Airports Commission - Discussion Paper 02: Aviation Connectivity and the Economy – FTA submission

The Freight Transport Association (FTA) is pleased to respond to the Airports Commission.

FTA is one of the UK's largest trade associations and represents over 14,000 members relying on or providing the transport of freight both domestically and internationally, to or from the UK. Our members include hauliers, freight forwarders, rail and air freight operators, through to customers – producers, manufacturers, wholesalers and retailers. They cover all modes of transport – road, rail, air and sea. FTA members operate over 200,000 commercial goods vehicles in the UK, approximately half of the UK fleet of goods vehicles, 90 per cent of goods moved by rail and around 70 per cent of goods moved by air and sea.

Air freight is crucial to the UK economy not because it is a major employer and generator of revenue – though it is those things, but because it provides a service which the rest of UK industry relies upon to be competitive in the global market.

The volume of freight travelling by air is very small when measured by weight – around 0.5%[1] of the total. However, it has a high value – about 40 per cent of the UK's extra-EU trade[2]. Air freight has a disproportionate importance as it serves industries which are core to the UK's economic future as a service economy. These include the major export industries such as electronics, telecoms, financial and business services. Air freight also serves industry where urgency is a key factor – pharmaceuticals and biotech industries as well as food products are heavy users of air freight. UK manufacturing relies on air freight to import and export key components to keep factories working.

Amongst other uses, air freight allows the operation of express delivery services connecting businesses globally on a next day basis – the accepted standard to which UK companies high value business operations have to work today. We note that an Oxford Economics report in 2011[3] found that over 80 per cent of UK businesses surveyed state that their businesses would be badly affected if international next-day delivery services were no longer available.

Heathrow is the most significant airport for freight in the UK. In fact it carries more freight each year than all other UK airports put together. It competes as a mixed use hub with the major Continental alternatives – Paris, Frankfurt, Amsterdam and Madrid. The two key freight hub trans-shipment airports in the UK are East Midlands (EMA) and Stansted. These airports have a considerable strategic importance to regional economies as well as UK plc. Manchester and Gatwick are also major freight airports. But London is a vital hub for the UK regions and for regional airports, operating a hub and spoke system, and is the main gateway for the UK's international trade.

Air freight fits into businesses' strategies as a complement to deep-sea shipping services for companies with a global supply chain. It is used for perishable, urgent or high value goods. High volume goods will move by sea unless they have a short self life.

It is a service required for the UK to maintain our place as a global centre of business – both for services and high end manufacturing.

Airport use is driven by customer need – this is true for both passenger and freight services. Where there is an insufficient market demand, increased levels of flights cannot be sustained.

The airports outside London have a crucial role to play for freight. East Midlands and Manchester airports each handle substantial volumes of freight. Airports outside London such as these are particularly vital to express delivery services for allowing flexible access to all regions of the UK that

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[1] DfT Focus on Freight, 2006
[2] DfT The air freight end-to-end journey
[3] Oxford Economics, the Economic Impact of Express Services

facilitate next day deliveries. For this reason, the same arguments that apply to night flights at the London airports also apply to the other UK airports, and should continue to do so.

Several of these airports also play a significant role for general air cargo, however this should be understood in context. Heathrow carries more freight than all other UK airports put together. This is, in immediate terms, because it is a global hub with sufficient passenger volumes to justify the range of services around the world that such a facility requires. Stansted and Gatwick are both also in the top five for UK freight airports. The reason for the collective predominance of the London airports fundamentally is the economic weight of the London/south east England region, but they are also of UK wide significance.

Freight use of airports outside London is not generally held back by constraints on airport availability through the day – it is primarily driven by the range of services provided.

The UK economy would benefit from an improved quality of global hub located in the UK. The greater the range of direct destinations the easier it is to trade with other parts of the world. The UK's international competitiveness is likely to be impaired unless current airport capacity is expanded to cater for growth in international trade. In this respect it is important to note that global goods trade growth has grown over the long term at between1.3 and 3 times GDP, depending on the strength of the economic cycle.

Hub airports are vital to UK industry as users of air freight services as they allow a necessary concentration of routes and volume in one location, making the development of freight facilities viable. A hub airport allows airlines to offer a comprehensive global network which is a major source of competitive advantage for UK importing and exporting industry.

As noted in the BCC's 2009 report on hub airports[4] (which FTA commends) "because of Heathrow's transferring passengers, UK businesses have access to more direct destinations, at higher frequencies and lower priced fares." The point about fares also applies to freight rates.

Operating crucial air cargo services for industry at levels so close to capacity could potentially undermine the quality and resilience of these services. The lack of availability of slots is reducing the range of destinations served. According to data available from BAA, since 1990 Heathrow has lost nearly 20% of its destinations due to runway capacity constraining the availability of slots. Heathrow's list of destinations has declined from over 220 to around 180, Paris's list has increased from around 180 to over 240 – a picture mirrored by Frankfurt and Amsterdam – all of which have more runway capacity than Heathrow. Connectivity is vital to the UK economy's development and competitiveness as new economies such as the "BRICS" (Brazil, India, China and South Africa) develop. Continental airports such as Frankfurt are expanding their service links to these economies.

London is a vital hub for the UK regions and for regional airports, operating a hub and spoke system, and is the main gateway for the UK's international trade for London as the UK's economic centre, the regions, and the UK as a whole.

UK regional airports have a role to play but cannot replicate London's unique role as a UK hub offering a unique range of services which are essential for the UK's international trade. Europe's hub airports are currently: Frankfurt Main; Amsterdam Schiphol; Paris Charles de Gaulle; Madrid Barajas; and Heathrow. We would note from this list that markets of the size of Rome and Berlin do not sustain global hubs. In the light of this, the suggestion that non-London areas of the UK could sustain a hub seems unrealistic.

The UK's policy of private investment in the aviation sector has served the country well. The commercial aviation sector has produced a thriving, highly innovative and competitive air transport industry. London airports, in particular Heathrow, has, as a result emerged as a leading global hub which is of immense economic importance to the UK, but in particular to UK industry as users of air freight services. It is

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[4] Economic Impacts Of Hub Airports, July 2009

imperative that the aviation sector is able to expand to meet demand from both passengers and freight. The need for new capacity to meet that demand is unanswerable, we therefore believe that new capacity is needed, either from new airport development or through the expansion of capacity at existing London airports. As London's main hub airport Heathrow will continue, however, to play a major role and should be permitted to expand its existing operations, specifically through additional runway capacity to meet existing and future demand from passengers and international trade.