

# Aviation 2050 Consultation Event

## Eden Court, 15<sup>th</sup> March 2019

### Note of Meeting

#### Overview of Aviation 2050-Ian Elston

Case to made that aviation is more important in the Highlands and Islands than in any other part of the UK

A reasonable and consistent cost across the region

We have not made our mind up on a lot of policies

Evidence will provide a much stronger case for us to put forward

#### **Q&A**

1

Stuart Black Highland Council: You have said the Highlands and Islands is the most aviation dependent part of the UK. However, aviation faces opposition in some quarters on environmental grounds. How can we reconcile these two issues?

Ian Elston: This is a UK wide issue. New technology can take us further in addressing environmental issues. Aircraft are a lot more fuel efficient than in the past. Make the case why aviation is important-it can do things that other modes can't and stimulates economic development.

Recognise that aviation is relatively hard to decarbonise but need to consider how aviation can reduce or offset its environmental impacts. Carbon trading hits smaller airports harder; the cost should not be disproportionate for these airports. Sell the benefits of aviation-it's not just about outbound holidays-it is also lifeline provision, trading and economic development.

Ranald Robertson HITRANS: Feed in ideas/activities in consultation responses. For example, electric Islander aircraft whose technology might also be applied to Twin Otter aircraft. The EU Spara 2020 project, which HITRANS led, looked at decarbonisation of airport's activities.

2

Basil O'Fee Northpoint Aviation: Is it helpful to make submissions before the June 20 deadline?

Ian Elston: We always welcome early responses. We can provide feedback to/interaction with you as you develop your submission. Can even meet to discuss issues-though we cannot do this with everyone who is making a response.

#### **Regional Growth & Connectivity**

##### Supporting Regional Growth & Connectivity-Erum Mussa

Links to UK Industrial Strategy-rebalancing the economy, economic growth. At least as much emphasis on parts of the UK outside the big cities as on the big cities themselves.

Need to take account of surface access to distribute the economic benefits of connectivity.

Movements of goods by air-e.g. post, industrial supplies-should be as good and as easy as possible.

Trade and business links are so important-Inverness Airport Business Park is a component part of this.

Skills-shortage of Air Traffic Controllers.

Tourism-very relevant to the Highlands and Islands.

Social benefits-residents' health and VFR trips.

One of the challenges is to be fair and consistent across the UK while also meeting local needs.

There are eight airlines operating out of Inverness but some other airports have a more challenging commercial environment.

Scotland will benefit from an expanded Heathrow. However, by the time additional capacity is available some existing domestic routes into Heathrow will have been lost. Some new domestic routes to Heathrow may not work, so DfT trying to understand what they can do to make these routes work by supporting onward connectivity.

Current UK approach to PSOs is based on interpretative guidance on EU regulations. DfT looking to provide greater clarity on its approach to assessing PSO applications. Will weight the scoring for the various proposed criteria. Need a robust strategic case.

#### Exporter Perspective-Iain Urquhart, Johnstons of Elgin

Employ 750 people in Elgin and 250 in Hawick (Scottish Borders) plus other employees in a number of countries across the world.

Visitor centre at Elgin means that inbound tourism to the area is important to them. Receive 185,000 visitors per year, 40,000 of whom take a tour (most are likely to be international visitors, many of whom will fly into Inverness).

Long established exporter, now selling into 60 countries. Main markets are France, Japan and Germany, with sales in China growing strongly. Elgin based staff make 470 round trip flights per year, with 300 round trips by business visitors to the Elgin site.

50 single malt whisky distilleries in Moray. 14 have visitor centres, with 320,000 visitors per annum (18% growth from previous year). 5 day Whisky Festival in Moray, comprising 500 events with total attendances of 45,000 people. Economic impact of the Festival is £3 million in Moray and £5 million in Scotland. Single malt whisky accounts for 25% of Scottish whisky exports; expected to rise to 29% in the next five years.

North Coast 500 road route-Inverness-Wester Ross-North Sutherland-Caithness-south Sutherland-Easter Ross-Inverness. Started four years ago. In Year 1 it attracted 29,000 extra visitors to the Highlands, 20% of whom were from overseas, with additional visitor spend of £9 million. BA have used NC 500 as part of its promotion of the Inverness-Heathrow service.

#### H&I Connectivity to Major Hubs-Graeme Bell

Third year of BA Inverness-Heathrow service. Offers connections to 190 destinations across the world. In 2019 the service will increase to a double daily flight with the aircraft based at Inverness.

260 connections at Amsterdam from its Inverness service. 2019 will see the service move to a double daily service with a larger aircraft deployed at times of peak demand. Expectation of a significant increase in US passengers.

Reduced passenger leakage (between 2013 and 2018) from the Inverness catchment area to Aberdeen, Edinburgh and Glasgow airports is a result of improved connectivity from Inverness. Removes the need for additional overnight accommodation costs for passengers using these other airports, and reduces the risk of their missing flights.

## Q&A

1

Tim Whittome HIAL. Airlines should have been included as attendees to the event. Regulation has little control over airlines as they make commercial decisions-how can we influence airlines decisions about the routes they fly. How could you persuade airlines to provide services between Inverness and Glasgow/Edinburgh?

Ian Elston: It could be that Glasgow and Edinburgh routes would be profitable-but less profitable than other uses for the aircraft. Regional airlines are focusing on high passenger loads on larger planes, while the cost reduction in operating smaller planes is not proportionate to their lower number of seats.

DfT are talking to airlines as part of engagement for the Aviation Strategy. PSOs can be used of as a means of influencing what routes are flown. Inverness-Heathrow route is profitable but maybe less so than international routes from Heathrow. However, regional organisations should hold Heathrow's feet to the fire on the commitments they have made about regional access to Heathrow-as will DfT.

2

Grenville Johnston HIAL. Need to consider freight.

Iain Urquhart. His company (Johnstons of Elgin) use TNT and leave the air routings to them. It could be that they fly their goods from Edinburgh or East Midlands rather than Inverness.

Graeme Bell HIAL: Export of langoustines was quite successful on the former flybe Inverness-Gatwick route with onward connections to Barcelona. The timings on the current Heathrow and Amsterdam services don't suit movement of langoustines. However, discussions are being held with the airlines about potential freight traffic.

Ian Elston: The movement of freight reflects the individual airline concerned. For example, easyJet flights have a very limited turnaround time which mitigates against freight traffic. Feel there is real freight potential with the Inverness BA service but that is down to the airline and freight forwarders. Freight revenue can make a Heathrow passenger flight commercially viable.

In terms of *passenger* traffic technology will in future make do it yourself connections easier than they currently are.

3

Basil O'Fee Northpoint Aviation. Start-up funding/Route Development Funds. How do we move forward on this. He understands that the response to the last round of funding applications was disappointing. Maybe a function of airport's not needing the funding and DfT processes for assessing the level of funding required. Was the assistance simply replicating the incentives that airports offer to start up routes anyway? Also the onus was on the airline to apply and some did not do so as they did not have the time?

Ian Elston: EU regulations constrain what the DfT can do-e.g. funding has to go to the airline rather than the airport. Recognises that there were issues with administrative requirements and a mismatch between the timelines for funding and airlines' financial years.

4

Stewart Nicol: Inverness Chamber of Commerce. PSOs particularly relevant to the Highlands and Islands given surface journey times mean that surface transport is not an alternative to air.

Ian Elston: It is a positive point in favour of PSOs if there is no distortion of market by displacing trips from surface modes. However, there is also a need to consider any distorting effect on nearby airports.

Ranald Robertson HITRANS: Surface journey times are long to other Scottish airports from parts of the Inverness Airport catchment area-notably Skye and north west Sutherland. This contrasts with south west England where surface journey times to London and other main centres are relatively modest.

### **Policy Mechanisms**

#### **Slot Allocation Case for Change-Jasmine Banghard**

Heathrow's growth is really important to the whole of the UK economy. However, the additional capacity will be taken up on day 1 leading to suppressed demand.

Increasing connectivity-domestically and abroad-is at the heart of our strategy.

DfT want to hear about the slots times that are required by the regions. However, there is also a need to consider whether increased domestic flights into Heathrow will have a negative impact on direct international flights from regional UK airports.

### **Q&A**

1

Grenville Johnston HIAL. In 1998 HIAL had the chance to possibly buy slots at £10,000 each-but they may now cost £10,000 million each? However, only airlines can acquire slots. So could the Highlands and Islands look at establishing an airline to buy the slots it needs?

Jasmine Banghard: DfT are looking at this. They will assess it in terms of its contribution to competition and connectivity. Also looking at market allocation (based on price) of slots but, within this, looking at circumstances where wider factors could mean that the slots are not simply allocated to the highest bidder.

2

Fraser Grieve SCDI: There have been threats to Highlands and Islands routes over the years due to the possible loss of slots. That is because airlines look to use larger planes-whereas Highlands and Islands' requirements have been for more rotations rather than bigger aircraft. There is a need for longer term planning and future proofing slot allocation against possible loss of slots.

Jasmine Banghard: Safeguarding domestic connectivity is one of our key objectives. However, need to avoid a slot allocation approach that would hem in the ability to react to changing circumstances. Future proofing is important as the Strategy will cover the period up to 2050. Would look for respondents to provide evidence of how their preferred slot allocation approach would work over the period up to 2050.

3

Basil O'Fee Northpoint Aviation. Aware of evidence that long haul tourists stay longer and spend more money than domestic tourists. Hence need for global rather than simply domestic connectivity. There is a distinction to be made-in terms of economic benefits-between business-critical routes at Heathrow and heavily outbound leisure ones (e.g. Palma) Are DfT taking this into account?

Jasmine Banghard: Yes, potentially through DfT guidance to slot co-ordinators but there's only so much we can do. Need to see evidence on this. There may be a need for DfT intervention on this but this would need to be proportionate.

4

Stewart Nicol Inverness Chamber of Commerce. The region has suffered in the past from a lack of protection of Heathrow slots. Also need to recognise that Orkney, Shetland and the Outer Hebrides benefit from Inverness's access to Heathrow through their own flights to Inverness. Inverness could be exposed again in the future years to 2050 if airlines can make greater profits by flying from Heathrow to another airport instead of Inverness.

Neil MacRae HITRANS. A need to define and measure connectivity. Should be a day trip in both direction as a bare minimum. If funding is sought for slots would this be expected from the Highlands and Islands end of the route? Need to recognise that the London end of the route benefits from having passengers fly to Inverness-passenger traffic is a "two way street".

Jasmine Banghard: When airlines get a slot for the first time they do not pay for it. However, they can subsequently sell it and DfT see this as a mechanism for allocating slots.

5

Allan Henderson HITRANS: Will the introduction of HS2 lead to more slots at Heathrow becoming available?

Ian Elston: This can be expected as there will be reduced demand for flights from northern England to Heathrow. For example, Manchester-Heathrow flights may no longer be needed. The market alone would take up any freed up slots. However, in terms of Scotland, it would be expected that this would result in additional Heathrow flights from Edinburgh and Glasgow rather than Inverness.

Not known-main in blue shirt at the back of the room. Have DfT looked at best practice examples of slot allocation in other countries?

Jasmine Banghard: The context has been somewhat different in most other countries. They have generally addressed slot constraints by providing additional airport capacity rather than devising means of rationing slots. Heathrow is the most congested airport in the world.

Aware that EC are looking at how slot allocation could be done, as are China. US tried auctioning slots but this didn't quite work. France ring fences slots for regional services at Orly airport. DfT attended a forum in France to discuss slot allocation approaches with the US and Scandinavian countries.

#### Priorities for H&I Aviation-Basil O'Fee

Perhaps a need for minimum standards of connectivity for communities (accounting for all transport modes).

#### **Q&A**

Neil MacRae: Connectivity is poor in certain parts of the Highlands and Islands and this points to the needs for indices/measurement of connectivity.

Ian Elston: Would welcome evidence on indices/measurement of connectivity.

#### **Closing Session**

##### Next Steps for Consultation-Michael Coe

Today's session highlighted the importance of:

- Aviation's contribution to regional growth and rebalancing the economy.
- UK being the world's third largest aviation market and second largest aerospace market.
- Balancing aviation growth and the environment.
- Aviation's role in facilitating exporting and inbound tourism.
- Involving the airlines in the consultation process.
- Considering how we tackle issues that exist today and those that may emerge in the years up to 2050.

##### Closing Remarks-Graeme Bell

- Need to consider the needs of all communities of the Highlands and Islands-not simply Inverness.
- Importance of both business travel and inbound tourism.
- Highlands and Islands is a successful region but is geographically challenged.
- Route development at Inverness can be hard. Inverness routes require more flying hours and greater fuel costs than do those from airports further south, plus additional crew accommodation costs from having more aircraft overnighing at the airport.