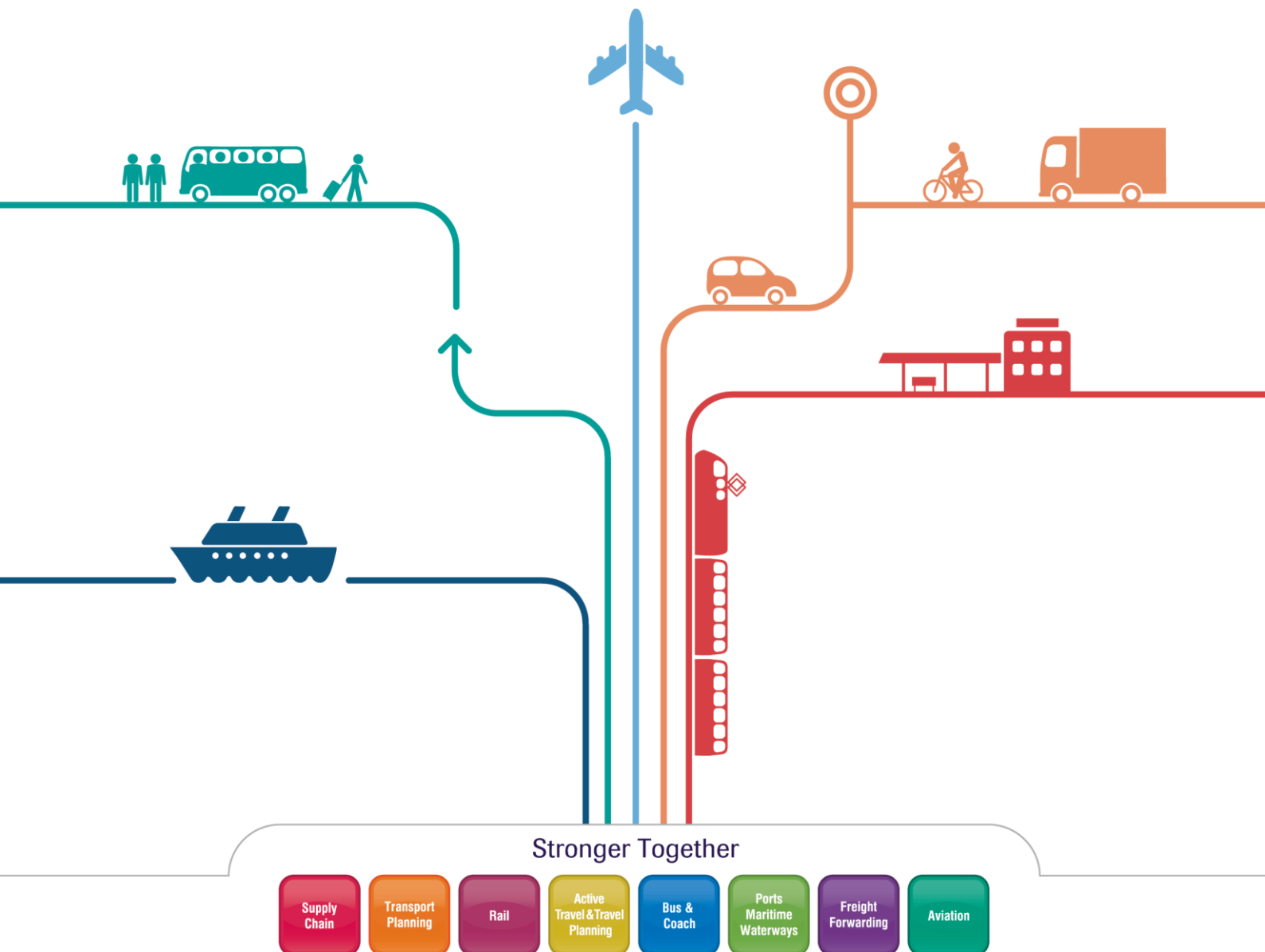




The Chartered
Institute of Logistics
and Transport

Submission by the Chartered Institute of Logistics and
Transport in the UK
to the
Transport Select Committee Inquiry:
Smaller Airports





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Summary

- **The UK's smaller airports serve a variety of functions, often more than one type of aviation activity**
- **A large number of smaller airports provide vital lifeline connections for remote or island communities where the alternatives are limited**
- **Smaller airports are attractive from a customer viewpoint, provide economic benefits in terms of jobs, and have limited environmental impacts**
- **Smaller airports vary in terms of financial viability, but there are a number which are not and probably never will be profitable**
- **There are some regions where there are more airports than are really needed, and where the case for public financial support is not strong**
- **An airport cannot survive if airlines and other aircraft operators do not want to use it**
- **Central government should support smaller airports by providing clear policy direction. Local government and LEPs can support smaller airports by subsidising essential travel.**

Introduction

- 1 The Chartered Institute of Logistics and Transport (CILT) is a professional institution embracing all transport modes whose members are engaged in the provision of transport services for both passengers and freight, the management of logistics and the supply chain, transport planning, government and administration. We have no political affiliations and do not support any particular vested interests. Our principal concerns are that transport policies and procedures should be effective and efficient and based, as far as possible, on objective analysis of the issues and practical experience and that good practice should be widely disseminated and adopted.
- 2 The Institute has a specialist Aviation Forum, a nationwide structure of locally based groups and a Public Policies Committee which considers the broad canvass of transport policy. This submission draws on contributions from all these sources.
- 3 The following evidence is submitted under the five headings suggested in the terms of reference.

The strategic importance of smaller airports and the extent to which smaller airports meet the needs of regional economies and provide efficient and effective services for the local communities in which they sit, and their impact on regional economic development and regeneration

- 4 The choice of 5 mppa as the definition of smaller airports is arbitrary, but there are 47 listed in CAA statistics within this definition for 2013. There are some just above (Bristol 6.1m) or below (Belfast 4.0m, East Midlands 4.3m, Liverpool 4.2m, Newcastle 4.4m). The CAA statistics do not (but should) include some significant smaller airports, such as Farnborough and Northolt.
- 5 Within the CAA listing, there are many different types, including airports which:
 - Serve major cities (Liverpool, Newcastle, Aberdeen, Belfast City and International, Cardiff, Leeds Bradford)
 - Serve regions (East Midlands, Exeter, Norwich, Southampton, Bournemouth)
 - Serve island or remote communities (Barra, Benbecula, Cambletown, Islay, Isles of Scilly St Marys, Kirkwall, Lands End, Lerwick (Tingwall), Newquay, Stornoway, Sumburgh, Tiree, Wick, Alderney, Guernsey, Isle of Man and Jersey)
 - Serve London and parts of the South East (London City, Southend, Southampton, Lydd)
 - Serve particular types of aviation (Biggin Hill - Business Aviation, East Midlands - express air freight, Penzance - helicopters, Aberdeen and Scatsca - North Sea support)
 - Serve general aviation (Biggin Hill, Gloucestershire, Lydd, Shoreham)

Many airports have more than one function, and it is almost impossible to categorise them, either by size or function (although there are categories according to runway length, maximum aircraft size and other safety or operational factors). The 1978 Airports Policy white paper (Cmnd 7084) categorised airports, but the categorisation did not survive as some airports did not develop in the way then envisaged.

- 6 A key issue in terms of the ability of a smaller airport to serve a region is the financial viability of the airlines and the air services they provide. This is explored in more detail in the response to the fourth point, but an airport by itself does not provide air services and relies on an airline to do so.
- 7 Smaller airports are often attractive from a customer service point of view, as their very size means short walking distances within the airport and proximity to the origin or destination. Smaller airports may be able to operate with simpler systems (for example, for baggage handling or passenger loading bridges) which keep their costs down.
- 8 In general, cities or regions will always prefer their 'local' airport to meet their needs, although it is accepted that many direct long haul routes can only be provided from a larger airport. Passengers from cities or regions without a major airport have a choice of using their local airport and transferring at a hub or, in some cases, using good surface links to access a larger airport, such as to Manchester across the Pennines. CAA survey data of passengers' origins and destinations provides evidence of the

degree to which a region's demand is met within the region, although sometimes it is too coarse to present a clear picture.

9 Every airport provides some economic benefit in terms of jobs and economic activity, but this must be balanced against any need for financial support, either from the private sector owner or from the public sector. In CILT's view, the situation in terms of the adequacy of meeting demand in each region is as follows:

- Scottish Highlands and Islands: There are clearly many very small airports providing lifeline services which, generally, meet the needs of those regions.
- Scottish North Sea coast: There is sufficient capacity and there is sufficient business for these airports not to require financial support.
- Scottish Lowlands: Edinburgh and Glasgow International compete and provide a good range of long haul, international and domestic links, so the additional benefits of Glasgow Prestwick and Dundee are limited. The historic value of Prestwick as a North Atlantic fuel stop is no longer relevant and despite its good rail access, good weather, minimal noise impact and plentiful capacity, it is not chosen by passengers or airlines.
- Northern Ireland: While the two Belfast airports may seem an overprovision, the vital nature of the service between Northern Ireland and the rest of the UK means that it is important for the region to have a choice..
- North East England: Newcastle and Leeds Bradford provide a good range of international and domestic services. Services from Doncaster, Humberside and Durham Tees Valley provide some competition and additional destinations but little additional benefit to the region as these services could be provided at the region's other airports
- North West England: Liverpool provides competition for Manchester (as do East Midlands, Birmingham and Leeds Bradford in adjacent regions). Blackpool is useful as it serves the urban areas north of Manchester and Liverpool.
- Midlands: Well served with East Midlands providing an alternative to Birmingham International, as well as a significant air freight centre close to the major manufacturing centres.
- Wales: Cardiff undoubtedly provides benefit to the Welsh capital and South Wales generally. There is competition from Bristol, but there would be significant disbenefits to Wales if it had to rely on Bristol.
- South West England: Bristol and Exeter have sufficient capacity and a reasonable range of short haul services, but are a long way from the remoter parts of the region. However, as Heathrow is accessible to many parts of this region (albeit a long journey) it is not surprising that 3m passengers from the South West use Heathrow compared with 3.8 m using Bristol (2012 data). It could be argued that the South West is better served by Heathrow than some other regions served by airports within their region.
- Channel Islands and Isle of Man: It is clear that these airports are lifelines for business, holiday and VFR (visiting friends and relatives) travel, without which the islands would suffer severe economic and social impacts.
- South East and Eastern England: As the major airports have significant capacity shortfalls, there is a particular role for smaller airports. London City is unique because of its location and function. Southend has shown that a small airport can attract a viable share of the market provided that investments are made and there is local support. However, the market is London and, if the airport is too far from the market, such as Oxford, Manston or Lydd, air services are unlikely to be viable. Airports at the edge of the region, such as Norwich, Southampton and Bournemouth, also need a niche or additional role, such as Channel Islands links

at Southampton and MRO at Bournemouth.. Business Aviation is particularly important for London and, with Luton filling up, Biggin Hill and Farnborough will grow. Northolt should not be used for Business Aviation as it does not operate to the same safety standards as civil airfield and it has airspace consequences for Heathrow. Other small general aviation airports, such as Redhill, Shoreham, Wycombe and Denham, are valuable for light aviation.

- 10 In summary, there are some parts of the UK where there are more airports than needed to support the regional economies, such as the Scottish Lowlands and North East England. There may be a case for public sector support (just as there is for rail services) and local communities can decide the priority for such support in comparison with other calls on their finances. In Wales and South West England, there may be a case for support if the airport is unable to stand on its own because of the remoteness of communities and the relatively long journey times by alternative modes. Small airports in the Scottish Highlands and Islands, Northern Ireland, the Channel Islands, Isles of Scilly and the Isle of Man clearly have limited alternatives but are unlikely to have sufficient demand for commercial viability. In South East England, small airports can provide some relief to the capacity shortage, but there is no case for government financial support. Finally, in assessing the need for an airport, it should be realised that closure is permanent, and the hurdles put in the way of providing new airport capacity are very significant, so any decision to close should be made only if there is no long term prospect of need.

The steps the Government is taking or could take to support smaller airports and aid diversification to ensure their longer-term viability

- 11 Financial support is clearly required for a number of small airports serving peripheral, island or remote communities, as the level of traffic is unlikely to make commercial services viable. There are a number of ways to channel such support, but the justification should always related to the economic and social benefits of providing the links, in which case it may be better channelled through the more local levels of government, so that they can properly account and measure the value against other types of support. Direct financial support is best channelled direct to travellers, which will then enable airlines to provide air services on a commercial basis.
- 12 One of the most valuable types of support for small airports is in terms of policy. The 2003 Future of Air Transport White Paper provided a long term, clear framework for the development of airports, which had been established after extensive evidence gathering and national and regional consultations. This was replaced by the 2013 Airports Policy Framework (APF), which provides very little guidance on individual sites. Plan-led policy is being determined through the local planning process and, in a number of cases, the local planning authority does not reflect the benefits of the airport. Some limited policy support is coming from LEPs, but this is often insufficient to overcome narrow, local objections. The Airports Commission has provided evidence and recommendations for a number of small airports, but these recommendations must be evaluated and where justified turned into policy.
- 13 National policy support for small airports is also provided through various guidelines, such as those in the APF for Airport Surface Access Strategies and for Consultative Committees and Noise Action Plans. One significant omission is guidance to local

authorities on noise which enables them to prevent planning permissions being granted for development in areas affected by aircraft noise.

- 14 Small airports rely on airspace provided by NATS under CAA policies. There is, of course, a balance to be struck between the needs of all airports and all types of airspace user, plus those affected by aircraft noise on the ground, but national policy guidance is required to ensure that small airports' airspace needs are properly planned for and implemented.
- 15 Government has a clear role in planning and implementing surface access to airports. Government policy is to expect a contribution from an airport to the extent that it benefits, although it is not clear how this policy is fairly implemented in comparison with other traffic generators. The objectives of Network Rail and the Highways Agency (in England and Wales) and Transport Scotland should ensure that they are required to plan for the growth of airports and local transport authorities and train franchisees should also plan for airport growth. Evidence put to the Northern Ireland Affairs Committee¹ seems to indicate that there is a Government policy that an airport needs to be handling 10mppa before a rail link is viable. Of course, viability depends on the capital and operating costs, but there are a number of examples where rail links are viable at smaller airports, such as Glasgow Prestwick and London Southend where existing lines could be used, and there are a number of alternative ways of providing a rail link at different levels of cost. A new station on an existing line is much less expensive than diverting a line, and a high quality bus link to an existing station can be effective and provided a relatively low cost. Even where a new line is required (eg. Leeds Bradford) there are options, not all of which require a full heavy rail link. This policy should be reviewed and a more location-specific ruling should be adopted.

The effect of current local, regional, national and EU policy and regulations on the future of smaller airports, including policy on (a) air passenger duty, (b) route subsidies (e.g. use of public service obligations to maintain particular routes and other state aid, the Regional Air Connectivity Fund, etc.) and (c) housing and enterprise zones

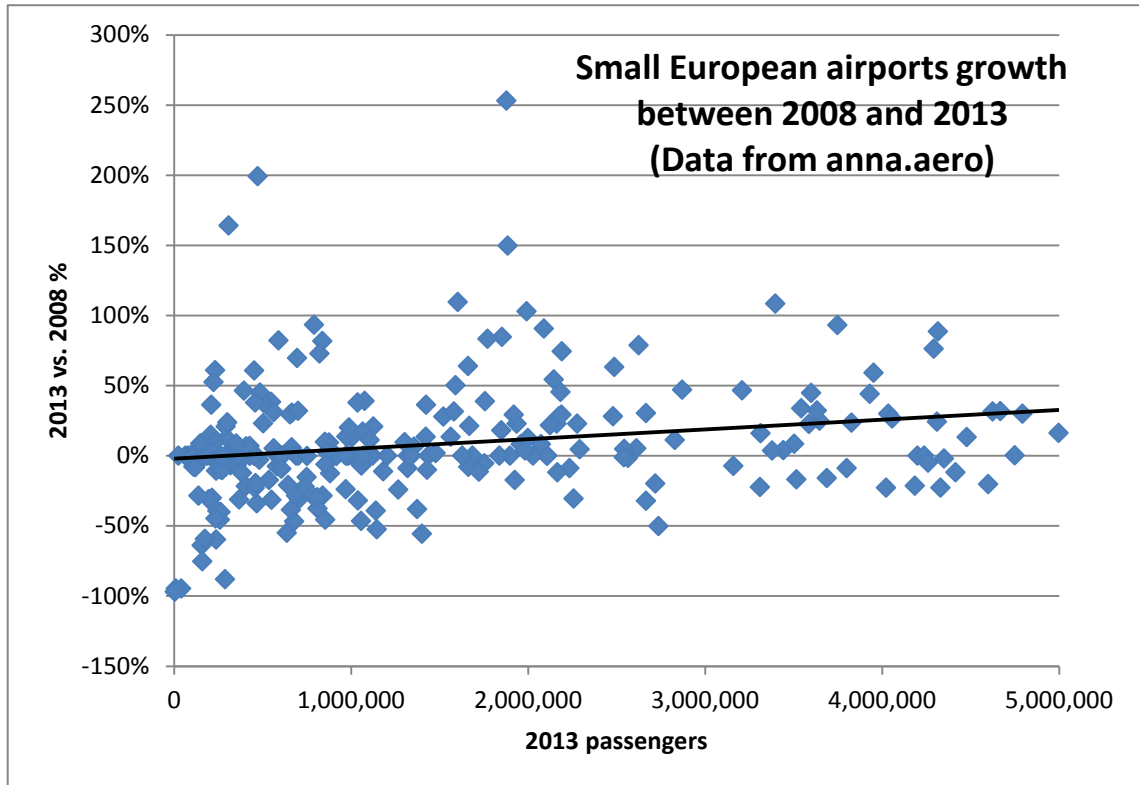
- 16 Air Passenger Duty (APD) affects smaller airports disproportionately because many of them are providing domestic services, some for onward connections via a hub. APD is one of the highest aviation taxes in the world and is a disproportionate amount of the total fare, but for a domestic journey it is added on both legs, whereas for an international journey it is only applied to the outbound journey
- 17 The particular problem for Northern Ireland's airports which compete with airports in the Republic of Ireland with lower taxes has been partly resolved by the reduction of the higher rate of APD from Northern Ireland. Devolution of the tax to the devolved administrations could result in a similar competitive issue arising across the England-Scotland and England-Wales borders.
- 18 Limited use of the Regional Air Connectivity Fund is being made in part because of the competing route criteria (which relate to a 60 minute travel time or 100km distance). The Public Service Obligation (PSO) mechanism is only used for maintaining a route to London which might otherwise be lost.

¹ An air transport strategy for Northern Ireland, House of Commons Northern Ireland Affairs Committee, First Report of Session 2012-13

- 19 The Scottish Air Discount Scheme is an excellent example of the use of public funds to support remote communities. It does not support any particular airline or airport and avoids micro planning, but instead provides direct support to residents which enable services to be run commercially.
- 20 The detail of EU law on subsidies is not entirely clear (although the principles are straightforward) and is being tested through various court cases. It would be unwise to implement a subsidised service if there is any doubt about the subsidy's veracity.
- 21 Policy and regulation for enterprise zones should be such that development can take place next to an airport to help with the airport's viability. Residential and other noise-sensitive development must be very carefully located to ensure that it is not affected by aircraft noise, and should therefore be kept away from flightpaths.

Issues around competitiveness, rationalisation and commercial viability affecting smaller airports, including the importance of smaller airports in serving niche leisure and business markets and flight training and education ('general aviation') and providing dedicated capacity for cargo services, and the role that partners and airlines play in the delivery of such services

- 22 It is instructive to consider small airports in other parts of the world, always noting however that some different circumstances apply. One measure of success is growth, and the graph below uses data from anna.aero to show growth at European small airports between 2008 and 2013. The most striking point of this chart is that there is a very wide spread of points, showing that some small airports have grown significantly over this period, while others have declined significantly. The trend line is probably not statistically significant because of this spread, but suggests that the smaller the airport, the less likely it is to grow.



- 23 Experience from the US over the last ten years is that many smaller airports are not retaining services because the jet aircraft used (Bombardier CRJ, Embraer 120 etc.) are not as economical as the larger B737 and A320 types used on the thicker routes. This situation is not repeated to the same extent in the UK as there is more use of the more economical turbo prop types, such as the Bombardier Q400 or ATR42/72. Some of the UK's peripheral airports are linked by very small aircraft (<35 seats). Results from German airports indicate that only the six largest are profitable.
- 24 For long haul flights, the B787 (and probably the A350 when it begins service) provides economic operations on thin routes such as daily scheduled services from some airports with less than 5mppa, as well as long haul leisure routes. Passengers may well travel to these airports by surface instead of by air from their more local, but smaller airport, via a hub. The effect would then be for the smaller airports to lose business, but the medium sized ones to gain.
- 25 Many of the smaller airports rely to a large extent on short haul leisure flights. Whilst these services can be provided economically from these small airports, they tend to be very seasonal and subject to airline decisions. Airlines may seek very low charges, and can move resources easily if a competing airport makes a better offer, although some airlines have been prepared to make long term agreements. If such airports have invested in facilities which require long term, year-round revenue, they will struggle to become profitable. The dangers of relying on attracting footloose airlines are apparent in Spain. Ciudad Real Airport opened in 2009 but closed in 2012 after airlines withdrew. Castellon Airport opened in 2011 but has not yet been used.
- 26 It is possible that a private owner may decide to invest in an airport for reasons of its own business strategy (eg. diversification), even if there is a risk of short term losses. However, no private owner will be able to sustain losses for the long term.

27 Financial data for smaller airports is sparse, and CAA origin and destination data is sometimes too coarse, but from what is available and from our experience of route viability, our response to the first question can be developed to suggest the roles played by a number of the smaller airports, as follows:

- Scottish Highlands and Islands: Significant financial support is required to provide lifeline services.
- Scottish North Sea coast: There is no significant shortfall in provision and airlines, airport operators and other service providers appear to have no difficulty in providing services to meet all the demands for business (including North Sea oil and gas support), leisure (including VFR) and general aviation.
- Scottish Lowlands: Glasgow Prestwick is not commercially viable if it relies solely on passenger services, but it may be able to be operated on a reduced basis for MRO (Maintenance Repair and Overhaul) and flight training activity. Dundee will not be able to compete with Edinburgh except for very limited scheduled services and general aviation.
- Northern Ireland: competition between the two Belfast airports has been attractive to airlines and has provided a range of services, but may result in short term unprofitability, although this may be of less concern to owners who are more concerned with longer term revenue streams and value growth. Competition from Dublin with its lower taxes (even after the reduction in the higher rate of APD) remains a concern.
- North East England: The five airports with less than 5mppa, also competing with Manchester, mean that business may be spread too thinly for all to be viable. Leeds Bradford is not currently profitable and Doncaster is being refinanced. The argument for long term subsidy is probably weak and therefore some airports (eg. Durham Tees Valley) may have to reduce to general aviation only or find alternative uses for their land.
- North West England: Liverpool is currently loss making but provides competition for Manchester. Blackpool is currently having to charge a development fee and has seen significant variability in its traffic and is vulnerable to airline decisions.
- Midlands: East Midlands is financially marginal but its air freight capability means that it is less vulnerable to airline decisions. Coventry (not shown in CAA statistics) is unlikely to be viable for air transport movements, and there are airspace conflicts with Birmingham.
- Wales: The previous private owners of Cardiff were unable to make a profit. Welsh Assembly Government ownership may enable a longer term view to be taken, and the MRO activity is a valuable source of long term revenue.
- South West England: Plymouth was clearly not viable and Newquay is likely to need some form of support, at least to retain services year-round. Exeter benefits from being the headquarters of Flybe.
- Channel Islands and Isle of Man: The governments of these Crown Dependencies will probably have to support these airports, but the case for doing so is very clear.
- South East England: London City's unique location and function means that it is attractive to airlines and is likely to be profitable. Southend has an owner that has been prepared to invest for the long term and resident airlines that have agreed long term deals, and is likely to be profitable over the long term. The experience of Manston shows that the airport must attract a share of the London market to be viable for scheduled services, and this may also apply at Oxford, Cambridge and Lydd. The additional niche roles of Southampton and Bournemouth should ensure their financial stability, but Norwich has had to charge a £10 per passenger 'development fee' which is deterring business. Business Aviation airports can be

viable, but should not be subject to unfair competition, as is the case at Northolt which does not have to operate with civil aviation standards.

- 28 One issue not taken account of in the above analysis is the value of a strategic reserve. There could be an argument that Manston has a value as a strategic reserve, although Government has not identified it as such. It remains to be seen if the development of Manston will safeguard the runway. The Scottish Government may consider that Prestwick has a strategic value which means that it is worth retaining it despite limited use.

The role of local authorities and Local Enterprise Partnerships (LEPs) in ensuring smaller airports improve connectivity.

- 29 Local planning authorities should ensure that their Local Plans properly account for the growth of smaller airports. The adverse effects of smaller airports are usually very limited, but they are often tarred with the same brush as the issues at large airports.
- 30 LEPs have a particular role in bidding for funds to support the growth of smaller airports, particularly in relation to surface access.

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