RESPONSE TO THE AIRPORTS COMMISSION'S DISCUSSION PAPER NO.2: AVIATION AND CONNECTIVITY

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This response to the Airports Commission's Discussion Paper on Aviation and Connectivity has been prepared by HITRANS the statutory Regional Transport Partnership for the Highlands and Islands.

Securing improved connectivity, both within the region and externally, is a key strategic objective of HITRANS and as a result, air transport, which plays a significant role in delivering this, is a frequent and essential focus of our attention.

In our mind, there remains some ambiguity as to the scope of the Commission's remit in relation to the UK's regional airports, save in so far as they relate to its core task of evaluating whether there is a need for additional runway capacity in the South East, and if there is, how this might best be provided. The Aviation and Connectivity Paper is also quite high level and academic in its scope and outlook, but appears to have the underlying rational of trying to work out how best to assess connectivity and its benefits associated with London and South East capacity options, rather than examining the issue in the round by also looking elsewhere. So although there are broader aviation connectivity issues relating to flights within the Highlands and Islands and from the region to other parts of the UK and Europe, we have chosen to focus on the issue of air access to London and its hub airport(s) because this clearly is directly relevant and of critical important to the economy of our region.

If the Commission is interested in our other aviation connectivity issues, perhaps it could let us know and we would be pleased to submit further evidence for its consideration.

The questions in paragraphs 5.4-5.6 of the Discussion Paper provide a framework around which this response is built. Rather than seek to follow these slavishly we flag some key issues under each of the three key chapter headings in the Paper, and support this with two evidence-based documents addressing our core issue:

> (a) The first a report entitled "Air Links to London from the North of Scotland" was highlighted in the original evidence we submitted to the commission on 28 February 2013. The report is available to download at http://www.hitrans.org.uk/Documents/North_of_Scotland_Air_Links_to_London_Evidence_Note.pdf The report specifically looks at the issue from an Inverness perspective, including its economic importance, in Chapter 2.

(b) And the second, a power point 'deck' entitled "Regional Air Access to London: The Need for a Credible Policy that Recognizes the Core Connectivity Requirements of the UK's Peripheral Regions". This is based on a presentation made by HITRANS to a Waterfront Conference in London in September 2012, but updated to take account of the Aviation Policy Framework published in March 2013.

Definitions of Connectivity

Whilst we are broadly content with your generic definition of aviation connectivity as the "ability and ease with which passengers and/or freight can reach a given destination by air", we think great care needs to be taken with some of the ways you have chosen to assess it. First your analysis is completely London focused; second, a single weekly service threshold is very misleading (a more plausible criteria may change this perspective materially), and of little value in terms of business connectivity; and third you have failed to examine the potential implications one stop connecting journeys or the exodus of passengers from one airports catchment to another's, as part of the material you present.

And so while we believe there is scope to radically change the route network available to Highlands and Islands citizens over the coming years (and we set out how to do this in the main Evidence Note we are annexing), the issue will remain how much weight will be given in the evaluation of South East options in terms of their ability to improve regional access, and is there the committed political will to support this.

How may aviation connectivity contribute to the UK's economy?

The questions relating to the assessment of how aviation connectivity supports (1) trade in goods, (2) trade in services, (3) tourism, (4) business investment and innovation, and (5) productivity are largely dealt with in the economic appraisal sections of the Evidence Note and are touched on in the slide presentation

But it is clear from the trend data in Appendix A that when Inverness has had a Heathrow link it has boosted overall passenger numbers and significantly extended the range of one stop connection options available to the population of the Highlands and Islands.

Moreover the top six countries by way of the value of service, are all potentially important markets for the Highlands and Islands in terms of exports and tourism:

- USA
- Germany
- Netherlands
- Swiss
- France
- Ireland

Securing connectivity to them would there for provide a major boost to the region.

Future Aviation Connectivity Objectives

The questions relating to what the UK's objectives for the future aviation seem very technical and procedural in focus rather than visionary. HITRANS believe the in addition to grappling with these issues the Commission should try to secure clarity over structurally and politically important policy matters which could have a big impact on connectivity.

UK businesses value aviation connectivity because it provides them with access to foreign markets where they can sell their products, interact with other companies or secure investment. International markets also provide opportunities for UK firms to be involved in the exchange of knowledge, technology, innovation and labour. This requirement is particularly important for the outward facing business community in the Highlands and Islands where our strong Energy sector (oil, gas and renewable), food and drink (including whisky) and tourism all have a strongly international market focus.

The Evidence Note provides an in depth analysis of the deleterious impact on regional air services to London Heathrow, and more recently London Gatwick 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. That this has caused significant distortions to occur in normal market mechanisms is, therefore, hard to dispute.

The strategic policy advice the CAA offered to the Government prior to the publication of its Aviation Policy Framework, which is summarized in the presentation deck on regional access, appears to recognize explicitly the need for UK regions such as the Highlands and Islands and the North East of Scotland, to have access to hub airports to facilitate travel to the wider world. While foreign hubs may offer choice, relying solely on them for global connections clearly present strategic risks on whether such essential connectivity can be guaranteed in perpetuity. Moreover, as the Evidence Note adduces it also provides sub-optimal access compared with Heathrow, which 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, the Indian sub-continent and certain parts of Africa). The former, in particular, is crucial to the export/tourism markets of the Highlands and Islands.

Given the priority the UK Government has given to re-balancing the economy, encouraging private-led investment and securing access to faster-growing emerging economies to increase export volumes, the current dependence on Gatwick and to a lesser extent Amsterdam to provide the connectivity needed to support this is clearly sub optimal.

The arrival of Inverness's new Amsterdam service is very welcome but it should be understood that this 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 offer the opportunity to capture traffic leaking from the Highlands and Islands and 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

It is important, therefore, for the Commission to recognise the importance of maintaining, or even improving, connectivity from the UK's peripheral regions, by either:

- Supporting new runway capacity in the South East – ideally at Heathrow, but failing that at Gatwick or a new Thames hub - 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 Aberdeen.

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 prioritization in terms of UK hub slot access 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; and
- 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 prioritization at the UK's hub airport(s) and 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 on-going subsidy; the routes themselves are commercially viable. It therefore provides a well-targeted and low cost solution to the important problem of geographical remoteness and poor surface

connectivity, which the population and economies of peripheral regions such as the Highlands face.

The Evidence Note references for example, indicates that if a small number of the slot reservations 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 extremely modest. This in our view 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.

Appendix A: Summary Analysis of the Key Trends and Features of the Inverness to London Market

Trend Analysis

Figure 1 below summarises the development of traffic on the Inverness to London Market between 1989 and 2011.

Figure 1: Pattern of Traffic Growth on Inverness to London Market 1989-2011
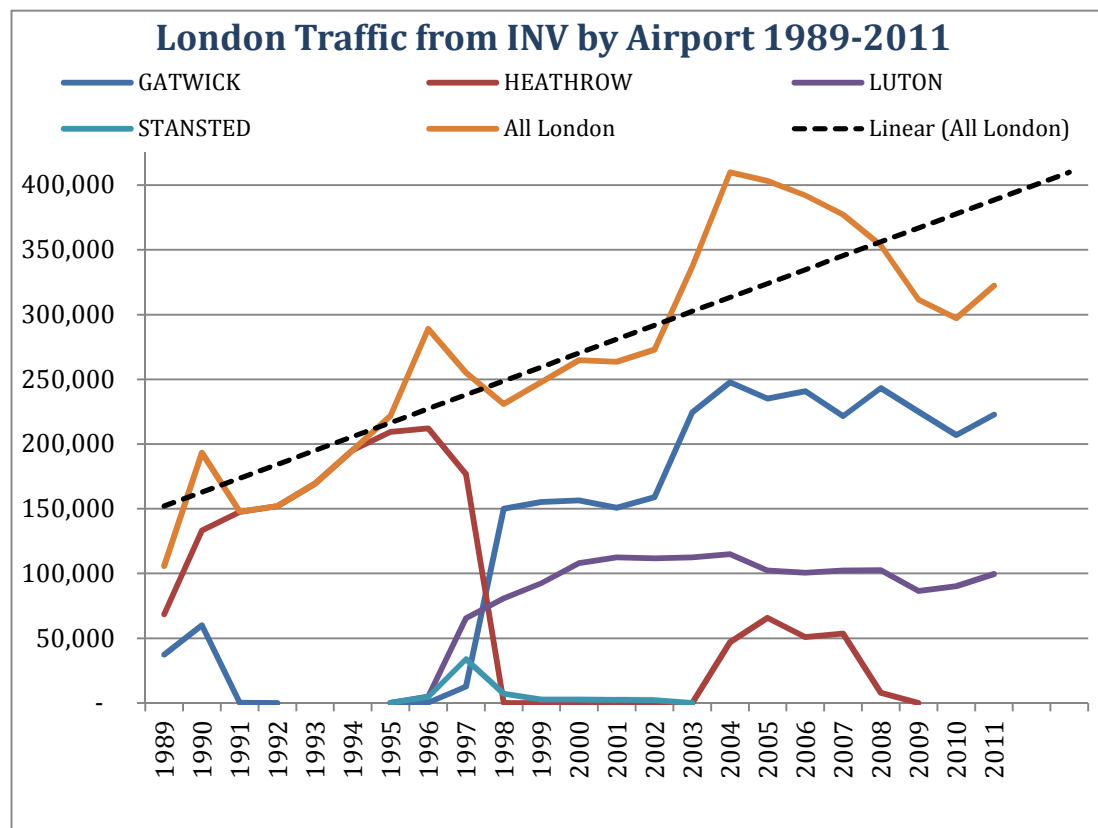
Source: CAA Data

Notable aspects are the abrupt transition from a Heathrow dominated market in the period up to 1997 to one in which Gatwick became the mainstay, with easyJet services making a predominantly VFR and leisure based contribution from Luton post 1997 and the brief re-emergence of Heathrow services courtesy of bmi in the mid-2000's. These are all well known features of an ever-changing picture. But what may be less widely recognised is that, with some peaks and troughs, the overall size of the Inverness to London market has been growing steadily, as shown by the hatched trend-line in Figure 1.

In 2004, total traffic volumes peaked over 400,000, co-incident with the market stimulation provided by the daily Heathrow service re-introduced by bmi. The subsequent drop in passenger numbers in 2008 below the trend-line, is in large part a reflection of the loss of that service in 2008, and at the margins to prevailing economic conditions, although the performance of the Gatwick and Luton routes has been relatively steady during that period and indeed picked up

slightly last year as overall volumes climbed back to 325,000, some 50-60,000 ahead of where they had been in 2003.

Table 1: Traffic to Hub Airports from Inverness Airport Catchment, Leaking Via Other Scottish Airports

| Hub Airport | Highland & Moray | | | | Total |
| | Via surface to hub: | | | | |
	ABZ	EDI	GLA	PIK	
LHR	**39,064**	**9,381**	**12,090**	**0**	**60,535**
O&D	16,184	2,568	4,296	0	23,048
Connecting	22,880	6,813	7,794	0	37,487
LGW	**3,344**	**4,022**	**3,789**	**0**	**11,155**
O&D	3,344	1,599	3,275	0	8,217
Connecting	0	2,424	514	0	2,938
MAN	**2,378**	**608**	**1,701**	**0**	**4,687**
O&D	2,052	608	540	0	3,200
Connecting	326	0	1,161	0	1,487
LTN	**4,898**	**6,601**	**1,158**	**0**	**12,657**
O&D	4,898	6,601	1,158	0	12,656
Connecting	0	0	0	0	0
STN	**0**	**3,670**	**2,710**	**4,929**	**11,308**
O&D	0	3,670	2,710	4,417	10,796
Connecting	0	0	0	512	512
LCY	**0**	**1,099**	**426**	**0**	**1,525**
O&D	0	1,099	426	0	1,525
Connecting	0	0	0	0	0
AMS	**8,090**	**13,944**	**4,374**	**0**	**26,408**
O&D	1,644	5,472	1,687	0	8,803
Connecting	6,446	8,472	2,687	0	17,605
CDG	**1,835**	**1,021**	**385**	**0**	**3,241**
O&D	718	488	385	0	1,590
Connecting	1,118	533	0	0	1,650
CPH	**3,242**	**0**	**94**	**0**	**3,336**
O&D	1,608		94	0	1,702
Connecting	1,635		0	0	1,635
DUB	**2,153**	**841**	**2,040**	**2,065**	**7,100**
O&D	1,701	841	1,661	2,065	6,269
Connecting	452		379	0	831
FRA	**0**	**5,283**	**0**	**0**	**5,283**
O&D		4,747		0	4,747
Connecting		536		0	536
O&D to Hub Airports	**32,148**	**27,691**	**16,231**	**6,482**	**82,533**
Connecting at Hubs	**32,856**	**18,776**	**12,535**	**512**	**64,680**
Sub Total Hub Airports	**65,004**	**46,467**	**28,766**	**6,482**	**147,233**
Other Airports Direct	**55,168**	**58,513**	**7,354**	**45,648**	**225,179**

Total Traffic Using Other Scottish Airports	120,172	100,213	99,385	52,642	372,411