travel to both the UK and the regional economy. In the case of the Scottish economy this previous question looked at the export potential of our economy including the energy and renewable energy sector and the importance of both domestic and international connectivity to maintaining that economy from a region peripheral to London, and its hub airport.

This vision of the Scottish future is one where we can secure sustainable economic growth regionally and positively contribute to a successful UK economy by increasing our export

markets (energy, renewable energy, tourism, food & drink, financial services, life sciences, digital media, the service industry incl. education, conferences, know how/consultancies)

Essential to achieving that goal is ensuring that our airports continue to provide, and indeed expand on their provision of national and international connectivity through maintenance of existing routes and schedules and expanding into new routes and schedules whether that be through creating new direct routes or maintaining good frequent access to the national hub.

Recent announcements on new routes between Aberdeen/ Baku and Aberdeen/ Frankfurt Edinburgh/ Florida, Edinburgh/ Mexico, Edinburgh/Naples, Edinburgh/Dalaman as well as the extensive airport improvements including runway extension works at Aberdeen and a £100m improvement at Edinburgh by 2015 demonstrate the willingness and endeavour locally to ensure that we do our bit in ensuring that Scotland can meet its economic aspirations. UK Government policy on aviation must permit and support our businesses to have the confidence that their global access from our area will be maintained by future Government policy.

The EIA's discussed in question 5.9 provide fuller detail on the impact that our regional airports can have in ensuring that Scotland can flourish in the future.

Making better use of existing capacity

5.22 *Can we extract more capacity out of the UK's existing airport infrastructure? Can we do this in a way which is environmentally acceptable? To what extent might demand management measures help achieve this?*

Yes. Increasing the availability and attractiveness of surface access to the hub airport at Heathrow and to London offers the opportunity to increase the number of flights from Heathrow and other London airports by reducing the number of Heathrow slots required for flights to/from regional airports. However this does not apply to all regional airports.

Even with HSR in place some parts of the country will still be peripheral to London and international markets. These peripheral regional airports serving regions which will not benefit from direct HSR connectivity, should be given a priority for landing slots to ensure adequate access to London and, in the interests of supporting peripheral regional economies, maintaining adequate global connectivity through the hub airport at Heathrow.

To encourage the use of surface transport where this is viable a differential Air Passenger Duty should be introduced where a lower or zero tax rate should apply to those flights over a specified maximum surface access time limit. It is suggested that this should apply to all flights where a maximum surface transport limit is exceeded and to services designated as lifeline services. This point was made to HM Treasury during their APD consultation earlier this year.

5.23 *How can we support Heathrow's hub status within the constraints of its existing capacity? Can we do this in a way which is environmentally acceptable?*

In the short tem the Government has agreed to a trial where in times of difficulty BAA in certain circumstances can suspend alternation of runways permitting increased runway capacity to clear a backlog of flights. Should this trial be successful in proving environmentally acceptable then this could be extended for a limited period in the day to increase capacity for a defined time period. This extra capacity could be removed when High Speed Rail extends to the point at which the number of internal UK flights reduces due to transference of passengers to surface transport. This would reduce the pressure on airlines to drop internal flights from the peripheral regional airports for more lucrative bigger planes to other worldwide destinations.

5.24 *How important is increased resilience at the UK's major airports to reduce delays? How best could resilience be improved with existing capacity, e.g. how might trade-offs between existing capacity and resilience play a role in this?*

Improving resilience and, therefore, reliability in aviation is crucial. Business and other users expect a reliable transport system. Planning for sustainable growth must include making most efficient use of available airport capacity and eliminating cost through delays and other unreliability. It is difficult to understand why capacity should be reduced on the 360 or so days of normal operation per year to allow quicker return to normal operation on the 5 or so days of difficulty per year. The trial of suspension of alternation should ensure that these, albeit extremely inconvenient interruptions to normal operation are resolved as quickly as possible.

Reducing capacity will increase the pressure on the internal UK flights to the regional airports with consequential knock on effects to the economies of these regions. In the case of the more peripheral regions, such as the northern parts of Scotland, these knock on effects could be severe.

5.26 *Could existing airport capacity be more efficiently used by changing the slot allocation process, for example, if the European Commission were to alter grandfather rights? If so, what process of slot allocation should replace it? &*

5.27 *What provision, if any, should be made for regional access into congested airports?*

As indicated in answer to earlier questions it is essential that provision is made for regional access into the London airports and hub from those regions of the UK which are most peripheral and are likely to remain so post-HSR implementation. Consideration should be given to a mechanism that would permit these regions (where surface access of less than 3 hours is not available) to have guaranteed landing slots to permit access to London. Where a regions economy is dependent on worldwide connectivity through the hub at Heathrow this priority should include Heathrow.

Climate change impacts

5.39 *What scope is there to influence people and industry to make choices aimed at reducing aviation's climate change impacts, e.g. modal shift, alternatives to travel, better information for passengers, fuller planes, airspace management (which can also help reduce local environmental impacts)?*

There is significant scope for introducing policy levers and other forms of marketing and fiscal encouragement to reduce aviation's climate change impacts. For example, a differential Air Passenger Duty could be applied to encourage mode shift to surface access where a viable surface mode exists. This could include a significantly reduced or zero tax for those areas where no viable alternative surface mode exists

Local impacts

5.40 *What do you consider to be the most significant impacts – positive and negative - of aviation for local communities? Can more be done to enhance and / or mitigate those impacts? If so, what and by whom?*

Aviation delivers significantly positive economic and social benefits in terms of business connectivity, inward tourism and overcoming peripherality. This is particularly important for those sectors of the Scottish economy which are dependent on international connectivity for their continued economic wellbeing and growth, and for those remoter regions and communities who rely on lifeline services as key elements of their transport infrastructure. The Scottish economy would be substantially damaged if the business community didn't have the connectivity it needs or the confidence that the connectivity it has will be

maintained. The consequences of these scenarios are very significant job losses and loss of major export opportunities and revenue loss to the UK Government. In this circumstance these losses won't simply be to Scotland but to the UK economy as a whole. Similar concerns exist in relation to loss of air connectivity and the implications of this for tourism.

5.42 *Do you think that current arrangements for ensuring sustainable surface access to and from airports, e.g. Airport Transport Forums and airport surface access strategies, are effective? Could more be done to improve surface access and reduce its environmental impacts? If so, what and by whom?*

There is a case for strengthening the requirement for and role of Airport Transport Forums as a means of enabling wider and more proactive engagement between airport operators, regional and local transport authorities, and other sectors of the community. This could include setting targets for airports and their Transport Forums to work collaboratively to achieve improved surface access etc. .

Any other comments

5.49 *If you have comments on any strategic issues not covered in this scoping document, which you consider to be relevant to the development of the aviation policy framework, please include them in your response.*

In the answers given above we have identified the key strategic issues which are vitally important and require to be considered in developing a UK framework for aviation which recognises and protects the economic and social importance of aviation within a Scottish context. We would particularly highlight the differences between the airports and the regions that they serve.

Some airports serve areas of the country that are relatively easily accessible from the capital and the national hub. Others serve areas much more peripheral where air travel is currently or is always going to be an essential option for access to London and the hub. These differences need to be understood and it should be accepted that there is a difference between a regional airport and a peripheral regional airport.

Even within these different categories it should be understood the airports in the regions serve different economies and that each of these economies will have different needs. The Scottish economy is, as has been demonstrated above, significantly dependent on connections to London and the national hub airport with exceptionally high business traffic volumes.

The differences of need for each area will reflect on their point of view. We would argue therefore that a one size fits all policy should be avoided and recognition given to the major impacts that decisions could have on the various regions be built into policy choice making.