

Parliamentary Transport Committee. Smaller Airports.

Written evidence from Kent County Council (SMA0034)

1. Summary

1.1 Kent County Council (KCC), as the Local Transport Authority for Kent, welcomes the opportunity to submit written evidence to this inquiry into Smaller Airports. We would be very happy to expand on any aspect either in writing or as oral evidence.

1.2 KCC's submission focuses on Lydd (London Ashford) Airport, London Biggin Hill Airport and the situation at Manston, formerly Kent's International Airport.

1.3 KCC's submission of evidence can be summarised as follows:

- Smaller airports have the potential to deliver economic growth and job creation. KCC is disappointed at the closure of Manston Airport, but has welcomed the plans of its new owners to create a £1billion redevelopment of the 800 acre site into a mixed use scheme helping to create more than 4,000 new jobs over a 20 year period. Lydd (London Ashford) Airport is planning to extend its runway and invest in new terminal capacity. London Biggin Hill Airport provides an important role serving London with specialist business aviation facilities and this adds high skilled jobs into the local economy.

- Smaller airports are part of the UK's airport network and are strategic aviation infrastructure assets at a regional or sub-regional level. Smaller airports provide a niche role for point to point flights, general and business aviation. Smaller airports, by providing this role, help remove this added demand pressure at larger congested airports in the South East. The underused capacity at Kent's smaller airports can serve the London market. Rationalisation of the UK's airport network is not desirable in the longer term because it will result in increased demand on larger capacity constrained airports and lead to further congestion and reduced aviation connectivity.

- Government should recognise the importance of smaller airports and do more to support their viability through reduced Air Passenger Duty (APD) at underutilised regional airports; and proactively provide financial support for the initiation of new air service routes through the Regional Air Connectivity Fund.

1.4 Kent County Council recommends to the Committee that action is taken by the Government to:

- Recognise the strategic importance of the UK's network of smaller airports; and designate smaller airports as either regional or sub-regional aviation infrastructure assets which will support the growth of UK aviation in the longer term.

- Implement reduced APD and financial support through the Regional Air Connectivity Fund to support smaller airports' commercial viability. As well as improving aviation connectivity, successful regional airports will help to create new jobs and economic growth.

2. The strategic importance of smaller airports and the extent to which smaller airports meet the needs of regional economies and provide efficient and effective services for the local communities in which they sit, and their impact on regional economic development and regeneration.

- 2.1 Regional airports provide the opportunity for passengers to fly from their local airport, especially in the leisure market with the growth of low cost carriers. Although there has been evidence of route consolidation by low cost carriers and reduction in passenger numbers at some regional airports, this is most likely to have been a short term reaction to the economic downturn. The long term trend is likely to be continued growth, albeit most likely at a slower rate than the low cost 'boom' of the early 2000s.
- 2.2 If people can fly from their most convenient airport, they are likely to choose to do so providing that the flight destination, timings, frequency and fare price all meet the passengers' requirements. However, the lack of comprehensive route networks at regional airports due to a function of their limited catchment area and the business model of low cost carriers, results in people travelling longer distances to larger airports. Larger 'hub' or 'focal' airports allow passengers to access a wider range of destinations including long haul services provided by network airlines. However, there is growing evidence of long haul services now being provided at airports outside of London such as at Manchester, Birmingham and Newcastle; and the increasing use of 'hub-busting' aircraft such as the Boeing 787 Dreamliner could result in a greater range of services being available at regional airports.
- 2.3 Demand spread around a network of airports across the UK, rather than being concentrated at a few large airports, helps to reduce surface access pressures on the larger airports. It also reduces the demand for domestic feeder routes into congested UK airports as passengers do not need to connect through a hub airport because regional airports provide point to point flights. In addition, it improves resilience as there is less reliance on fewer airports to provide the UK's air connectivity. This is also important for the London airport system so that the capital does not rely on one focal airport, therefore during times of disruption such as severe winter weather; if one airport is forced to close, other airports may still be operational and therefore continue to provide air connectivity for London.
- 2.4 In addition to the strategic importance of smaller airports in the UK airport system and the benefits to passengers of being able to access flights from their local airport, there are also wider economic benefits to regional economies from the presence of small airports in a locality.
- 2.5 The recent experience at London Southend Airport shows how investment in a regional airport can attract airlines and create substantial regional economic benefits. The Stobart Group has invested significantly in Southend Airport since its acquisition in 2008 and was successful in attracting a based low cost carrier in 2012. Over £120 million has been invested by the Stobart Group in Southend Airport over the last six years^[1] and this has created more than 500 new jobs on site^[2]. A £10million extension to the new terminal recently opened and this will enable 300 new local jobs which will arise from the increase in Southend based aircraft over time; resulting in a variety of additional operational and service roles^[3].
- 2.6 London Southend Airport is also an example of what can be achieved at a regional airport in the South East to cater for demand both locally and from the wider South East and London markets, despite sharing catchment areas with the major London airports. Strategically, Southend Airport is playing a valuable role in helping to address the London/South East airport capacity shortage. Although limited by runway length (1,905m having recently been extended), Southend Airport has developed a small network of European low cost services within just a few years and is set to consolidate this market in the longer term, which helps to alleviate the pressure on the other London/South East airports. The airport handled 969,912 passengers in 2013, and has the current capacity to double this to accommodate up to 2 million passengers per annum (mppa). In the longer term, this capacity could be further increased allowing the airport to handle a significant share of the short haul point to point low cost market in the South East.

- 2.7 Other small airports in the South East also have growth aspirations and with investment hope to achieve passenger growth. Small airports also cater for niche markets in general and business aviation. These are small but important markets that need to be served by the UK's airport system; and smaller airports, by providing this role, removes this added demand pressure at larger congested airports. Small airports providing specialist aviation services generate a range of jobs, including high skilled jobs, and this is important to local and regional economies.
- 2.8 Lydd (London Ashford) Airport in the southwest of Kent has a single runway which is 1,505 metres in length. Planning permission has been given to extend the runway by 294 metres with a 150m starter extension, thereby allowing Boeing B737 and Airbus A319 operations; and the construction of a new terminal building for up to half a million passengers per annum. There is a future aspiration for 2mppa. At present the airport is mainly used for corporate and general aviation, although the planned new facilities and the fact that the airport's local airspace is outside the London Terminal Management Area (LTMA), provides a good platform for the airport to develop a small network of domestic and European services. The airport has recently attracted charter flights from a holiday tour operator using Boeing 737-300 aircraft.
- 2.9 The airport estimates that with half a million passengers per annum using the airport, this would generate between 182 and 393 direct, indirect and induced jobs. This is in an area where job creation is much needed especially given the uncertainty around the long term future of Dungeness as a national energy generator.
- 2.10 London Biggin Hill Airport in the London Borough of Bromley provides specialist aviation for predominately the business market. The airport is a home to commercial aircraft and also a service centre for business and general aviation aircraft; making it an engineering and technology centre in its own right. The Airport generates modern, high tech and well paid jobs. The airport allows business passengers to quickly access London as it is just eleven miles from Canary Wharf. Each aircraft landing at the airport provides economic benefits to south-east London and jobs for people across the region, including in West Kent. Biggin Hill is designated a Strategic Outer London Development Centre in The London Plan. The airport estimates that there are approximately 1,000 jobs on or around the airport and it has the potential to create up to 2,300 jobs in the next 15 years through careful and managed growth.

3. The steps the Government is taking or could take to support smaller airports and aid diversification to ensure their longer-term viability.

- 3.1 The Government could support smaller airports by recognising their importance in being part of the UK's airport system as regional or sub-regional aviation infrastructure assets. The focus in recent times has been on the capacity issues at larger airports and not enough attention has been paid to how there could be better utilisation of existing airport capacity, which would help to relieve congested airports and improve the viability of smaller airports.
- 3.2 The Government should take a more active role to support smaller airports to help to ensure their long term viability. Local authorities have very little scope for intervening in the affairs of private companies (who own and operate the majority of airports) and should not take ownership and subsidise the operation of loss making businesses. The emphasis must be on Government to analyse the strategic significance of airports closing, especially if they have the potential to play a role in relieving the congested London airport system.

- 3.3 Smaller airports should be recognised by Government as regional or sub-regional aviation infrastructure assets depending on the type of air traffic they serve. The experience at London Southend Airport shows that with significant investment, including improved surface access allowing capture of a small share of the London market, a small regional airport in the South East can attract airlines and significantly increase passenger numbers.
- 3.4 Lydd (London Ashford) Airport should now be recognised as a regional aviation infrastructure asset given its recent approval by the Secretary of State (and overturned appeal in the High Court) to extend its existing runway and construct a new passenger terminal which will allow the airport to accommodate up to 500,000 passengers per annum. This will bring significant benefits to the regional economies of Kent and Sussex and create much needed job opportunities.
- 3.5 London Biggin Hill Airport in the London Borough of Bromley should be recognised as a sub-regional aviation infrastructure asset. This is due to the need for business aviation to be able to access the capital through an uncongested specialist business airport close to the centre of London; and the importance that this brings to the sub-regional economy of south-east London and West Kent. There are high skilled jobs at the airport and even more could be created, including apprenticeships and opportunities for young people.
- 4. The effect of current local, regional, national and EU policy and regulations on the future of smaller airports, including policy on (a) air passenger duty, (b) route subsidies (e.g. use of public service obligations to maintain particular routes and other state aid, the Regional Air Connectivity Fund, etc.) and (c) housing and enterprise zones.**
- 4.1 In regards to (a) air passenger duty, KCC advocates that there should be further reforms to Air Passenger Duty (APD) with overall reductions to UK APD to allow the UK to be more competitive with its European rivals which have lower levels of passenger duty or have abolished the tax completely. If UK APD is retained, KCC urges that there is differential charging with a lower rate or no duty levied at regional airports where there is spare capacity. With a lower APD charge or no APD, air fares at regional airports could be reduced. Airlines able to offer lower ticket prices due to lower APD at regional airports could help to redistribute demand from congested airports to regional airports where there is spare capacity.
- 4.2 In regards to (b) route subsidies, KCC welcomes the introduction of start-up aid for new routes from regional airports through the Government's Regional Air Connectivity Fund. This may be applicable to Lydd, London Ashford Airport.
- 4.3 The Regional Air Connectivity Fund offers the potential for further reduction in ticket prices (in addition to a reduction in APD) from start-up aid covering up to 50% of the landing charges at regional airports with fewer than 3 million passengers per year for up to the first three years of a new route operating. These financial incentives may encourage airlines to move some operations from congested London airports to regional airports, especially to small airports in the South East where there is spare capacity and still close enough to London to serve the capital's market. Passengers would be attracted to use the uncongested airports through a lower fares offer. This could be beneficial to Lydd (London Ashford) Airport, an airport that is investing in a runway extension and new passenger terminal capable of accommodating 500,000 passengers per annum.

5. Issues around competitiveness, rationalisation and commercial viability affecting smaller airports, including the importance of smaller airports in serving niche leisure and business markets and flight training and education ('general aviation') and providing dedicated capacity for cargo services, and the role that partners and airlines play in the delivery of such services.

5.1 The Airports Commission's Discussion Paper 06 (June 2014) cites Airports Council International (ACI) Europe's press release which states that "73% of airports handling fewer than one million passengers per annum and 59% of those handling less than five million, are loss making". The recent experience at Manston Airport demonstrates the reality that financial pressures at small privately owned airports can result in closure of regional airports and the loss of strategic aviation infrastructure.

5.2 KCC was disappointed that Manston Airport was closed on 15 May 2014. Thanet District Council is currently considering whether it can acquire the airport through a Compulsory Purchase Order (CPO) supported financially by a prospective airport operator. In September 2014, the Manston Airport site was acquired by the owners of the nearby Discovery Park near Sandwich, which was set up as an Enterprise Zone following the withdrawal of Pfizer in 2011. The new owners plan a £1billion redevelopment of the 800 acre former airport site to create 4,000 new jobs over a 20 year period. KCC recognises the new owners' track record of regenerating large sites following the demise of previous uses, including the 1,000 jobs added to the 600 Pfizer left behind at Discovery Park; and has every confidence that even more can be done at Manston.

5.3 The consequence of smaller airports not being commercially viable is that there will inevitably be a rationalisation of the UK's airport network and passengers will have to travel further to access aviation services as their local airports will increasingly become commercially unviable. Larger airports have a competitive advantage over smaller airports due to economies of scale; however, in the longer term this will result in even greater pressure on capacity at large airports leading to increased congestion and reduced connectivity. Ultimately this will result in fare price rises as passenger demand exceeds the availability of supply. Therefore rationalisation of UK airport capacity is not desirable in the longer term even if it is a consequence of commercial competition in the short term.

5.4 Responses to previous questions in this submission with the examples of Lydd (London Ashford) Airport and London Biggin Hill Airport, demonstrate the importance of smaller airports in serving niche leisure and business markets by focusing on specialist aviation services, general and business aviation.

6. The role of local authorities and Local Enterprise Partnerships (LEPs) in ensuring smaller airports improve connectivity.

6.1 The principal role for Local Transport Authorities (LTAs) and Local Enterprise Partnerships (LEPs) in ensuring that smaller airports improve connectivity is through supporting the delivery transport schemes that enhance surface access to regional airports. However, LTAs and LEPs must prioritise transport investments against a wide range of needs across LEP areas and these must be balanced against the needs of regional airports.

7. Conclusions and Recommendations

7.1 Smaller airports have the potential to deliver economic growth and job creation. KCC is disappointed at the closure of Manston Airport, but has welcomed the plans of its new owners to create a £1 billion redevelopment of the 800 acre site into a mixed use scheme helping to create more than 4,000 new jobs over a 20 year period. Lydd (London Ashford) Airport is planning to extend its runway and invest in new terminal capacity. London Biggin Hill Airport provides an important role serving London with specialist business aviation facilities and this adds high skilled jobs into the local economy.

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7.3 Government should recognise the importance of smaller airports and do more to support their viability through reduced Air Passenger Duty (APD) at underutilised regional airports; and proactively provide financial support for the initiation of new air service routes through the Regional Air Connectivity Fund.

7.4 Kent County Council recommends to the committee that action is taken by the Government to:

- Recognise the strategic importance of the UK's network of smaller airports; and designate smaller airports as either regional or sub-regional aviation infrastructure assets which will support the growth of UK aviation in the longer term.
- Implement reduced APD and financial support through the Regional Air Connectivity Fund to support smaller airports' commercial viability. As well as improving aviation connectivity, successful regional airports will help to create new jobs and economic growth.

03 October 2014

[1] <http://www.southendairport.com/news/london-southend-airport-terminal-extension-officially-opened/> (accessed 29/09/2014)

[2] <http://www.southendairport.com/news/latest-news/london-southend-airport-helps-solve-the-south-east-air-capacity-shortage/> (accessed 29/09/14)

[3] <http://www.southendairport.com/news/latest-news/london-southend-airport-enjoys-its-busiest-year-ever/> (accessed 29/09/14)