

Aviation Policy Framework consultation.  
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Response from North East Scotland Transport Partnership (NESTRANS)

### **Summary and Key Issues**

- Aviation Policy needs to recognise the economic and social contributions of all the regions of the UK taking into account the needs of the whole of the country, not just London and the South East
- The North East of Scotland makes a growing and disproportionate contribution to UK GDP which requires global air service connectivity
- Any new Aviation policy should provide the UK regions guaranteed access to the UK hub airport whether through new capacity or where necessary PSO protection to the hub airport
- The remit of the CAA must be updated to recognise the broader economic contribution of air transport, not merely a model to maximise throughput on constrained runways

### **Introduction**

Nestrans is the statutory Regional Transport Partnership for the North East of Scotland covering the geographical area of Aberdeen City and Aberdeenshire Councils. This represents 10% of Scotland's population and approximately 10% of its land mass. It has a Board consisting of Councillor Appointees from its constituent Councils and of non-elected appointees approved by the Scottish Ministers. Nestrans principal function is to develop and implement a regional transport strategy which has Scottish Ministers approval. Air transport is a key component of that.

### **The benefits of aviation**

#### **The economic context for the NE**

##### Anchoring oil & gas

For around 40 years, the North East of Scotland has been the UK's gateway to enjoying a number of the benefits derived from the oil and gas industry. This industry sits alongside other more indigenous sectors in our region such as food and drink, tourism, life sciences and research and has provided an excellent source of employment and growth to counterbalance the loss of the onetime major employment areas of shipbuilding and repair and fishing.

The energy industry has provided prosperity for our region which extends well beyond our immediate boundaries. Whilst much of the project management, decision making, innovation and expertise is undertaken in the North East of Scotland, currently estimated at around 40,000 jobs - many of the functions flowing from the work undertaken here results in job creation in other areas of the country and economy - currently estimated at a total of 120,000 jobs throughout Scotland and a total of 480,000 oil and gas related jobs UK wide - where

there are the appropriate skills, plant and people. There are therefore many jobs throughout the country directly linked to the economy, development and connectivity of North East of Scotland, and the decisions taken by companies, in our region, which benefit other areas of the UK including the Highlands, Fife, Glasgow, Tyneside, London, South East England and the South coast.

The work, experience and opportunities generated in our region has in the past been built upon the oil and gas reserves in the North Sea. As the fields have matured and the extraction of oil and gas reserves has become more complex, we have seen the development of many companies whose gained knowledge and innovation has created world class and world leading centres of excellence. This is particularly so in the fields of subsea engineering and in supply chain and logistics.

Whilst there has been a growing acknowledgement amongst companies that the North Sea still offers a significant number of years worth of future employment it does nevertheless have a limited lifespan. Companies and the local authorities have been looking to the future and have through the public private sector partnership Aberdeen City and Shire Economic Future (ACSEF) developed a plan to secure the future of the North East of Scotland and with it the very significant export income, the inward investment and the jobs across the UK that currently depend on the North East of Scotland's continuing involvement in the Energy sector.

This Plan involves, amongst other things, internationalising the work in the areas where we are world leaders and diversifying into the renewable energy sector where many of the skills required are transferable. In the supply chain and logistics sector this internationalisation has been very successful to date with, in 2010-11, almost half or some £7.6 billion worth of the total of £16.3 billion worth of annual work being overseas, with sales activity in over 100 countries. A high percentage of this activity is from the North East of Scotland. There are targets for increasing this overseas work further including a target to increase overall sales by the Scottish-based supply chain to £30bn by 2020 and the proportion of exports to 60% (or some £18bn). This of course creates jobs in the rest of the UK but to do so requires secure and comprehensive air services with guaranteed connectivity to the UK hub.

## The Prize

The prize for the UK is to create an industry in the North East of Scotland that services the global energy centres by being the world leader in these chosen fields of expertise for a period that long outlasts the extraction of oil and gas from the North Sea. The Plan envisages achieving this prize by anchoring in those parts of the industry and creating the critical mass where companies in similar fields can be located together to work and feed off each other.

Success will ensure that the UK will continue to enjoy the benefits born from the discovery of oil and gas in the North Sea long after the last oil is removed from it.

Putting this into an annual monetary context the current contribution made by the energy industry to the UK economy is as follows:

- £32 billion to the balance of payments
- £7 billion in exports
- £13 billion in Corporation tax on production
- £6 billion in Corporate and Payroll tax from the wider supply chain

## Competition

The Plan recognises that to be a world leader you have to be a player on the world stage. Our competition comes from the likes of Perth in Australia, Calgary in Canada, Doha in Qatar, Houston in America and others. If the North East of Scotland does not secure this

work for the future, the UK will lose jobs to these types of locations rather than seeing any redistribution of jobs within the UK.

In attracting companies to establish headquarters in our region and help us in building the critical mass to keep the industry here, ACSEF has carried out extensive consultation with companies to see what would attract and keep them here. From these consultations it is clear that two issues are high on the list of prime requirement for choosing a headquarter location: quality of life and transport.

The consultation describes the need to have a unique selling point and for the North East of Scotland that has been clearly identified as our quality of life. The British way of life and the advantages that our corner of the country can provide with mountains, coastal areas and city culture all within easy reach are good selling points.

### Connectivity requirements

Of equal importance is transport. This has been identified as an issue both within our region and our external connectivity. We are addressing the issues and have well advanced plans to improve both road and rail systems across our area as part of a Regional Transport Strategy designed to deliver a fully integrated transport system for our region. This includes projects estimated be worth around £1.5 billion in both public and private sector investment. Our ports and airport have been upgraded, including a recent runway extension, and commitment to improve our road and rail infrastructure secured, amounting to around 2/3 of the identified expenditure.

The recent Supreme Court judgement on the 28 mile dual carriageway Aberdeen Western Peripheral Route has allowed the Scottish Government to announce that this project can now proceed with an opening date of 2018. This very significant project permits progress on a number of other transport projects which, when taken together, will provide the conditions for a marked improvement in transport across our region. This investment will also significantly improve surface access to Aberdeen Airport, a key requirement of the strategy.

However, if we are to expand our global activities, providing services to the world's energy centres from our area we need to be able to access those regions easily and effectively.

### Current conditions for flying

When looking at the current connectivity that the North East of Scotland has to the rest of the UK and to the world the most striking element is the geographic location of our part of the country. We are a peripheral region in a peripheral country on the edge of Europe.

We are over 2 ½ hours from the central belt of Scotland and over 7 hours by train from London. Building a high speed rail line between Scotland (Edinburgh or Glasgow) and London will still leave the North East of Scotland with a rail journey of around 6 hours with the inconvenience of not only changing trains in Scotland but also the possibility of additional train changes to access Heathrow.

For business this is unacceptable. It is therefore likely that business travellers wanting access to destinations outside Scotland will choose to fly. Aberdeen Airport is currently very well connected within the UK and has good access to a number of the European hubs including Amsterdam, Paris and Frankfurt. However, by far the main airport for connection to Aberdeen is Heathrow. There are more passengers choosing to fly to or via Heathrow than to or via all the other hub airports combined. In attempting to understand the reasons behind this Nestrans and our colleagues at Hitrans commissioned a report to see if we could establish why Heathrow is so essential to business travellers. This work can be found at:

[http://www.nestrans.org.uk/db\\_docs/20120531\\_Air\\_Links\\_to\\_London\\_from\\_the\\_North\\_of\\_Scotland\\_Final\\_Report\\_1.pdf](http://www.nestrans.org.uk/db_docs/20120531_Air_Links_to_London_from_the_North_of_Scotland_Final_Report_1.pdf)

The key findings from the report are:

- The number of business passengers flying from Aberdeen Airport is double that (54%) of either Edinburgh (known as a busy business airport) or Glasgow
- The number of passengers flying on from Heathrow is high, at greater than 40%
- The destinations served by Heathrow, although less in number than some competitor hubs, meets the needs of the Energy market
- The connectivity that Heathrow offers (frequency of flights) is crucially important to business travellers
- Growth in travel to other European hubs has been matched by growth in traffic to Heathrow

#### History of regional access to Heathrow

However the history of air services at Heathrow shows a worrying trend. Heathrow now serves significantly fewer domestic airports than previously, 6 compared with over 20 around 30 years ago. Runway slots at the airport previously used for domestic connections have been given over to larger planes serving longer haul traffic, even though the domestic services were themselves profitable.

As Heathrow has approached capacity this trend has become ever more serious. Recent Government decisions on limiting expansion at the airport have created a constrained market. In looking for growth, both the airports and airlines are attracted to using higher capacity aircraft to increase revenue: this is good for the airlines and airports but not necessarily good for the country or for securing regional access.

The Government's primary response has been to improve surface access to the airport with high speed rail extending the reach of the airport to many more surface access passengers including from some of the regions. However as previously discussed this solution doesn't reach the more peripheral parts of the country, including Aberdeen. The more peripheral regions have a greater reliance on air access to the national hub.

#### Fragility of current services

Further, recent developments have provided evidence of how fragile such domestic connections are. Glasgow lost its BMI connection to Heathrow leaving the West of Scotland with no competition on the route. More recently Edinburgh and Aberdeen have also lost BMI connections to Heathrow with the sale to IAG. Although this may be compensated for in Edinburgh and Aberdeen's cases by the possible introduction of a new carrier for these routes, this was only achieved by a concerted lobbying attempt to invoke competition rules and there is no guarantee of service beyond 6 years.

The recent decision by the Civil Aviation Authority to find that proposed changes to charging policies which appear to discriminate against smaller aircraft landing at Gatwick are acceptable further undermines confidence that these trends which work against regional access to the capital's main airports, including the national hub, won't be further eroded.

Confidence is further undermined as this trend is extended by the loss of the Aberdeen to Gatwick service run by Flybe. Whilst this and the loss of Aberdeen to Heathrow services by BMI may be in part offset by new services to London City Airport, recent history does little to inspire confidence in investors when they are deciding on whether to invest millions of pounds in new facilities in the North East of Scotland. Inward investors need the certainty that their personnel will be able to travel easily, frequently and effectively to where they are needed.

## Distance and peripherality

There are a number of ways in which the Government can intervene to ensure the country has the connectivity and access it needs to operate effectively so that all parts can contribute to economic development and achieve social cohesion. Improving surface access will help considerably, but as we also discussed this doesn't apply equally to all locations because of the geography of the country. We believe that the peripheral nature of parts of the country and the significant and economically disproportionate contribution that some parts of the country make to the UK economy should be recognised.

However, the Civil Aviation Authority maintains that it does not have the legal powers to take these social and economic factors into account in providing their advice to Government. The prize, as described above, not only the North East of Scotland but also for the wider UK economy and the 10's of thousands of the knock on jobs in related employment, is too great to dismiss. Government intervention, affecting the growth of South East airports, is constraining the market and this requires counterbalancing intervention to mitigate the worst impacts on economically important but peripheral regions of the UK. That requires either agreement for additional runway capacity at the national hub airport or securing vital air service connections through the designation of core air services under Public service Obligation (PSO) protection to London Heathrow. Such a policy is deployed widely in the rest of Europe and should be adopted to protect our vital regional links in the UK.

## Current CAA remit

The CAA currently takes its remit, rightly, from instructions it receives from Parliament: its duty is to look after the interests of all passengers. The CAA believes that a reasonable proxy for all passengers is the maximum fare box i.e. the maximum number of passengers. It is the CAA's position taking the macro economic view, that as the market will meet demand from passengers, it follows therefore the best economic advantage will be gained from the commercial decisions of the aviation industry.

It is our view that in an unconstrained market this position may well be correct. However, through Government intervention, the market is constrained and this constraint requires to be managed to ensure that the whole country derives maximum economic benefit from the aviation industry.

The position of taking the maximum fare box as a reasonable proxy for all passengers when operating in a constrained environment is in our view an oversimplification. The CAA position takes into account the maximum number of passengers able to fly but doesn't take into account those passengers unable to fly due to the constrained market. In particular it favours passengers flying in larger aircraft from the constrained airports but dismisses those from the regional airports less able to access constrained hubs by alternative surface access or guaranteed air access via PSO.

The CAA position also assumes that the needs of all passengers are fully served by being able to fly and are of equal worth when flying. In our view this is also overly simplistic. When no suitable surface access is available and passengers can't access the constrained hubs by flying, then business within the regions is constrained. An Aberdeen originating business passenger en-route to Houston to sell specialist oil services is of significantly greater economic value to the UK compared with a UK tourist travelling to Las Vegas. Aberdeen Airport has a very high business passenger percentage and a high interlining factor.

These factors, together with the high value business being carried out, could very significantly damage the economy of the North East of Scotland. This would in turn have a consequent knock on effect for jobs in other parts of the country. It does not seem reasonable for this interest not to be taken into account by the CAA in the application of their role and making policy advice to Government.

## **What we want to see**

In responding to this consultation we have tried to put our concerns into an overall economic context for the UK as a whole. Clearly we have the interests of the North East of Scotland foremost in our consideration but have tried to demonstrate the economic impact should the connectivity that our region currently enjoys be put at risk by a failure to consider these issues in UK aviation policy. The consequences will not be limited to our region as the follow on impact on jobs across the UK, many in high unemployment areas, would be significant.

To ensure that this threat to jobs does not happen we are keen to implement our regional Plan to anchor the energy industry into the UK. This requires that UK aviation policy provides existing companies and prospective inward-investing companies with reassurance that the connectivity vital to their ongoing or new business is maintained and secured. The volume of travellers and number of destinations requires a hub airport that meets these connectivity needs. Data on passenger choices clearly demonstrates that Heathrow provides the connectivity that business requires.

Therefore, we would urge that UK aviation policy recognises that the industry is currently working in a constrained market place - a constraint made by the Government - and that complementary mitigation measures are required to counter the effects of that policy. Whilst the Davies Commission will consider some of these issues, it will not report fully until 2015 and any remedial actions will take many years to implement. We need to use the current upsurge in North Sea activity as the catalyst to attract and keep companies here to generate the critical mass necessary for the long term future. We therefore need UK aviation policy to recognise the current constraints and ensure that over the next 20 years these Plans are not put at undue risk by fears over connectivity.

Given the history of the loss of UK regional links to London Heathrow and the increasing pressure on runway slots there, we would like to see our services to the UK primary hub airport guaranteed. That can be achieved either by the development of or permission to use additional runway capacity at or adjacent to London Heathrow and / or the guarantee of the current Aberdeen – Heathrow air services through their designation under PSO protection. A service to Stansted, London City, Gatwick or Luton is not a substitute to provide the vital direct connectivity to the Heathrow hub and the economic activity it secures for our region and the UK.

Following the recent consultation event in Glasgow it is clear that Air Passenger Duty, being a Treasury issue, is not a question for this consultation. Whilst we believe that Air Passenger Duty does have a significant impact on the air transport market thus on Aviation Policy, given the advice received at the consultation, we will not make further reference to APD in this response.

## **Climate Change Impacts and Noise and Other Local Environmental Impacts**

Nestrans does not have the technical expertise to be able to provide detailed opinion on these issues. Where we would wish to make comment is in the area of balance between the environmental, economic and sustainability issues.

As we have highlighted in the Economy section above, flying is an essential element of the country being able to function. A very large number of jobs depend on not only the important international travel that our national and regional airports provide but also on the connectivity within the UK. The Government is making progress on delivering improved surface connectivity within the UK by improving rail travel including its proposals for High Speed Rail. However it has to be noted that where that surface connectivity is over a time threshold, of around 3½ hours, then for most journeys flying is the only logical choice. Not all domestic and short haul flights are bad.

To extend this argument on domestic flights, in the North of Scotland and amongst the island communities, flying becomes more than a business need. It becomes a lifeline necessity.

Flying does, of course, have environmental impacts. These impacts have to be taken fully into account in a proportionate way to the extent of the impact. There has been recent discussion about the benefits of noise improvement at the cost of greenhouse gas production or vice versa. These arguments need to be extended to include the balance of the environmental impacts and the economic benefits of flying that air services generate.

Nestrans believes there is a strong role for Government to take. There has been significant progress in engine development over the years and Government (or world governments) should be creating the conditions for even further technological improvements. For example priority access to airports for greener and quieter aircraft, incentives which limits the number of older aircraft permitted to use specific airports, particularly hub airports and a timescale for further phasing out of older aircraft through fiscal or other incentives and encouraging application of additional thresholds for noise and pollution.

Nestrans also understands that there is a scope for examining the angle that aircraft can take on approach to landing which could increase the aircraft height at any point on the trajectory and thereby help in reducing noise impacts.

It is our belief that any policy must find the right balance, one which recognises the needs and benefits of flying but mitigates as far as practicable the global and local environmental impacts.

In Aberdeen there is, along with the fixed wing aircraft, an extremely busy helicopter airport. There is concern over the noise of this type of aircraft but again a reasonable balance has to be struck between local environmental conditions and the absolute need for those flights. These issues are being pursued in Aberdeen through dialogue between the local community, the airport consultative committee and the airport.

### **Working together**

There appears to be a good record of consultation and discussion between Aberdeen Airport and the Aberdeen Airport Consultative Committee: Nestrans would commend proposals to build upon this situation.

Nestrans also believes that the current Airport Masterplanning process is of great value. In our experience this process is not only good for the airport in making it set out clearly its vision for the future but also in the engagement with its stakeholders and communities as these proposals are developed. The way that this process has been developed and implemented for Aberdeen Airport has been extremely useful in information exchange and understanding. Nestrans endorses proposals to assist in this process.

### **Planning**

Surface access strategies are considered essential by Nestrans. These permit strong dialogue between airports, local authorities and transport providers. It is only by working together to an agreed strategy that surface access to airports can be improved for the benefit of the passenger.

It is also essential that zoning and safeguarding around airports do not permit residential development in areas that subsequently allow new residents in properties impacted by airport operation to object to such operation and associated air transport services.