DfT Scoping Consultation

Developing a sustainable framework for UK aviation: Scoping Document

HITRANS Response – As approved by the HITRANS Board at its meeting on 7th October 2011 in Stornoway.

The Highlands & Islands Transport Partnership (HITRANS) is a statutory body covering all forms of public transport in the Highlands and Islands of Scotland encompassing not only road, rail, sea and air travel, but also cycling and walking.
HITRANS working with its five constituent Councils 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 and companies 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 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. It covers an area of just under half of Scotland's land mass. 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 the mainland and service centres (on occasions on another island) are ferry services or long journeys on poor quality land based infrastructure. Whilst the ferries and other modes offer relatively low fares, they cannot compete with air services for convenience and time-critical travel. Small regional aircraft with less than 20 seats (predominantly the Britten-Norman Islander and the Twin Otter) are used to carry traffic between the remoter parts of the Highlands and Islands Airports and the local hub airports in Argyll, Orkney and Shetland for service access or provision, and onward connections. A number of the larger key settlements in the region have direct air service access to Inverness, Aberdeen, Glasgow or Edinburgh, the major national hubs. Aviation is vitally important for supporting social and economic cohesion in the Highlands and Islands.

Key issues which HITRANS wish the developing Framework to recognise are

1. **The key, and unique in UK terms, role of aviation within the Highlands and Islands of Scotland in providing everyday access to services which in other parts of the UK would be undertaken using road or rail.**
2. **The need for the network of air services and related infrastructure to be underpinned by public funding to provide a sustainably base for community life in our most remote peninsular and island communities.**
3. **The peripheral nature of the Highlands and Islands Region means that long distance travel for business to the rest of the UK and continental destinations will for the foreseeable be by air transport and that to allow our developing economy to reach its real potential air connectivity form the area to the key London hub airports is vital.**

Responses to Questions raised in the consultation

Only selective questions have been answered which are relevant to the aviation sector in the Highlands and Islands from an economic and social perspective.

The aviation sector

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 UK economy is a global economy. This is true not just for the South East of England but also for the remoter regions of the UK including the Highlands and Islands. The North of Scotland economy is a highly significant and increasing contributor to the UK economy not simply for the oil and gas returns from the North Sea and around Shetland, the developing renewable energy sector, and quality food and drink, but for the significant export market in these industries and their supply chains. It is building on this success and potential that the future of the region depends.

Key to this developing success is ease of access to world markets and opportunities. On such an international scale air connectivity is the key component in ensuring that current success grows and develops allowing the North of Scotland to continue to and increasingly contribute strongly to the UK economy.

Another important sector for the Highlands and Islands of Scotland is the expanding tourism market. Direct access to the region through air travel is essential to permit our tourism sector to reach its potential and thrive in this very competitive worldwide industry.

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:

International business relies on the ability of people to reach markets across the globe. In the great majority of cases this will be achieved through air travel through an international hub airport, and in the case of the UK this is Heathrow. Heathrow's ability to serve this hub function for the UK is essential to the UK Economy as equally is the ability of people to access Heathrow. The nature of this access will be different for different parts of the country.

Facilitating international travel from regional and peripheral regional airports should be an important commitment of UK Aviation policy and when delivered should assist Heathrow achieve its UK based international hub function.

At present a number of UK Regions achieve this international connectivity through European mainland hubs due to their inability to gain access to Heathrow. This does not provide these regions with the equivalent to connectivity through Heathrow, particularly to North America, and European hub access may in time be subject to equal constraint as capacity at the mainland European hubs is taken up by forecast increases in global aviation.

Reducing peripherality in the UK:

An important function for aviation should be to reduce the impact of peripherality for areas not effectively accessible to major centres by land based transport modes. HITRANS supports the efforts are being made to enhance connectivity within the UK by surface modes, thereby reducing emissions from short haul air and road based traffic that can switch mode to a more sustainable mode. Whilst this is potentially beneficial for areas affecting the bulk of the country's population, including the central belt of Scotland, it has to be recognised that the more peripheral regions of the UK will still critically require air access to London and its hub airport. Consideration should therefore be given to promoting measures that support aviation serving these peripheral regions including ensuring access to London and its hub airport. The Framework should support aviation connectivity and accessibility to London hubs for regions from which surface alternative journeys to London are over 4 hours in duration.

Lifeline services:

Air services within the Highlands and Islands of Scotland are unique in the UK in providing internal access within the region between our islands and peninsular communities and their mainland service centres. In many ways these links to our islands are the equivalent to rail links elsewhere in the UK, and represent the key transport network for business, and the service sectors including health. In addition local island communities achieve critical day to day movement to local towns using local air services. By their nature these internal regional and local air services are lifeline services and future policy should recognise the nature of these services and their importance to the communities so served. UK Aviation policy should ensure continuation of positive support the provision of these services.

Helicopter travel:

Policy on UK aviation should recognise the essential role played by helicopter traffic in

servicing the offshore energy industries around the Scottish coastline, a sector which is likely to further increase with the development of off-shore wind arrays in the next decade.

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 travel and connectivity is clearly important to the UK economy. This travel should have a priority attached. Encouragement should be given to increasing international travel from regional and peripheral regional airports given the current constraints in providing equivalent connectivity through London, but in addition UK Aviation policy should ensure that those peripheral regions of the country whose economy is strongly dependent on international travel should be assured of air access to the national hub.

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

Lifeline services as discussed in 3 above are critical to the sustainability of a large geographical part of Scotland 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 of current oil and gas fields, and potentially the off shore renewable sector, but also provides many search and rescue and emergency functions that cannot be fulfilled by other modes.

<u>International connectivity and hub airports</u>

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

HITRANS would like to highlight the particular benefits that aviation provides for the Highlands and Islands region, whilst noting that some of these (especially business travel, air freight exports and tourism expenditure) also benefit the overall UK economy.

The main types of aviation activity present in the Highlands and Islands can be described as follows:

a. Inter-island and intra-Scotland scheduled services. All these scheduled services are publicly supported either through PSOs or ADS (although the latter remain commercial operations), and provide essential transport connectivity between island and remote mainland communities, local administrative/service centres in Argyll, Orkney, the Western Isles and Shetland, and to/from the cities of Aberdeen, Glasgow, Edinburgh and Inverness. The links to these cities enable rapid daily travel for business, health and social reasons (including attending hospital appointments) where it would not be possible to provide such connectivity by surface means. Of all the routes operated, only Aberdeen and Edinburgh to Wick have a rail alternative, but the rail journey typically

takes 7-8 hours including a change at Inverness. Almost all other intra-Scotland journeys require ferry travel and typically a journey time of at least 5 hours.
The intra-Scotland services also enable connections to be made at the city airports to other UK and overseas destinations. Most are currently operated by Loganair in partnership with Flybe, and under a codeshare agreement with British Airways, thus providing links from our island communities to London Heathrow and beyond through Edinburgh, Glasgow and Aberdeen airports.
It is difficult to attach a monitory value to these services, but they are rightly viewed as essential for the social and economic sustainability of the communities they serve, and government support should continue to be provided to ensure their future operation and affordability to the traveller.

b. Cross-border and international services. Direct cross-border and international services form the largest component of air traffic at Inverness Airport which serves the largest proportion of residents and businesses in the region. Whilst they are all commercial operations, they also provide essential transport connectivity for Inverness and the wider Inner Moray Firth area. Daily cross-border scheduled services are operated by Flybe and EasyJet to London Gatwick and Luton airports, plus regional links to Belfast, Birmingham, Bristol and Manchester. Rail alternatives are available to most destinations, but Inverness-London takes at least 8 hours or requires an overnight journey by Sleeper. In 2010, 88% of all Inverness-London rail/air journeys were made by air, despite the significant disruption of air services by volcanic ash and winter weather during the year.
In September 2011, Flybe commenced a single daily scheduled service to Amsterdam Schiphol Airport from Inverness, and this is the only direct international service operated year round. Seasonal services are operated weekly from May to September from Düsseldorf (Lufthansa) and Zurich (Falcontravel / Helvetic Airways) providing limited frequency direct travel to the Scottish Highlands for tourists from Germany and Switzerland.
Economically, cross-border and international services at Inverness are hugely significant for the region and contribute to the UK economy by attracting inward investment and tourism expenditure, and enabling air freight export of high value seafood to continental markets. They enable business travel to be undertaken efficiently between Inverness and other UK regions – most importantly London and South-east England. The services to Amsterdam, London Gatwick and Manchester also offer a limited range of international connections that are valued by businesses, although a significant proportion of international business travellers continue to drive the additional 2 to 3 hours each way to other Scottish airports to access codeshare links through Heathrow. This is detrimental to the efficiency of existing businesses in the region and a challenge for the region when promoting inward investment in to the Highlands and Islands.
From a tourism perspective, Inverness Airport is noteworthy as supporting a net inbound flow of visitors and expenditure, and therefore makes a positive contribution to the UK economy. The London Gatwick and Luton routes in particular support a relatively large volume of domestic tourists and spend in the Highlands that might otherwise be attracted to overseas destinations. A number of overseas visitors also use these routes to access the Highlands, despite their very limited codeshare options, and it is hoped that the Amsterdam route will bring in significant numbers of tourists from the Netherlands and elsewhere in Europe. The direct but very low frequency routes from Germany and Switzerland which have been attracted since 2008 are much lower in volume terms, but bring relatively high-spending visitors into the UK.
Some estimates are available to help quantify the scale of these economic impacts and have been evaluated in studies undertake for Highland and Islands Enterprise. In 2005, it was estimated that all aviation operations at Inverness contributed £55m annually to the economy and supported 750 FTE jobs either directly or indirectly. More significantly

though, based on 2004 passenger numbers, inbound visitor expenditure was estimated to generate economic output of £65m and support over 1,500 FTE jobs. Passenger numbers on cross-border flights were about 6% higher in 2010 compared to 2004.. Taking into account inflation and service changes since 2004, output from visitor expenditure is now likely to exceed £85m per annum, with approximately 65% or £55m of this from Inverness-London flights.
Overall, 80% of overseas visitors to the Highlands and Islands, accounting for an estimated £160m of expenditure, arrive by air. Whilst Inverness and Edinburgh are becoming more important ports of entry, London airports are still hugely significant in this regard, especially for visitors from long-haul destinations.

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****?*

For the passenger the main issue is a matter of minimising overall journey time and cost. 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 to access the chosen airport.

Heathrow provides a wider range of choice of carriers and destinations than comparable European hubs, particularly to the USA and British Commonwealth countries which in the past have been, and at present continue to be, critical links for business and tourism.

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

Direct connections are important to support industry, business and tourism.

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 across the North of Scotland. These fields are therefore now tending to be managed and supplied by companies in a number of locations with Inverness being one of these locations. This has resulted in, and will continue to result in, increased travel from within the region to destinations across the globe. Such frequent travel demands the minimum of inconvenience and time for the traveller to effectively serve this market.

In trying to attract inward tourism and inward investment it is important to make the journey for the tourist and business traveller as easy and convenient as possible. The more direct the flight involving the fewest changes of plane and countries transited through the more attractive the proposition and the greater the success in attracting the customer.

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

If the UK is to continue to succeed on the world stage it must be a centre of commerce and business and to achieve this aim it must have excellent transport links with its trading partners. There is no alternative to having an international hub airport if this function is to be retained and developed. International traffic that has to go through another European hub to get to the UK will in the short to medium term simply relocate its business to the European hub unless there are unique facilities the UK has that cannot be replicated in other centres. The reasons for having a national hub airport, reduced costs, emissions etc. by combining passengers from different regions to a

central longer haul route are as sensible now as they have always been. As ever increasing areas of the globe become developed then the opportunities for British companies increase in more diverse locations, increasing the need for an effective hub.

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

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?***

Point to point travel and a hub airport are both important. 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, as from the Highlands and Islands, then the hub airport's ability to group passenger numbers for onward travel at a location that additionally captures point to point traffic is required.

Manchester Airport currently supplies a degree of connectivity for Highland based travellers that allow it to perform a partial hub function for international travel. The number of destinations and frequency to key destinations are however very limited and inter flight connectivity in both directions is poor given the current focus on Heathrow, and increasingly Gatwick, as the main South East of England national hubs.

<u>Regional connectivity and regional airports</u>

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

Regional airports do take some pressure off the south east airports by providing direct access to international destinations, though clearly not for point to point movement to the South East of England. 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. Glasgow, Edinburgh, and Aberdeen airports do provide these services at present to a limited extent for the Highlands and Islands, outwith the Highland mainland area. To facilitate such a change in usage greater frequency to and choice of international destinations from these regional airports would have to be provided by transference of flights from busy routes out of Heathrow.

18 ***What more can be done – and by whom – to encourage a switch from domestic air travel to rail? &***
19 ***How could the benefits from any future high speed rail network be maximised for aviation?***

See HITRANS response to the DfT HSR consultation on HSR, June 2011.

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

We have already noted the ways in which regional airports support peripheral regions of the UK such as the Highlands and Islands. It is important that UK Government Aviation

policy recognises and supports the economic roles that aviation plays in the Highlands and Islands by enabling:

- inter-island and intra-Scotland journeys;
- domestic cross-border journeys (in particular to/from London airports);
- international journeys (whether these are on direct flights or via UK or continental hubs.

In particular, Government policy needs to explicitly recognise and support the role of domestic cross-border and aviation for peripheral regions of the UK, in order to achieve any economic rebalancing in favour of Scotland and Northern Ireland. This should ensure as a minimum that air links serving the Highlands and Islands, North-east Scotland and Northern Ireland are not priced out of Heathrow and Gatwick airports by increasing charges that penalise smaller domestic aircraft compared to larger international aircraft. It should also ensure that policy regarding Air Passenger Duty does not economically disadvantage these regions.

Making better use of existing capacity

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?***

Increasing the attractiveness of surface access for shorter inter-regional movement (sub 4hr duration) and to the hub airport at Heathrow and to London offers the opportunity to increase critical capacity at Heathrow and other London airports by reducing the number of landing slots required for regional airports. Such modal shift from air to rail would reap significant environmental benefit for movement from and to the regions so served.

Even with HSR in place as far as the Scottish Central Belt some parts of the country will still be peripheral to London and require continuing regional air access to the South East. These peripheral regions, including the Highlands and Islands, should be given a priority for landing slots to ensure adequate access to London and where the peripheral regional economy requires it, adequate connectivity through the hub airport at Heathrow.

To encourage the use of surface transport where this is viable consideration could be given to the introduction of a UK Differential Air Passenger Duty where a lower or zero tax rate should apply to those flights over the surface access time limit of say of 4 hours and to internal flights within the Highlands and Islands.

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 term 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 being environmentally acceptable to local residents 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 services using bigger planes to other worldwide destinations.

The challenge to Heathrow's hub status at a European and world level is as a result of it currently providing fewer links to growing eastern markets than competing European

hubs. It may be that Heathrow has to sacrifice a number of its frequent transatlantic services to fill this gap and provide customers with the choice of destination they require. Services which as a result move from Heathrow could relocate to either Gatwick or developing regional hub thus providing more flexibility and options for interlining by UK travellers not able to access Heathrow in the short to medium term, prior to the HSR creating reduced pressure for regional access and freeing up capacity.

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?***

It is not accepted that 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 aim should be to improve capacity on the days when difficulties occur. 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 would inevitably increase the pressure on internal UK flights to the peripheral regional with consequential knock on effects to the economies of these regions and the UK as a whole.

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? &***

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

Consideration should be given to introducing a mechanism that would permit the peripheral regional areas (where surface access of less than 4 hours is not available) to have a degree of priority for landing slots to permit access to and connectivity through the London hub. Where a peripheral region's economy is dependent on worldwide connectivity and is significant to the overall UK economy, the degree of priority should be extended to specifically require access to Heathrow.

Climate change impacts

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)?***

We believe that a differential Air Passenger Duty could be applied to further encourage mode shift to surface access where a viable surface mode exists. This should include a significantly reduced or zero tax for those areas where no viable alternative surface mode exists.

Local impacts

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?***

The largest impact on our regional economy would be if the business community didn't have the connectivity it needs or didn't have the confidence that the connectivity it has will be maintained. The consequences of these scenarios are significant job losses, loss of inward investment opportunities, reduced tourism, and revenue loss to the UK Government. The service sectors, and particularly the Health Sector, are reliant on the intra-regional and Scottish area air services to get patients to and from acute care centres. Any reduction in accessibility to our remote peninsular and island communities resulting from changes in aviation policy or taxation would have a significant impact on the sustainability of the economic and social base of these communities.

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 would be merit in considering setting enforceable targets for airports, to achieve a level of access by public transport through their masterplans. It is accepted that a common standard could be difficult to achieve with different conditions being experienced at each airport and variations in the market each serves.

An alternative approach would be for airports to be required as part of their Carbon Reduction Strategies to include the carbon footprint of all journeys to and from the airport in their base level data and, within their 2020 and 2050 targets, to include reductions in these elements of carbon usage.