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THE HIGHLANDS AND ISLANDS TRANSPORT PARTNERSHIP

RESPONSE TO THE UK DEPARTMENT FOR TRANSPORT'S DRAFT AVIATION POLICY FRAMEWORK CONSULTATION DOCUMENT

By

The Highlands & Islands Transport Partnership (HITRANS)

31 October 2012

The Highlands and Islands Perspective

The Highlands & Islands Transport Partnership (HITRANS) is the statutory Regional Transport Partnership for the Highlands and Islands of Scotland.

HITRANS welcome the opportunity to contribute to this consultation designed to deliver an Aviation Policy Framework that will serve all parts of the United Kingdom and we hope it will serve the whole of the UK well. HITRANS was pleased to contribute our views to the 2011 Department for Transport (DfT) consultation on *Developing a Sustainable Framework for Aviation Scoping Document.* In preparing our response to this latest consultation we reviewed the DfT's Summary of Responses to this earlier consultation which was produced in July 2012. A key point contained within this summary was the following quote from paragraph 35 of this report that reads,

"A clear majority of respondents said that it was important to maintain domestic services into London airports, particularly Heathrow, in order to: attract foreign investment into the regions; improve local economies; provide vital connectivity to remote regions otherwise unserved, or poorly served by public transport links; and facilitate inbound tourism and visits to friends and relatives. A number commented that Public Service Obligations (PSOs) might be needed to achieve this."

We urge the DfT and UK Government to take cognisance of this majority view in finalising the Aviation Policy Framework and to address any gaps that exist in the draft consultation document to this end. The Government has focussed on the proposed High Speed 2 rail network as a solution to regional access to London Heathrow which misses the reality that peripheral UK regions including the Highlands and Islands will never receive any real benefit from High Speed 2. Indeed the case should be considered to recognise that cities including Paris and Brussels enjoy substantial numbers of landing slots at London Heathrow while already having high speed rail links to London. In our response we will try to highlight this fact and urge Government to recognise that there is a case for intervention to ensure that those peripheral UK regions that will never benefit from investment in high speed rail need to be fairly deal with in the Government's aviation policy to allow them to contribute to the sustainable economic growth of the UK.

HITRANS working with its five constituent Councils (Highland Council; Moray Council; Orkney Islands Council; Western Isles Council and Argyll and Bute Council) is charged with developing and delivering a strategy and promoting improvements to the transport services and infrastructure network that serve the region. The organisation takes an integrated and inclusive approach by consulting with the local communities, stakeholder groups and the business community to achieve its objective of "*enhancing the region's viability by improving the interconnectivity of the whole region to strategic services and destinations.*"

The area HITRANS is responsible for covers just under half of Scotland's land mass and accommodates 410,000 residents – 10% of Scotland's population – including over 80 island communities, of which 20 or so are served by airports and airfields. Air services are fundamental to daily life in the Highlands and Islands. For the island and remote mainland communities, the only alternative to air travel for accessing service centres (on occasions on another island) are infrequent ferry services and long road journeys. Parts of the region are served by rail and this connects the region to the UK rail network although journey times by this mode are long and frequency is an issue. For access to London from Inverness the rail option takes at least 8 hours or requires an overnight journey by Sleeper. Road journeys to the central belt of Scotland from Inverness take 3 hours to Edinburgh or Glasgow while other parts of the mainland Highlands and Islands will take over 5 hours to access Edinburgh or Glasgow. A road journey from Inverness to London will take 9-10 hours and journeys from centres such as Wick and Skye can add a further three hours onto these journeys. The Highlands and Islands are, along with Northern Ireland and the far South West of England, geographically the most peripheral parts of the UK, and an inevitable consequence of this is we rely on air access for connectivity to the UK's capital and other major cities to conduct and promote business, for leisure purposes or to visit friends and relatives much more than other UK regions.

A good illustration of this core geographical reality is that in 2010, 88% of all Inverness-London rail/air journeys were made by air. If the UK Government's new aviation Policy is to be inclusive and relevant to all parts of the United Kingdom it must explicitly recognise the fundamental importance of this crucial dynamic to the Highlands andIslands, and that a South East centric '*one size fits all*' approach to such an important policy area will not meet the economic needs of the peripheral regions of the UK.

In relation to services from Inverness, the exemption from Air Passenger Duty (APD) for departing flights is of significant benefit. However, inbound flights departing from London airports are not exempted from APD. Any increase in APD for UK domestic flights would reduce the commercial viability of air services between Inverness and London. Conversely, reducing APD for domestic and short-haul flights would improve the commercial viability of these services.

Mindful of the need for evidence based responses to this consultation we have endeavoured to support the main points in this submission with references to research that either HITRANS itself has commissioned, or that seems particularly pertinent to our concerns. In our response we have confined our comments to those areas with which we are most concerned.

Chapter 2: The Benefits of Aviation

Do you agree with our analysis of the meaning and value of connectivity set out in Chapter 2?

We propose to respond to this question under a number of headings, notably:

- Hub and Spoke
- Regional Access
- Air Freight
- PSOs
- Tourism

Hub and Spoke

HITRANS agrees that:

"a key characteristic of hub airports across the world is that they are able to serve destinations that other airports are not. This is because a hub airport supplements local demand with transfer passengers, providing traffic volumes which support higher frequencies of services on more popular routes, and enabling services on more marginal routes that would not otherwise have proved viable with fewer passengers".

However in the current aviation debate in the UK, primary reference is to a London hub, ignoring any recognition of the fact that the hub is only relevant in the context of its spokes. Although the hub has significance from its central position, as on a bike wheel it is the spokes that give the structure its strength and traction.

HITRANS writes on behalf of a region that represents one of the spokes; from our perspective:

- the value of the hub, and the reason to support it, is because it allows cities that could never hope to justify direct services to become linked using the medium of the hub as the convenient interchange. Not only does this increase the connectivity of the spokes, it also accentuates the importance of the hub over a much wider zone of influence, as for example the role that Heathrow plays as a gateway, not just to London and the South East, but also the rest of the UK.
- The frequency of services to a hub airport is also material in allowing a 'spoke' region or city to take full advantage of the benefits of access to its onward connectivity. A morning and evening flight are a business basic, even for a relatively sparsely populated region like the Highlands and Islands, but major business and population centres typically require regular flights throughout the day to meet with wave patterns at the hub airport to ensure that the full benefit of the potential to access all the onward destination is capable of being exploited without long stopover delays. This can be measured by calculating a "connectivity quotient".
- In Europe hub airports are typically, though not exclusively, located at or near capital cities, although in the case of Germany and Italy it is major business centres (Frankfurt, Munich and Milan). These locales provide a combination of strong national domestic demand and international point-to-point and interlining traffic to underpin the size and frequency of the hub network. Current pressures on capacity at Heathrow are serving to separate the domestic point-to-point and international traffic thereby weakening the utility of the hub and spoke system for its UK regional users.

With this in mind, HITRANS would like to add our voice to those from other UK regions about the critical importance of access not just of frequent and affordable air access to London and the South East because of our peripheral geography, but also the importance to our economies of access to the enhanced international connectivity provided by Heathrow or an alternative future London hub airport. If a UK hub airport does not, or cannot provide such benefits, then it does not merit the kind of policy focus the Framework document and the Davies Commission implies.

Regional Air Access to London and the South East

HITRANS, like its neighbouring authority Nestrans, has major concerns about the prospects for retaining high quality air links to London in the medium to long term, if the Government maintains its agreed policy stance of not supporting the development of any new runway capacity in the South East of England or protecting access for peripheral UK regions through direct intervention.

In the increasingly constrained capacity environment that would result from the continued non-intervention by UK Government slots at the UK's two most important gateway airports, Heathrow and Gatwick (LHR and LGW) would attract a premium and those slots currently used by domestic services will come under severe pressure from airlines seeking slots for new long haul services that offer the prospect of higher margins to the airlines and airports. Such a non-interventionist policy misses the importance of the wider economic benefits to the UK from retaining good access from UK regions to global markets.

We are already facing challenges to theoperating environment for services to the Highlands and Islands as a result of increasing airport charges for smaller aircraft at Gatwick, such as the 88-seat Embraer 175 used by Flybe. This is reducing the commercial viability of current service patterns between Inverness and Gatwick. Both Heathrow and Gatwick are regulated airports, and whilst we understand the desire to encourage larger aircraft to make better use of limited airport capacity, this should not be at the expense of services to UK peripheral regions. Government should work with Heathrow and Gatwick to ensure their charging regimes are supportive of retaining regional access. With this in mind, and given the importance of existing air links to LGW and LHR to their respective regional economies, HITRANS and Nestrans commissioned an 'evidence based' review of the case for the retention, and in HITRANS case expansion, of services to these gateways from Aberdeen and Inverness. Based on detailed analysis of current schedules and markets for air travel between London and the North of Scotland and an assessment of the role of such connectivity for the principal economic sectors in the North of Scotland, this 'Evidence Note' forms a central part of HITRANS response to this consultation. The full Evidence Note Document is available to download from http://www.hitrans.org.uk/Documents/North_of_Scotland_Air_Links_to_London_Evidence_Note.pdf

Please see Annex A of this response for a detailed summary of the issues explored through the Evidence Note for use as HITRANS response to the critically important issue of Regional Air Access to London and the South East.

Airfreight

HITRANS welcomes the significance that the DFT highlights for airfreight in this draft policy framework, as importance of this sector is invariably overlooked in the public and political debate on aviation policy.

It was with this in mind that HITRANS commissioned a study on **Airfreight in the Highlands and Islands**[i]**.** The key findings from that research are summarised below:

The only dedicated air freight services within the Highlands & Islands are mail flights to the Outer Hebrides, Shetland and Orkney, plus a newspaper flight to Stornoway. There are also mail flights between Inverness and both Edinburgh and East Midlands. All mail flights within or to/from the region are operated on contract to Royal Mail. Scheduled passenger services in the Highlands & Islands have only limited freight capacity. Cross-border passenger services from Inverness have greater freight capacity than the intra-regional flights - but it is still modest in absolute terms.

Freight volumes at Inverness have declined over the last decade. *The downward trend reflects the loss of the BA Connect link with Gatwick and its seamlessness with BA World Cargo. It is also due to the operation of **smaller cross-border passenger planes with less bellyhold capacity than their predecessors**. **Volumes have also declined over a longer perio***d. *This was particularly after Inverness lost its passenger flights to Heathrow in the late 1990s and thus **fell out of the world's (airfreight) hub and spoke system***.

*Accurate information is not available on the volume of Highlands & Islands freight flown to/from airports outside the region. However, this **leakage is likely to be substantial**, given the apparently very low volumes at Highlands & Islands airports. Commodities include:*

- *Seafood.*
- *Integrator traffic.*
- *Other high value products (e.g. electronics).*

A lot of Scottish (and thus Highlands & Islands) seafood exports to intercontinental markets are roaded to Heathrow and then flown worldwide from there. *The main market is by far the United States, followed by China. Seafood that is flown directly from Scottish airports appears to go largely from either Glasgow or Prestwick and almost all to Hong Kong or Singapore.*

The most significant unmet demand for air freight direct to/from the region is:

- ***High value seafood exports to longer haul markets**, where distances mean that air is not prone to competition from surface transport.*
- *Inbound parcel traffic.*

HITRANS concurs with the DFT's recognition of the need to 'rebalance' the UK economy. Ensuring comprehensive national airfreight coverage seems to be a key piece of modern infrastructure that should be in place for any modern internationally orientated economy (similar to our current national ambitions regarding broadband) and the Highlands and islands wish to better participate in the international airfreight system.

Public Service Obligations

The most peripheral regions of the UK - and from our perspective the Highlands and Islands of Scotland, are among the most peripheral regions in Europe - need to continue to be enabled to contribute to the sustainable economic growth of the country and to allow their residents and communities as a whole to have necessary social interaction between themselves and with other less peripheral areas. Air access provides in many cases their only effective means of access to services and markets. While many air links to and between these communities are currently provided commercially there are a significant number that require public subsidy.

It is welcomed that the UK Government and Devolved Administrations recognise the need to continue to support the provision of such air services which provide lifeline links that are delivered in other less peripheral regions of the UK through substantial Government public support of the rail network. This level of support is not required to secure air access for the peripheral UK regions to the capital instead smart use of the PSO instrument would allow these regions to secure air access that would then be provided commercially at no cost to the UK taxpayer.

The UK's use of the PSO instrument can best be characterised as minimalist, with a focus on the lifeline justification in its Scottish PSOs, as opposed to wider interpretations practised elsewhere. A survey in early 2011 of 16 European PSO sponsoring Transport Authorities[ii] asked them to classify their justifications for establishing PSOs and this illustrated the wide divergence of interpretation (see survey summary below). The Welsh PSO is the first UK PSO to consider wider connectivity issues beyond ensuring basic lifeline services as its justification, as metropolitan services can be accessed relatively conveniently from Anglesey by road and rail with the rest of North Wales, Chester, Liverpool and Manchester.

HITRANS contends that the current DFT interpretation of the EU PSO legislation has made it very hard to utilise PSO regulations in relation to regional access to the London hub, not the regulations themselves. This self-imposed policy appears out of line with its purpose and precedent elsewhere. The UK stands apart in the EU as the nation with peripheral regions and countries lying a substantial distance/travel time from it national capital in not having any PSO links into its capital. Iceland, France, Sweden, Norway, Finland, Italy, Ireland, Greece and Portugal all do so. It is the current and previous UK Government's failure to enact a long term policy that delivers effective airport capacity in the South East that has created the market distortions which is effectively preventing access from the UK regions under normal market driven mechanisms. Given Government's contribution to the fundamental market and policy failure, there is, in HITRANS view, no policy justification for continuing the currently constrained PSO practice if it explicitly discriminates against UK peripheral regions such as the Highlands and Islands. DfT should revisit its current guidelines for the use of PSO legislation with relation to Regional Access to London to ensure peripheral UK regions are not being materially disadvantaged relative to their competitors.

The main areas in need of review we contend are:-

The relevant White Paper[iii] in which these matters were aired, stated that for the purposes of this policy London airports will include Heathrow, Gatwick, Stansted, London City and Luton. *If a region has services to any one of these airports, it will be considered as having a service to London. This means that the withdrawal or reduction of a service to e.g. Heathrow will not be enough to trigger the consideration of a PSO as long as it is considered that there is an adequate service provided by the combined services offered to the London airport system as a whole.*

Treating all London airports as one for PSO adequacy purposes, from our perspective, is complicating. Our North of Scotland Air Links to London Evidence Note[iv] demonstrates how the different London airports fulfil significantly different roles for the regions. Naturally the regions want access to the very best airport that can serve their interests, and they need to be able to distinguish between these airports in their deliberations and policy development.

However the White Paper did also add *that the Government will work closely with the European Commission and other Member States with the aim of ensuring that any amendments to the*

regulations will recognise the importance of regional access to London airports. The White Paper also stated that this way of treating London would be taken 'in the interim', implying that change would be possible in the light of evolving circumstances.   We think a change on this position is needed.

Excluding interconnectivity opportunities, or the final onward destination of passengers, from a consideration in the determination of PSO adequacy we contend flies in the face of common sense, and the urgent requirements of the regions. Our reading of the judgement used to justify this stance Commission Decision 94/291/EC [v] seems amenable to differing interpretations, and certainly could be explored with the commission, in the light of the UK's very special circumstances. Our impression is that there has been to date been little appetite, within the DFT, to do this.

The draft policy recognises that *the UK must be able to connect with the countries and locations that are of most benefit to our economy. This is important in relation both to destinations that fall into that category today and those locations that will become crucial to our country's economic success in the future. While it remains vital for the UK to maintain its connectivity with established markets such as the USA and in Europe, it is also important that we take advantage of the opportunities presented elsewhere to remain competitive in the global economy.*   Excluding connectivity in the calculations for PSOs seems to fly in the face of these acknowledged UK needs. The UK is an extremely open and internationalised economy and the UK's peripheral areas need to be allowed to play their part if we are to see all of the UK contribute to the delivery of sustainable economic growth.

Devolving the issue to the affected regions also seems worthy of review. The preference for devolving the issue seems to conceive that any access problems to the south east are a regional rather than a national issue. This misses the point that the economic impact is felt across the nation. A national strategy regarding regional access for peripheral regions should allow some consistency of approach, which is largely beyond the capabilities of an individual region such as in any requisite negotiations with airports, possibly airlines, sequencing with other transport infrastructure improvements such as the roll-out of HSR, and in negotiation with the EU. We have noted that many regions of the UK are expressing disquiet and this would suggest a need for coordinated and consistent action to address the issue at a national level. The DfT seems the obvious body to undertake this role. We in HITRANS have felt it necessary to expend time and energy working with other regions trying to co-ordinate and synchronise the access concerns of the most peripheral UK regions.

It may be instructive to reflect on the Scottish context whereby, if a PSO lies wholly within one local authority (as in most of the island PSOs) then that local authority manages the PSO process. If the PSO crosses local authority boundaries (as in PSOs into Glasgow) then the Scottish national body – Transport Scotland - takes responsibility for it. In a UK context any PSO linking a peripheral region with London would thereby suggest a national response and oversight as most appropriate.

To date government has considered it unlikely that PSOs would be appropriate for <u>new</u> routes from the regions to London, either as a means of launching a new service, or on routes which have received start-up funding but do not prove commercially viable after the initial period of funding. *Other mechanisms, such as Route Development Funds, are available for establishing new regional air services.* Since changes to the Aviation State Aid Guidelines which came into force in Autumn 2005, there has been a significant reduction in the scope for support. It seems that this presumption should be reviewed and possibly dropped. HITRANS however supports the DFT's efforts to influence the EU review of these guidelines in the light of concerns that the current guidance on start-up aid does not provide sufficient scope to support the establishment of routes from outer regions of the EU, including routes from within Northern Ireland, Scotland and Wales.

With regard to cost it should be recognised that any air route has users that benefit from the service in both directions. Reducing journey times for a peripheral resident and business to his or her final destination also allows a London (in this context) based traveller to benefit by similar improvements in connectivity and productivity, when they visit the peripheral region. It seems inappropriate that the regional authority at one end of the route should bear any subsidy costs for the route (thereby incidentally also subsidising improvements for the metropolitan passenger). In many cases however a subsidy would not be required for such a PSO and what is needed is guaranteed long-term surety of access for a commercially viable service. The White Paper justified this position on financial support with a factually partially correct statement 'Demonstrating *the importance of the service to the economic development of the region concerned* will be the responsibility of local bodies such as the relevant Devolved Administration, Regional Development Agency or local authority.' To more correctly capture the reality of the situation the sentiment could be adjusted to mention 'the importance of the service to the economic development of <u>both</u> region*(s)* concerned.' An air route benefits both ends.

Although we have not examined these matters in detail for this submission it is likely that the guidance on the type of evidence required from regional bodies when they are making the case for the economic 'necessity' of an air service as set out in Regulation 2408/92, and the methodology used to assess them may need updated in the light of evolving circumstances and changing priorities. HITRANS would be keen to work with the DfT on any review of the PSO guidelines.

HITRANS also notes, as does the DFT, that the PSO legislation is rather loosely framed and is open to, and has been, interpreted and applied very differently across the EU and Nordic countries. Indeed the study on *Efficient procurement of public air services - Lessons learned from European transport authorities perspectives[ii]* illustrated this very clearly on a whole range of matters.

We would suggest that the UK focus should be on what the UK regions really require with regard to access to London, and then if the PSO instrument can help address the task, each region should make efforts to see it is applied in a way that is consistent with the legislation. It seems to us UK PLC has limited such endeavours with a national interpretation reflecting very special and specific circumstances extant in the UK.

Table 2: Results regarding main justification for PSO programme in a survey of European PSO sponsoring authorities

Category	Lifeline Services (ensuring modern life)	Tourism to the remote region	Regional Development	Access to an onward domestic hub for the remote region	Access to an onward international hub for the remote region	Increasing the hinterland reach of the national / regional centre	Other
Mean	4.27	4.67	3.53	4.6	4.93	4.53	5.73
# 1 priority	5		4			3	

Note: We employed a seven-level Likert scale (1=most important, 7=not relevant)

The results shown in Table 2 suggest that public authorities see PSOs primarily as serving two separate needs. For really remote or isolated communities delivering lifeline services (most often selected as number one priority) which ensure modern life (access to health, social services, administration, education, visiting friends and relatives) is seen as critical in these communities. Other countries see the PSO programme primarily as a means to underpin economic and regional development (on average the best score and therefore on average most relevant to the authorities) in the selected communities. That "Increasing the hinterland reach of the national / regional centre", was

ranked as the third most important justification, is somewhat unexpected. However, upon reflection this can be interpreted in the way that some countries have very strong and centralised capital cities, and ensuring modern and civilised life requires, from their perspective, that their outlying citizens can get to these centres of administration, culture and sophistication. The other telling response was the use of option 6 – the least relevant justification. This option has been selected more often than expected, including for "providing lifeline services", as becomes also apparent through the means of the responses being for all but one category higher than 4. This indicates that authorities usually justify their PSO programmes typically with one particular objective/aim and that sub-objectives or the combination of categories play only a very minor role in the justification process.

Tourism

HITRANS would like to underline the importance of aviation and of international connectivity for the tourist industry.

The UK Government has recognised that tourism is an important industry, not least because of the foreign direct expenditure it attracts, the number of jobs and tax revenues that are dependent upon it and its potential contribution to re-balancing the UK economy. For many peripheral regions such as the Highlands and Islands of Scotland, tourism is particularly important to the prosperity of the local economy and as such the region's connectivity with the rest of the UK, Europe and beyond plays a crucial role in supporting its successful functioning HITRANS are aware of that a high percentage of visitors do not travel more than 2 hours from their airport of arrival. Hence the critical importance for the region of maximising visitor arrivals through Inverness Airport, and the region's other airports and their connections to a hub airport.

The Case for Intervention

In our submission HITRANS is endeavouring to be pragmatic. We appreciate the government will prefer minimal interventions. We submit that these interventions must be well measured and effective in what is a very highly charged metropolitan and national debate on the issue. We are emphatic that government must find ways of ensuring access for our region to an efficient UK international hub.

Do you support the proposal to extend the UK's fifth freedom policy to Gatwick, Stansted and Luton? Please provide reasons if possible?

No response.

Are there any other conditions that ought to be applied to any extension of the UK's fifth freedom policy to Gatwick, Stansted and Luton?

No response.

Do you agree that the Government should offer bilateral partners unilateral open access to UK airports outside the South East on a case-by-case basis?

No response.

Do you have any other comments on the approach and evidence set out in Chapter 2?

Chapter 3: Climate Change Impacts

Do you have any further ideas on how the Government could incentivise the aviation and aerospace sectors to improve the performance of aircraft with the aim of reducing emissions?

Ring-fence a proportion of APD revenues to support research within UK universities and aerospace companies and their partners into new technologies, bio-fuels and processes/procedures that could help reduce emissions cost effectively. Government could then provide tax incentives and grant support to help bring those technologies to market and sell them to the global industry.

Do you have any other comments on the approach and evidence set out in Chapter 3?

The aviation industry in the UK is taxed more than in other countries. The ETS, especially if extended into a carbon market in which the whole of the global industry (and all other transport sectors are included), offers the right vehicle for capturing the cost associated with aviation emissions and channelling them to reduce emissions elsewhere. As such, and given statutory commitments that have been made, HITRANS would contend the issue of climate change emissions should no longer be a critical focus of Government Aviation policy.

Chapter 4: Noise and Other Local Environmental Impacts

Do you agree that the Government should continue to designate the three largest London airports for noise management purposes? If not, please provide reasons

No Response

Do you agree with the Government's overall objective on aviation noise?

Yes, provided that it is pursued with common sense and fully recognising the localism agenda and the great reduction in airport noise that has been and can be achieved through improvements in aircraft design and practices.

Do you agree that the Government should retain the 57 dB LAeq, 16h contour as the average level of daytime aircraft noise marking the approximate onset of significant community annoyance?

Yes. It allows long run historic comparisons and a baseline to measure the extent to which noise has increased or declined and for what reasons.

Do you think that the Government should map noise exposure around the noise-designated airports to a lower level than 57 dBA? If so, which level would be appropriate?

No. No overriding reason why this is necessary.

Do you agree with the proposed principles to which the Government would have regard when setting a noise envelope at any new national hub airport or any other airport development which is a Nationally significant infrastructure project?

No Response

Do you agree that noise should be given particular weight when balanced against other environmental factors affecting communities living near airports?

No. The factors and weighting should depend on local circumstances for what is local impact and therefore should be determined locally through consultation with stakeholders and through the planning process where airports fall within the provisions of European Designation. Noise is a de-minimis issue at many smaller and regional airports and it is essential Government policy should avoid a 'one size fits all' approach that could materially disadvantage smaller well-located airports.

What factors should the Government consider when deciding how to balance the benefits of respite with other environmental benefits?

No response.

Do you agree with the Government's proposals in paragraph 468 on noise limits, monitoring and penalties?

No response.

In what circumstances would it be appropriate for the Government to direct noise-designated airports to establish and maintain a penalty scheme?

No response.

In what circumstances would it be appropriate for the Government to make an order requiring designated airports to maintain and operate noise monitors and produce noise measurement reports?

Solely where this is required to implement EU Regulations.

How could differential landing fees be better utilised to improve the noise environment around airports, particularly at night?

That should be for airports to agree with their airline customers as part of a discussion with the appropriate regulatory authorities about how they secure the requisite flexibility in noise levels and operating hours to grow or develop new business. If such fees were used to create a compensation fund, where funding priorities were determined and administered locally, that may be an attractive proposition for some airports. It is an approach that works well in many airports in North America.

Do you think airport compensation schemes are reasonable and proportionate?

Yes, where they are justified and jointly agreed by airport operator and its host community as a means of facilitating airport growth/flexibility of operation and administered independently and solely for the benefit of those affected by local noise impacts generated by the airport.

Do you agree with the approach to the management of noise from general aviation and helicopters, in particular to the use of the section 5 power?

No response.

What other measures might be considered that would improve the management of noise from these sources?

None. There is sufficient cover in what is already being proposed. Adding the principle of subsidiarity on decision-making to reflect local circumstances would however be helpful.

Do you have any further ideas on how the Government could incentivise the aviation and aerospace sector to deliver quieter planes?

Sponsor fundamental and applied research from a ring-fenced proportion of Air Passenger Duty. Offer tax breaks for airports/airlines investing in state of the art technology and best practice approaches. Current policy towards the industry with regard to the environment is lacking in incentives, relying solely upon regulation and is substantially less effective as a result. This reinforces the impression that the UK Government appears to have an anti-aviation agenda.

Do you believe that the regime for the regulation of other local environmental impacts at airports is effective?

Yes.

Do you think that noise regulation should be integrated into a broader regulatory framework that tackles the local environmental impacts from airports?

No. This risks over-regulation and extension of the timescales to secure development at airports.

With this in mind, we therefore wish to emphasise once again the fundamental principle of subsidiarity and consequently that **national policy should only be imposed where it deals with common issues that are of UK wide significance**. Outwith such matters, or indeed even in the way regulation is applied to issues that are of common interest to all parts of the UK, policy needs to avoid adopting simplistic 'one size fits all' approaches and reflect in the diverse range of circumstances and perspectives which occur in alternative areas of the UK.

There are, for example, very different public attitudes and environmental baselines framing the consideration of airports and air services development in more peripheral parts of the UK like the Highlands and Islands regions, than those which prevail within the geographical and political influence of the high density populations of the South East of England. An outward-facing UK Government, should resist introducing policy and regulations developed to address problems in built-up metropolitan areas, which then get imposed on other regions where they are not necessary and/or have unintended costs and consequences. As an example, the Regulatory Impact Assessment published with the draft Aviation Policy Framework, did not reflect any geographic, economic or social diversity of approach or attitude in its appraisal and is therefore, in our view, flawed.

Chapter 5: Working Together

Do you think Airport Consultative Committees should play a stronger role and if so, how could this be achieved?

Airport Consultative Committees have provided a useful focus for consultation at Airports within the Highlands and Islands. HITRANS recognise that there could be some benefits to formalising and directing how these Committees should be organised and how their membership is recruited. The Committees should be representatives of the communities served by Airports and should include representation from local authorities, business representation, economic development agencies and other local stakeholders. If the mix of membership is right it can only be to the benefit of the Airport for the remit of the Committee to grow.

HITRANS also believes that the current Airport Masterplanning process is of great value. It is our experience that this process is good for the airport in making it set out clearly it's vision for the future and also encourages engagement with it's stakeholders and communities as these proposals are developed.

Is there a case for changing the list of airports currently designated to provide consultative facilities?

As per the reply above, Airport Consultative Committees can bring a useful link between the Airport and the user base and key Agencies. However the requirement to have a Committee should be based on a clear approach that justifies this. There could be scope for different models for different Airports based on their scale and it would be worthwhile having guidance that could be adopted for smaller Airports. This would recognise the importance of Airports to their local economy which is not any less at Airports with a lower passenger footfall.

Do you agree that the Civil Aviation Authority should have a role in providing independent oversight of airports' noise management?

Only for larger airports where noise impacts are significant and require management, mitigation or compensation; for smaller airports where noise is either not an issue or only a minor one, then such oversight would represent over-reaching interference in a local issue, adding red-tape/bureaucracy and cost where it is not needed.

Do you agree with the Government's overall objective on working together?

The concept of '*working together*' isstrongly supported, but it is also as yet unclear what it in practice actually means and what it is intended to achieve in terms of hard outputs. In a complex and sometimes confrontational public forum such as those associated with expansion or even the day to day management of airports something more structured and sophisticated should be considered to secure what appears to be the key objective – 'constructive engagement' that serves to reduce conflict and facilitate more pro-active and responsive decision-making and investment.

Is the high-level guidance provided in Annex E sufficient to allow airports to develop local solutions with local partners?

It is not clear why it is deemed necessary to interfere with well-established Guidelines and Codes of Good Practice on Masterplans and Surface Access respectively, when according to DfT's own report on the Scoping Consultation these have been widely used and are well accepted. They also have sufficient flexibility to allow airports and their stakeholders to determine how best to interpret and deliver them. The crucial issue is their status in terms of development plans, formal planning procedures and funding bids and this proposal seems to do nothing to add any clarity to those issues.

As such, while we have no formal objection, it seems like an unnecessary area of policy intervention, which crosses the boundaries of what the UK Government should be concerning itself with in Scotland.

Do you agree that master plans should incorporate airport surface access strategies?

Many airports already incorporate surface access strategies as a subsidiary component alongside environmental, tourism/ economic engagement and Corporate and Social Responsibility strategies. HITRANS has local experience of working with Highlands and Islands Airports Limited to ensure good surface access is provided at Airports in the region and we believe a strategy for this does channel thinking and encourages a partnership approach with other stakeholders including transport operators.

Do you agree that, where appropriate, the periods covered by master plans and noise action plans should be aligned?

We have no objection to suggesting/requiring this.

Annex A - Regional Air Access to London Airports

HITRANS notes and welcomes the recognition given in the draft Policy Framework document to the benefits of aviation connectivity, most notably the statement that:

"Responses to the scoping document showed broad agreement that aviation benefits the UK economy, both at a national and a regional level. Responses ……….. clearly demonstrated that the economic benefits are significant, particularly those benefits resulting from the connectivity provided by aviation.

- GDP and Jobs
- Imports and Exports
- Manufacturing Skills and Technology
- Tourism
- Greater Productivity and Growth
- Other Benefits – Cultural and Social

Whilst apparent support for flexibility in allowing start up aid for new routes at airports outside London and the South East (para's 2.59-2.60) is welcomed, we are perturbed that in all the discussion about connectivity to new markets, the focus was at a national level without any explicit acknowledgement of the need for regions outside London and the South East to be linked to the hub airports (ie Heathrow and to a lesser extent Gatwick), where this improved connectivity is most likely to accrue, either by rail or in the case of peripheral parts of the UK, by air. Regional air access to London and its hub airports is discussed only briefly, and then only in the context of PSO's in para's 2.53-2.56. We believe this is a fundamentally important issue that bears directly upon UK Government responsibilities and should be dealt with far more comprehensively in a UK national aviation strategy.

With this in mind and given the encouragement offered by DfT officials at various briefing events to submit further evidence on key issues which are either raised, or should be raised, by the draft Policy Framework, we are enclosing with our submission a copy of an in-depth study of this issue as it relates to the North of Scotland for your consideration. This is summarized below.

The Core Issue

HITRANS, like its neighbouring authority Nestrans, has major concerns about the prospects for retaining high quality air links to London in the medium to long term, if the Government maintains its agreed policy stance of not supporting the development of any new runways in the South East of England. In the increasingly constrained capacity environment that would result from this, slots at the UK's two most important gateway airports, Heathrow and Gatwick (LHR and LGW), would be at a premium. Those currently used by domestic services would be under severe pressure from airlines seeking slots for new long haul services that offer the prospect of higher margins.

With this in mind, and given the importance of existing air links to LGW and LHR to their respective regional economies, HITRANS and Nestrans commissioned an 'evidence based' review of the case for the retention, and in HITRANS case expansion, of services to these gateways from Aberdeen and Inverness. Based on detailed analysis of current schedules and markets for air travel between London and the North of Scotland and an assessment of the role of such connectivity for the principal economic sectors in the North of Scotland, this 'Evidence Note' forms a central part of HITRANS response to the Department for Transport's consultation on its draft Aviation Framework for the UK.

Historic Trends in Regional Air Access to London

The last 20 years has seen:

- A significant reduction to six (around a third of the 1991 network), in the number of regional cities with services to Heathrow.
- The displacement of a significant number of the regional markets formerly served from Heathrow to Gatwick including Inverness.
- The emergence of competitive low cost services, mainly on the large well established London to regional city markets, at Stansted and Luton during the late 1990's and early 2000s. At first this stimulated the overall market size but then these services began to capture some of the point-to-point traffic that had previously used the primary London airports as capacity to Heathrow was priced-off in response to slot shortages
- The development of a business focused point to point niche market to London City, which again principally drew traffic being displaced from LHR and LGW.
- And, most recently, a significant reduction in both the range of services on offer between major UK regional cities and London airports (dropping from 43-33 in the period 2001-11), and passenger volumes as a result of the forgoing and the impact of a 260% increase in Air Passenger Duty (APD) on both legs of a return domestic air journey, since 2005.

The evidence of the deleterious impact on regional air services to LHR, and more recently LGW, and the associated loss of onward connectivity to a range of global destinations, arising from the consistent failure of Government policy to address capacity pressures in the South East's airport system over the last two decades, thereby creating significant distortions in normal market mechanisms is, therefore, hard to dispute.

UK Regional Air Access Policy

Regional access only began to emerge as a significant aviation policy issue in the run up to the 2003 Air Transport White Paper. First raised by the Transport and Regional Select Committee in 1998-99, who noticed an increasing de-coupling of the UK regions from the national hub at Heathrow, it was raised again in the report of the Transport Select Committee in 2002-03, which robustly dismissed CAA and DfT's attempts to downplay the problem in their evidence to the Committee. Despite this, the 2003 White Paper, and subsequent policy 'guidelines'[1], issued in 2005 after a public consultation, which set in place a conservative policy which has done little to stop further regional routes being lost, particularly from Heathrow and Gatwick.

It is unclear whether this was the consequence of the philosophy of non-intervention in the market that dominated DfT and CAA's outlook on the industry at the time, or an excessive reliance on intellectual attractions of 'allocative efficiency' as the optimum method for slot distribution (despite the distortions which Grandfather Rights and capacity constraints themselves create), which led to this laissez-faire approach. The assumption that the two new runways in the South East provided for in the 2003 White Paper would be constructed may also have contributed. That policy and the subsequent attempts of the CAA to defend it in its CAP 754 and 775 reports, has now been shown to reflect a flawed assessment of how the regional aviation market would develop in future years. In reality, the number of new routes to London has not continued to grow as the CAA predicted; instead they have declined materially since their peak in 2006-07.

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[1] DfT: Gudance on the Protection of Regional Air Access to London; Dec 2005

The evidence of the last few years suggests that there has been a lack of focus on the need to protect these essential transport connections and economic lifelines for regional economies. The current Government's announcement of a "no new runways" policy as part of the Coalition Agreement in 2010 and the recent sale of bmi to IAG, have both raised concerns about the potential cannibalisation of 'regional' slots at Heathrow and Gatwick and have served to return the issue to public prominence amongst regional businesses and policy makers.

It is interesting, therefore, that in its recent Insight Notes to DfT, which formed part of its response to the Government's 2011 Sustainable Aviation Review consultation, the CAA included the following advice:

CAA Insight Note 1: Consumer Choice

"… passengers in the UK regions need to use a transfer airport to access the majority of global destinations …"
"While Heathrow dominates on long-haul routes to most world regions as a result of its size, its 'comparative advantage' on transatlantic routes to North America is apparent"

CAA Insight Note 3: Aviation Policy Choice

"For medium and long-haul routes, consumers should have access to direct services from the UK to key global markets. Recognising that some routes may only be commercially viable if operated from a hub airport, the Government should seek to facilitate successful hub operations in the UK. Consumers using other UK airports should have 'single-stopover' transfer access to the same key global markets."

"As a result, passengers in the UK regions will continue to need to use a transfer airport to access the majority of global destinations: either Heathrow, accessed by surface transport or a domestic flight, or a foreign airport."

"Aviation Policy for the Consumer noted that … there are likely to be increasing pressures on regional connectivity to London. The provision of additional capacity would be expected to at least partially relieve this pressure, creating slots for commercially viable regional services."

"… other major hubs in Western Europe and beyond play a positive and important role in providing additional choice and value to UK consumers. However, there may be 'security of supply' risks if foreign hubs also become capacity constrained in the future. Forecasts … predict that by 2030, capacity constraints at airports across Europe could mean … some 10% of predicted demand, will not be accommodated. Under this scenario, it might be expected that connections to UK regional routes would get 'squeezed' as has been the case at Heathrow over recent years".

The strategic policy advice the CAA is now offering to Government appears to recognise explicitly the need for UK regions such as the North of Scotland, to have access to hub airports to facilitate travel to the wider world. While foreign hubs may offer choice, there are clearly risks in relying solely on non-UK airports to provide such essential connectivity, especially when Heathrow is the dominant hub in Western Europe in terms of the access it offers to long-haul markets (eg North America, but also the Middle East and certain parts of Asia and Africa). The former, in particular, is crucial to the export/tourism markets of both

Aberdeen and Inverness, but the other continents Heathrow serves well, are also important to extending the opportunities available to Aberdeen's world leading oil and gas sector. CAA's revamped policy advice and the forthcoming Sustainable Aviation Framework Consultation would appear, therefore, to provide a perfect platform from which to press DfT to re-visit its overly restrictive, and now clearly out-dated, regional air access policy. This is especially the case, because 'connectivity' has emerged as a key policy issue in the current aviation review. With the UK economy now struggling in a way that it was not between 2003-05, and cross-cutting themes such as re-balancing the economy, encouraging private-led investment and securing access to faster-growing emerging economies to increase export volumes having greater prominence in Government policy, this is not surprising as improved connectivity is a key element in the delivery strategy for each of these growth objectives.

The Evidence Note commissioned by HITRANS and Nestrans therefore focused on improving the transparency of connectivity issues as they relate to the North of Scotland's air services to London, and on improving the understanding of why these links are of such importance to the economy of the region and that of the wider UK as a whole.

The Case for Inverness

In the case of Inverness the principal arguments which make retention of the existing core services to London Gatwick essential are:

- The absence of any viable surface transport alternatives (travel times are between 8-10 hours by rail or road) to London, the UK's capital city and global business centre, a problem that will continue to exist even if HS2 is eventually extended to southern Scotland.
- Gatwick dominates the point-to-point aviation market between London and the Highlands, both in terms of the scale and consistency of volumes it attracts and the share of its market (28%), which is business orientated.
- The important, though sub-optimal when compared to Heathrow, opportunity it offers for interlining traffic (which makes up 20% of the total of 220-240,000 passengers pa), despite the relatively poor onward connectivity it offers.
- Gatwick's provision to Highland employers of an air travel gateway to London and wider international markets for outward facing and exporting sectors in the region (eg Whisky, Optical and Medical Equipment Manufacture and the Energy Sector), and also ready access to specialist external expertise which growth sectors such as life sciences need to help grow their businesses.
- The inadequacy of other London airports (such as Stansted, Luton and London City) as an alternative to Gatwick because of their more limited and leisure orientated connectivity, longer access into the heart of London and in City's Airport's case, the operational restrictions and expensive charges it levies on airlines;
- The strategic importance of not having to rely solely on foreign hubs for global connectivity and the difficulty of expanding the new Amsterdam link to a sufficient level of frequency to make it a genuine alternative because lacks an underlying point-to-point market on the scale available to the London market.

Notwithstanding which, the case for re-introducing flights to Heathrow in parallel are also strong, not least because of:

- The inconvenience and economic inefficiency of up to 60,000 outbound passengers from the Highlands and Islands, being forced to make surface journeys of 3.0-3.5 hours to a Lowland Scottish airport to secure access to global connectivity via a hub.

- The disincentive to many inbound visitors to the Highlands of having to make similar surface journeys from a Lowland Scottish airport, or travel between London Airports, to access the Highlands, creating significant barriers to attracting additional international tourists and increasing their average length of stay and spend.
- The fact Heathrow continues to dominate airfreight exports from the UK, making access to this form of distribution system sub-optimal for Highland based firms in the absence of service to the UK's primary air cargo hub. This is particularly significant for the high value seafood export markets that local firms would like to access, because in 2011 Heathrow accounted for 95% of UK long haul seafood exports by air.

The arrival of Inverness's new Amsterdam service, does not solve the ongoing problems of access to global connectivity caused by the lack of air services between Inverness and Heathrow, not least because the single daily frequency it offers remains far from ideal for onward connectivity. Re-introducing morning and evening services to Heathrow would not only capture leaking traffic and stimulate the overall air market between the North of Scotland and London it would also provide far better global connectivity particularly to the North American market that is so important for businesses and the tourism industry within the Highlands.

A Proportionate Policy Response

Taken alongside the case for access from Aberdeen, Northern Ireland and potentially also the far South West there is, we believe a coherent case for DfT and Whitehall more generally to recognise the importance of maintaining, or even improving either in:

- Supporting new runway capacity in the South East – ideally at Heathrow, but failing that at Gatwick or a new Thames hub airport and of facilitating regional access to it; or
- If no new runways are permitted – by pro-actively intervening in the existing slot market to iron out market distortions its own policies have potentially created for crucial regional air links to London such as those to the North of Scotland including Inverness.

Collectively, the regions making up the North of Scotland, alongside their counterparts in the far South West England and Northern Ireland, have a strong claim for a measure of prioritisation within the regional air access component of the Government's forthcoming aviation policy framework. This is because:

- High-speed rail will provide considerably improved access to London, and prospectively Heathrow or a new hub airport in the Thames, for all English regions except the far South West of England.
- HS2 will particularly benefit the Midlands and North of England and electrification of the Great Western Mainline could materially cut journey times from Bristol and South Wales.
- These schemes, will draw heavily on the Exchequer for their funding and therefore will be contributed to by taxpayers across the UK, including those in peripheral regions such as the North of Scotland for whom there will be little or no benefit.

In recognition of this and the duty Government has to provide adequate transport access and socio-economic connectivity, both within the UK and internationally, to all its citizens, HITRANS believe the UK Government should be willing to accept a small amount of prioritisation at the UK's hub airport and at Gatwick in order to guarantee fair and equitable

treatment in terms of connectivity and market access for those living in more peripheral regions.

Such a policy does not require subsidy; the routes themselves are commercially viable. It therefore provides a well-targeted and low cost solution to the important problem of geographical remoteness, which the population and economies of peripheral regions such Aberdeen and the Highlands face.

Proposed Slot Reservations for the UK's Most Peripheral Regions

Airport	Heathrow		Gatwick	
	Current	Proposed	Current	Proposed
Aberdeen	11	11	4-5	5
Inverness	0	2	4-5	5
Belfast	9-10	10	9	10
Total	20-21	23	17-19	20

If for example, the slot reservations set out in the Table 4.1 above, were to be made at Heathrow and Gatwick for the UK's four most peripheral regions, the total claim on the slot portfolio at the two airports would be:

- Heathrow: 8,395 pairs of slots per annum, or 3.6% of currently available annual capacity (470,000 ATMs); and
- Gatwick: 7,300 pairs of slots per annum, or 5.5% of currently available annual capacity (265,000 ATM's).

The North of Scotland's share of that would be around half (ie. 1.9% and 3% respectively). This amounts to a very small policy intervention for maintaining viable transport connectivity between all parts of the Union and between the UK's peripheral regions and the wider world.

In this context, the Evidence Note also highlights that even though there are already high frequency High Speed Train (HST) services to Brussels and Paris from London offering attractive travel times for point-to-point journeys between these cities, air services on these routes still absorb 372 slots per week (or over 50 per day) at Heathrow alone, 10 times more than the extra slots needed to meet the service levels for UK peripheral regions proposed above.

Imposing some form of modest route based frequency cap on these routes, or others such as Amsterdam and Dusseldorf which should be reachable from London by HST within 3-4 hours, in conjunction with appropriate changes to the Government's regional air access guidelines and the slot allocation rules appertaining at Heathrow and Gatwick, would seem the most easily achievable, and least disruptive way of generating the small supply of additional slots required to meet the needs of the UK's most peripheral regions, while protecting those which already exist. As such, it represents in our view a proportionate policy response to what for the regions concerned is a critical infrastructural and economic issue and one which should also be of strategic importance to the UK as a whole.

[i] http://www.hitrans.org.uk/documents/Highlands_and_Islands_Air_Freight_Study.pdf

[ii] http://sydney.edu.au/business/__data/assets/pdf_file/0015/145005/ITLS-WP-12-17.pdf

[iii] **The Future of Air Transport White Paper** (December 2003) *pages 55-58 – Cm 6046*
http://www.DfT.gov.uk/stellent/groups/DfT_aviation/documents/page/DfT_aviation_031516.pdf

[iv] http://www.hitrans.org.uk/Documents/North_of_Scotland_Air_Links_to_London_Evidence_Note.pdf

[v] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32007D0332:EN:NOT