ITEM 7

Regional Transport Partnerships Chairs Meeting

Lerwick

2 March 2011

ITEM 7: Aviation Up-date

Summary

The report updates Chairs on trends and issues in aviation faced in Scotland with regard to connectivity with national and international air networks, and in particular the increasing challenges of retaining effective access to the South East of England airport hubs, and security requirements.

Access to Heathrow and Gatwick Airports

With the UK Coalition Government's decision not to allow expansion of runway capacity at Gatwick and Heathrow Airports and the sale of Gatwick to Global Investment Partners, surety of access to these airports from the regions of the UK is becoming an increasing concern.

The Civil Aviation Authority (CAA) has agreed to both Heathrow and Gatwick significantly increasing their landing charges per plane. While high charges have historically been a feature at Heathrow which has led airlines to concentrate on long haul high capacity services to the exclusion of access from all but 6 of the 28 regional airports in the UK, this trend has not previously been such an issue at Gatwick. Following the change in ownership of Gatwick substantial increases in their landing charges have been approved by the CAA. The impact on regional access to London's second hub airport could thus in time be equally constrained as airlines attempt to meet these charges by diversifying towards long haul services.

Glasgow, Edinburgh and Aberdeen airports have to date enjoyed adequate levels of access to both airports, though the recent announcement of the withdrawal of BMI flights between Glasgow and Heathrow, and the subsequent transfer of the related Heathrow slots to their partner airline Lufthansa for their long haul routes, may well be an indication of future trends. A single morning and evening slot at Heathrow is currently estimated to be worth between £25-35m to an airline. BMI continue to run services to Heathrow from Edinburgh and Aberdeen.

Inverness lost its BA service to Heathrow in 1996 and the subsequent midday BMI service in 2008.

All four of these Scottish Airports currently have services to Gatwick.

Business interests in the South East of England are concerned that the other two north west European airport 'world hubs' of Amsterdam and Paris are becoming predominant in providing frequent air links to the far east to the extent that companies from that region are setting up their European headquarters in those cities rather than London. Pressure will increase on both Gatwick and Heathrow to compete on the lucrative and commercially important routes to the east. The services that will inevitably suffer as a result are those with comparatively low capacity, including those to the UK regional hub airports. The impact of such change to Scottish air access to London will be fewer opportunities for inter-lining flights through code share arrangements forcing Scottish international traffic onto hubs outside the UK with which we have historically had fewer links.

Air Passenger Duty

The UK Government is about to re-open the debate on the nature of taxation applied to UK sourced air travel with a likely proposal that Air Passenger Duty (APD) be applied on a per plane rather than a per passenger basis. The intention of such a change is to encourage airlines to attract higher load factors on their services thus minimising unnecessary flights. Unless any such change in tax is graded on an incremental basis to encourage continued access for all sizes of aircraft on an equitable basis the larger long haul, and per passenger per mile more fuel efficient, services will be an even more attractive use by airlines of slots at the 2 major UK hub airports. Both the Netherlands and France have recently scrapped equivalent taxes to encourage traffic to their airports to promote national economic benefit following significant and measured economic detriment when their APD equivalent schemes were first applied. There is no sign of the UK Government considering following a comparable policy.

High Speed Rail

While High Speed Rail will, in the period post 2030, increasingly provide effective and sustainable access from the Central Belt to London,it will not provide effective interlining opportunities for international travel and in the meantime pressure on airport slots and UK aviation taxation are likely to have a disproportionately negative impact on the ability of Scotland to attract international inward investment. There is thus a need to continue to make the case for guaranteed regional capacity at the London Hub airports for Edinburgh and Glasgow in parallel with the push for HSR.

The position for Aberdeen and Inverness is similar to that for the Central Belt but with even greater cost and time detriments when compared with the land based travel alternative, and without the longer term option of HSR for access to London.

Security at UK Airports

Security across transport modes is an important issue and must be supported and delivered in a manner that provides the public with the confidence to travel within a safe environment.

Aviation is the safest mode of transport, and the current security levels agreed by the CAA for the major UK airports are now accepted by the public and efforts are being made through improving technology to reduce resultant passenger delays while sustaining safety levels.

The standards set for these large airports are equally applied under the current national rules to local airports in Scotland which do not cater for large passenger aircraft travelling to European or international destinations. The result is that the level of security at airports in the Highlands and Islands is high relative to the risks involved, and the costs of applying such levels of security are being passed onto the passengers using these airports. The European Aviation Security Agency (EASA) has suggested that a diminimus limit based on aircraft size can be set for application of defined security arrangements below which airports could undertake risk assessments and implement appropriate levels of security for the services running from their airport. The UK Government carried out a consultation on such an option in 2009 as to whether to adopt a diminimus level in the UK but has not come to any conclusion on the issue.

The UK Government has announced its intention to carry out a review of national aviation policy and strategy, concluding in 2013, and it is hoped that the above issues will all be addressed by that time.

Recommendations

Given these likely scenarios, Chairs are asked to

1. Note the economic need for Scotland to increase its links with the European Hub airports to ensure our economic opportunities to the East are not compromised,
2. Continue to argue for effective and affordable access to Heathrow and Gatwick from Scotland which will continue to provide optimum access to North America and increasingly the Far East.
3. Support the case for increasing the capacity of Heathrow and Gatwick by revisiting mixed-mode operation and possibly a 3rd runway at Heathrow, and ring-fencing a proportion of the increased capacity thus created for flights from regions of the UK without competitive alternative transport options.
4. Support the case that any change in APD should aim to encourage the use of fuel efficient aircraft on an equitable basis, irrespective of their size and range, and be applied on a trans-European basis.
5. Support the establishment of diminimus criteria for current aviation safety standards below which airports and operators can carry out site specific risk assessments.

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HITRANS

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