

Aviation Connectivity and the Economy – response from Bristol Airport to the questions posed in Section 5 of the Airports Commission Discussion Paper 02 dated March 2013

Overview

Bristol Airport is pleased to respond to the Airports Commission call for evidence on aviation connectivity and the economy. Our detailed response to each of the questions posed in Discussion Paper 02 follows. At the outset we would like to make the following key points:

- Aviation connectivity is not uniformly distributed across the United Kingdom. The assessment made in the discussion paper might lead to the conclusion that the United Kingdom is well connected. However, the connections are heavily concentrated in the South East of England. There is a divide in connectivity between the South East and the rest of the country.
- Measures of connectivity need to consider connectivity at a regional level to get a clear picture of the UK's overall connectivity. Improving connectivity at regional airports is key to rebalancing the economy, making the best use of existing airport capacity and reducing the amount of passenger leakage from the regions to airports in the South East. Convenience and access to travel are important factors.
- The requirements for connectivity vary by journey purpose. Leisure passengers have different requirements to business passengers. The provisional results from the 2012 CAA Passenger Survey at Bristol Airport indicate that aviation provides connectivity for a wide range of journey purposes with less than 50% of passengers travelling for the purpose of taking a holiday. 35% of passengers were travelling to visit friends and relatives with significant numbers of the remainder citing reasons for travel associated with education, cultural exchanges and sport.
- Business and leisure connectivity is inextricably linked. Flights do not generally operate on an exclusive business or leisure basis and invariably an airline will need to attract passengers with a wide range of journey purposes to make a route successful.
- Bristol and the West of England is the second highest provider of GDP behind London, borne largely on the back of aerospace, financial and professional services, communications, digital and media. The Commission's Discussion Paper refers to the importance of Manchester, Leeds and Birmingham but we are surprised to find no mention of Bristol, given its recent pace of growth and its importance for access to the South West and Wales.

Responses to Discussion Paper 02 questions

Questions relating to the nature of connectivity in the UK and its drivers:

1. Do you agree with the definition of connectivity presented in the paper? What other factors, if any, should we take into account and how do they impact connectivity?

- Connectivity means different things to different passengers. For business passengers, frequency is important and the availability of two or more flights a day will be an important factor in enabling business to be undertaken efficiently. For local residents the overriding consideration is the convenience of flying from

their local airport, so the right time of day or day of the week is less important than the availability of the flight and destination in the first place. Most local residents will search for a destination first and then adjust their travel arrangements around the availability of flights.

- The availability of a flight from a local airport will affect the ability to undertake a journey efficiently and in some cases may determine whether the journey is made at all. Access to air travel and the convenience of that access needs to be considered. There is a great disparity between connectivity in the South East and connectivity in the English regions, the measurement of which is not reflected in the Commission's definition. The inconvenience of using airports in the South East for journeys to and from the rest of the country affect the competitiveness of those parts of the country, limit the ability of regional businesses to compete in some markets and restrict inbound tourist penetration of the country beyond London.
- The data presented by the Commission in table 2.1 presents a distorted picture of the UK's connectivity by focusing on the frequency of weekly services from London.
- We would suggest the addition of the following to the definition of connectivity:

Is a flight available from a conveniently located airport at a frequency to suit the journey being planned?

2. Do you agree with the assessment we have made of the UK's current aviation connectivity?

- The assessment has been made based on the UK as a whole. An assessment on a region by region basis is needed to obtain a true picture of connectivity.
- Connectivity is heavily concentrated in the South East of England with only two airports in the rest of the country handling more than 100,000 air transport movements (ATMs) a year. This compares with Germany where connectivity is more evenly distributed across the country and six airports excluding Frankfurt handle more than 100,000 ATMs a year.
- The assessment of connectivity needs to consider historical trends and compare these with other countries, cities and airports. We note that the WEF Global Competitiveness Report 2012-13 indicates that the UK is 22nd in the world in terms of the quality of airport infrastructure, behind all of our northern European competitors. Available airline seat kilometres in the UK have declined by 4.2% since 2008 whilst France, Netherlands, Germany and Belgium have all seen growth of between 5% and 7%.
- When comparing the number of destinations served by air from the UK with destinations served by our European country competitors account needs to be taken of the fact that we are an island nation and therefore air travel is essential for most journeys to Europe. This is particularly the case with journeys from outside the South East where rail travel to Europe is impractical, inconvenient, time consuming and expensive. The well developed high speed rail and motorway network on the continent means that a higher proportion of international journeys can be made by modes other than by air. There is no

realistic prospect of the UK's high speed rail network providing connectivity to the South West in the timescales being considered by the Commission.

- Aviation also plays an important role in providing connectivity within the UK. Links from Bristol to Newcastle, Edinburgh, Glasgow, Aberdeen, Inverness and Belfast are important to both leisure and business passengers.
3. What factors do you think contribute to the fact that the UK is directly better connected to some regions of the world than others?
- We agree that the UK's connections appear to be driven by historical and cultural ties, but this cannot explain Germany's high level of connectivity. It does appear that the UK may be starting to lag behind our European neighbours.
 - Regional connectivity is primarily to short haul European destinations, with indirect connectivity provided through hubs such as Amsterdam, Paris and Frankfurt. Further long haul connectivity from regional airports is provided by airlines flying predominantly to North American and Middle Eastern destinations.
 - The availability of connections is dictated by airline strategies and the development of worldwide airline alliances.
4. Given connectivity trends in the UK versus other European countries, how much scope is there for route network available to UK residents to radically change over the coming years?
- At Bristol Airport there is scope for the development of a long haul route network over the coming years taking advantage of the improved operational performance of new generation aircraft such as the Boeing 787 and Airbus A350. A service to the US operated from Bristol between 2005 and 2010, its demise being a victim of the recession and the effect of air passenger duty on air fares. The new aircraft provide the potential to radically change the availability of long haul routes from regional airports and we are confident that the US route will be reinstated in the near future and complemented by a route to the Middle East.
 - Our paper with recommendations for a balanced aviation policy, 'Giving wings to airports across the UK', includes a number of recommendations for delivering improved connectivity to the English regions which if implemented could change the route network available. A copy is attached.
 - The distribution of flights across the country operated by full service carriers is dictated by the strategies of airline alliances and in particular British Airways, who closed their regional subsidiary in 2007. This has resulted in a concentration of flights from Heathrow, and to a lesser extent Gatwick, which causes a high proportion of passenger leakage out of the South West region. The provisional results of the 2012 CAA Passenger Survey indicate that 6.3m passengers from the South West and Wales used an airport in the South East in 2012. Analysis of the leakage from the West of England, Somerset and South East Wales indicates that ten countries account for more than 50% of this leakage. Six of these were short haul destinations which can be readily served from Bristol and the remaining four were the USA, Canada, United Arab Emirates and Hong Kong which are capable of being served from Bristol as indicated above.

- The emergence of new airlines, such as bmi regional, provides an opportunity to deliver additional routes from regional airports served by multiple daily frequencies, with six new routes having been launched at Bristol in the last 12 months. The development of world class hubs in the United Arab Emirates and at Istanbul also presents new opportunities for improving connectivity in the regions.
5. To what extent do you consider indirect connectivity to be an important part of presenting an accurate picture of the UK's nature of connectivity?
- Indirect connectivity has to form a vital part of the assessment of connectivity. Connections through European, Middle Eastern, Asian and US hubs deliver vital connectivity to the regions of the UK. Hubs are important components of all modes of transport and cannot be ignored. The important thing is the transport network as a whole.

Questions relating to the assessment of how aviation connectivity supports (1) trade in goods, (2) trade in services, (3) tourism, (4) business investment and innovation, and (5) productivity:

6. To what extent do you agree with evidence that aviation connectivity supports the UK's economic growth through facilitating each of (1)-(5)?
- Aviation connectivity from Bristol Airport supports all of (2) to (5). Bristol does not support freight services at present and therefore trade in goods through the airport is limited.
 - **Trade in services** – evidence related to trade in services is provided by numerous surveys and research reports (please refer to the evidence from the Airport Operators Association). In a recent Burges Salmon Index survey on air travel carried out amongst 150 CEOs and MDs in the West of England, a sixth of companies reported that they made at least one business trip a week from Bristol Airport to a range of UK and international destinations, with more than a half saying the Airport was an important travel resource for their business.
 - **Tourism** – as an island nation it is self evident that aviation connectivity is vital for international inbound tourism. This is particularly the case outside the South East where rail is not a practical means of transport for international journeys. The CAA Passenger Survey indicates that the proportion of foreign residents using Bristol Airport has risen from 8.5% in 2003 to 18.3% in 2012. In absolute terms the number of foreign residents arriving at Bristol has increased over three-fold. 80% of foreign residents gave leisure as their main reason for travel.
 - **Business investment, innovation and productivity** – much of the Bristol Airport route network has been developed to support business investment, innovation and productivity by the main business clusters located in the South West. Services to Toulouse, Hamburg, Munich and Milan have been developed with the specific aim of providing connectivity to the South West's aerospace industry, linking local manufacturing and research and development facilities with their European partners and supply chains. A twice a day charter service to Toulouse and Chester provides a vital link between manufacturing and R&D sites for Airbus and their supply chain. The South West also includes important

financial and professional services, communications, digital and media business clusters supported by routes to Glasgow, Edinburgh, Zurich and the major European capitals.

7. Are there other channels through which aviation connectivity might facilitate economic growth? What are they, and what evidence is there to support this?
 - Bristol Airport commissioned a comprehensive assessment of the economic impact of the airport's growth to handle 10 million passengers per annum as part of the planning application for development of the airport in 2009. This identified the following economic benefits (all figures are annual averages over the life of the development discounted to present day values at the time of preparation):
 - i. User benefits of £44.2m a year through travel and time cost savings;
 - ii. Contributions to public finances through air passenger duty of £46.8m a year;
 - iii. Annual regional income to the South West from construction and supply chain jobs of £16.5m. £37m annual contribution to GVA from airport activities.
 - iv. £189m a year increased annual visitor expenditure generating £117m GVA.
8. How effective do you consider that the aviation connectivity of the UK may facilitate economic growth now and in the future? What risks and opportunities does it present?
 - The bias in favour of connectivity in the South East of England and the dominance of Heathrow Airport limits the ability of regional airports to serve their catchment areas. This is discussed further in our 'Giving wings' paper. Long haul routes bring particularly strong economic benefits.
9. How important do you consider connectivity for each of (1)-(5)?
 - It is of vital importance to each activity.
10. Are there other relevant policy issues which should be taken into account?
 - Please refer to our 'Giving wings' paper.
11. To what degree can causality between connectivity and (1)-(5) be established? Are there any particular research methods that we should be looking at and why?
 - There are several well documented case studies that provide evidence for the causality; please refer to the evidence from the Airport Operators Association for further details. In the South West we are aware of a case involving a large US owned electronics company that was once based in Torbay, employing 6,000 people. The business was run down and eventually closed with the MD citing a lack of connectivity as a primary reason for the failure. Torbay has never recovered and still suffers high unemployment rates compared with the rest of the South West region.
 - Our experience with route development amongst low cost carriers indicates that the operation of a route can stimulate latent demand. The success of many routes to emerging Eastern European economies (e.g. Prague, Budapest and

Warsaw) could not have been predicted by an assessment of underlying demand from the CAA Passenger Survey. To a lesser extent routes to Newcastle, Inverness, French regional destinations and Ireland have enjoyed similar success. Many of these routes would have been initially supported by the leisure market but there is considerable anecdotal evidence that the availability of the route has stimulated economic activity. Small businesses have been able to expand their markets taking advantage of the new-found connectivity. Leisure and business connectivity is linked.

Questions relating to what the UK's objectives for the future aviation should be:

12. What is the best approach to measuring the UK's aviation connectivity?

- Connectivity cannot be measured by one single indicator; a range of indicators needs to be used to reflect the requirements of different travellers.
- The number of destinations does not provide a meaningful representation of connectivity without reference to frequency. easyJet serve a network of around 100 destinations from Gatwick Airport with a fleet of about 50 aircraft. A fleet a fifth of this size at Bristol Airport serves 44 destinations. It would be a mistake to conclude that Bristol has 44% of the connectivity of Gatwick as this would overlook the frequency with which the destinations are served. Whilst the frequency out of Bristol serves the leisure market well, a higher frequency is required on many key destinations in order to better serve the business market.
- Connectivity needs to be considered on an airport by airport and region by region basis; not as the UK as a whole. Connectivity measures need to consider indirect connections. In this respect we take issue with the suggestion in the discussion paper that direct connectivity is particularly important for attracting inbound tourism from the emerging economies. Long haul travellers passing through Middle East and Asian hub airports often take the opportunity to break their journey and experience the country they are passing through.

13. Connectivity depends on many factors, such as number and frequency of flights and time and cost of travelling to passengers. Do you consider any of these factors to be of particular relevance to facilitating any of (1)-(5)?

- The number of destinations is the primary consideration for tourists. In this respect the number of cities within the UK with connections from abroad is important to allow foreign tourists to experience the UK beyond London.
- As stated previously frequency is particularly relevant for business passengers.

14. We have outlined a few different measures of connectivity in the paper. What alternative measuring approaches that we have not mentioned should we take into account?

- As discussed above it is important to establish a measure which accounts for connectivity at a regional level. This could be done by comparing destinations and frequency available within an hour's travel time of each of the Core Cities of England.

15. What kinds of impact do you consider capacity constraints to have on the frequency and number of destinations served by the UK? And, if any, are any particular kinds of routes or destinations likely to be more affected than others?

- There are no capacity constraints at Bristol Airport.

16. To what extent do you consider that the need for additional connectivity may support the argument that additional capacity may be required?

- Additional capacity is available at Bristol Airport and there is the potential to develop additional routes to make use of this capacity, building on the recent successes of the airport. Our 'Giving wings' paper sets out recommendations for policy measures that will ensure that the best use is made of this capacity and to secure the investment needed to develop the airport further.

Additional questions on measuring connectivity (paragraph 4.11):

1. To which destinations are aviation connections most important and why?

- It depends on the reason for travel. The market determines the importance of each individual route but in terms of regional growth the most frequently requested new routes from Bristol Airport are long haul routes to North America, the Middle East and Asia.

2. What is the impact of providing indirect flights (i.e. flights involving a transfer) rather than direct ones on connectivity of the consumer/freight? Which consumers are most affected?

- Indirect flights are available from Bristol through Amsterdam, Paris Charles de Gaulle, Frankfurt, Brussels and Dublin. Most airlines operating through European hubs are able to offer short connecting times and efficient transfer of passenger and baggage between flights. Customer feedback is good and many travellers prefer to take an indirect flight rather than driving to Heathrow or Gatwick. Flights into and out of Bristol operate in uncongested airspace without the inconvenience of being held in a stack on arrival or taxiing long distances on the ground. There are significant environmental benefits associated with using the local airport. The market determines airline strategies. Indirect flights support the regional economy and deliver jobs.

3. How should connectivity for leisure passengers be valued?

- For leisure passengers aviation connectivity contributes to social well-being, social inclusion and personal development. The cost of the journey (which includes a contribution to public finances through air passenger duty) is a good way of placing a value on this connectivity.
- A value can also be placed on the direct and indirect jobs provided in the leisure travel industry. In this respect we would highlight that a significant proportion of connectivity for outbound UK leisure passengers is provided by charter airlines. This connectivity satisfies an important social need providing many UK jobs at the UK airlines and tour operators involved.

4. How does providing flights at the right time of day and day of the week impact connectivity? Which consumers are most affected? What about freight?
 - Refer to our responses to questions relating to the nature of connectivity and its drivers.
5. What is the impact of airport congestion on consumer connectivity? Should reliability be taken into account?
 - There are no issues with airport congestion at Bristol Airport. Flight reliability is not affected by airport congestion.