**Unite response to the Airports Commission Discussion Paper: Airport Operational Models**

## 1 Summary

1.1 This response is submitted by Unite the Union, the UK's largest trade union with 1.5 million members across the private and public sectors. The union's members work in a range of industries including transport, manufacturing, financial services, print, media, construction, local government, education, health and not for profit sectors. The Civil Air Transport (CAT) membership of Unite is currently the largest representative group of workers employed within the aviation industry.

1.2 The union's current membership includes 67,000 members working within Civil Aviation. In addition, Unite represents a significant number of members in the aerospace industry who manufacture the wings and engines for many of the aircraft in service today and their respective supply chain companies. Unite also represents members in Royal Mail and other organisations that utilise the air freight capacity of these flights to move goods around the globe. All of these members are directly affected by any changes to the capacity of focal and non focal airports in the UK and further afield.

## 2 Summary

2.1 Unite is not convinced by the arguments for a split or second hub airport in the same area. We believe that there would be considerable disruption to the relocation of a hub airport and feel that whilst this may prove necessary the implications for employment in both the West London area around Heathrow and the new location would be profound.

2.2 Unite would remind the commission that to maximise the benefits of aviation to the economy there needs to be an affective feeder service from the regions to the focal airport, be that by interconnected multimodal surface transport or by air. This needs to be supplemented by point to point direct services so that the regions can provide as many flights as they are capable of sustaining from their respective customer catchment areas.

2.3 In this response Unite highlights the importance of a connection to London and the ramifications to the areas economy of allowing these services to diminish.

## 3 Commission Questions

*What are the impacts on airlines and passengers of the fact that the wave system at Heathrow operates under capacity constraints?*

3.1 Operating a wave system at Heathrow limits the growth of new destination options as these slots need to accommodate a more frequent service to the key destination airports. Whilst a wider range of destination connections would be possible with a longer minimum connecting time (MCT), it needs to be remembered that Heathrow is in competition with other rival European hubs, and ones further afield, for transferring passengers. These passengers generally have no wish to hang around a connecting airport for hours, preferring instead to depart one flight and transfer to the next with the minimum of delay.

3.2 Operating so close to the limit also makes connections unreliable as a single hiccup can quickly cause flights to be cancelled, so that others can depart on time.

3.3 Heathrow attempts to minimise the MCT for passengers by focusing the alliances into separate terminals. British Airways operations cannot currently be accommodated in Terminal 5, however, resulting in lengthy transfer times between terminals as highlighted in Unite's previous submission to the Commission[1].

*How does increasing size and scale affect the operation of a focal airport. Is there a limit to the viable scale of an airport of this kind?*

3.4 Unite believes that the size and scale of a focal airport is only limited by the number of viable destinations. To achieve this there needs to be sufficient terminal and runway capacity connected by a fast and efficient transfer network for both passenger and luggage. Unite also believes that the only limit is the MCT comparison with other focal airports for that route and the passenger experience.

3.5 Unite feels that if a passenger has a pleasant experience in traversing a focal airport where they face the minimum of delay, they will prefer to route their journey through that airport in the future.

3.6 Heathrow currently is more vulnerable to failure in this regard as passengers are routinely delayed either on arrival when aircraft have to join one of four stacks before landing or queues on taxiways before departure. Whilst keeping aircraft at the gate until the last minute reduces such taxiway queues it means that these gates are then unavailable for

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1 This can be found at http://centrallobby.politicshome.com/fileadmin/user_upload/Unite_Response_to_the_Independent_Transport_Commission_Enquiry_into_UK_final.pdf

arriving flights. Having the additional spare runway space therefore improves the efficiency of the terminal operation.

3.7 With the advent of the A380 and the absorption of BMI into IAG, Heathrow has obtained some extra capacity. This growth has not been enough to improve the punctuality of the airport, however, with 22.2 percent of flights delayed in 2011 increasing to 23.7 percent delayed in 2012[2], making it the worst performing major airport in the UK for on time performance.

*Would expanding UK hub capacity (wherever located) bring materially different advantages and disadvantages from expanding non-hub capacity? You may wish to consider economic, social and environmental impacts of different airport operational models.*

3.8 Unite does not believe it is an 'either/or' choice between expanding the UK hub or non-hub capacity as they serve two distinctly different markets. As highlighted in the Commission's paper non-hub airports provide local communities with access to global destinations often via a hub due to the lack of local demand. Hubs provide interconnectivity and the opportunity to provide the local population with a far more frequent service to their chosen destination that could be sustained elsewhere.

3.9 Unite believes that the most economically attractive of the options for the business customer is the hub as it opens up the world to a wide range of direct flights which minimise the transit time. Unite feels that this is the reason why so many international businesses have congregated along the M4 corridor. Expanding the hub will, therefore, provide the greatest benefit to the UK economy, although most of this will be focused around the hub.

3.10 Unite believes that there is not such a urgent demand for non-hub capacity in the South East as there is for hub growth. The South East is well served by non hub capacity which is utilised primarily by low cost and charter leisure airlines whose business model does not utilise hub airports. Gatwick has also captured the overflow of traffic that cannot fit into Heathrow. This overflow traffic is extremely keen on utilising the hub and as a consequence as soon as space becomes available it will, in all likelihood, move to the hub delaying the need to expand Gatwick.

3.11 Unite believes that there are two distinct airline business models. Those airlines that benefit from low airport charges to provide point to point services and those airlines that concentrate on hub and spoke operations to fill their aircraft. Each business model has different airport requirements.

3.12 The point to point service sells its service on either the leisure flight to holiday destinations or a no frills low cost service where there is a range

[2] Source CAA 2012 Quarter 4 Aviation Trends report http://www.caa.co.uk/docs/80/AviationTrends_Q4_2012.pdf

of additional extras available at a premium price. These low cost flights favour airports that are not as concerned with distance to city centres, but more concerned with landing fees. This is why Ryanair flies to Glasgow Prestwick Airport, which is over 50 kms from the centre of Glasgow. London Stansted is 45 minutes away by train from London Liverpool Street and London Southend is even further out.

3.13 This use of cheaper secondary airports is not just confined to the UK. Pegasus Airlines favours Stansted and Istanbul Sabiha Gökçen Airport which are both similar distances away from their respective city centres. Stockholm Skavsta Airport is situated 100 km south of Stockholm near Nyköping, Sweden. Malmo airport also in Sweden was advertised as Copenhagen despite it being over 60 kms away and in a different country. There were attempts to rename Niederrhein Airport on the Dutch German border as Düsseldorf, despite it being over 70 kms away. Thankfully the courts intervened to stop passengers from being misled in this and a number of similar marketing campaigns.

3.14 In time, however, given the Department for Transport's projections of future unrestrained growth, all major airports will need to expand in order to meet demand. Without this growth, flights will not be available to the general public from a UK airport when they need them. Unite believes that this point in time is not to far off into the future. If flights from the UK are restrained then passengers will have no option but to utilise the Eurostar and TGV services to access Paris Charles De Gaul, Frankfurt and Brussels airports or ferry services to use either Dublin or Amsterdam. If a passenger wishes to travel they will find a way to enable them to do so.

3.15 From an environmental stand point, the most efficient way to travel is often the slowest. This is not always the case, however, as flying from Manchester to Copenhagen, for example, is significantly more environmentally friendly than utilising the train (more so, if this service was provided by a turbo prop aircraft as opposed to one which is jet powered). It cannot be in the best interests of the environment to promote a policy which causes aircraft to stack in queues and wait in line on taxiways for the opportunity to depart. As highlighted in previously[3], depending on the engine design, a jet aircraft can be burning aviation fuel ten times faster while on the ground going nowhere than it does at cruise altitude.

*Do focal airports and non-focal airports bring different kinds of connectivity and, if so, which users benefit the most in each case?*

3.16 Unite believes that non-focal airports cater for the passenger who wishes to visit that locality, not necessarily the nearest centre of business. As a result, the better the onward travel options by public transport to or from the airport to a population centre, the more popular the airport becomes.

[3] A copy can be found at http://centrallobby.politicshome.com/fileadmin/user_upload/Unite_Response_to_the_Independent_Transport_Commission_Enquiry_into_UK_final.pdf

Additionally, the popularity of an airport is also based on the relative cost of services it can provide to destinations and when these services are provided.

3.17 A focal airport on the other hand also needs good connectivity to the region in which it is located but also to a wider catchment area. Being able to provide flights at a time when the passenger wants to fly makes it far more attractive than a non-focal airport that may be able to offer a flight on a far less frequent basis, if at all. A focal airport also needs to provide a smooth, hassle-free connection between flights to help the airline keep the MCT to a minimum.

3.18 In all cases the better the surface connections the better and more sustainable the airport. Rail is normally the most efficient and environmentally sound method of moving large volumes of passengers between two points quickly[4]. Connectivity to a high speed rail network can provide significant advantages to airports as it enables access to regional locations further afield which may reduce the need for connecting flights if configured correctly.

*What would be the competitive effects (both international and domestic) of major expansion of hub capacity, and what are the associated benefits and risks?*

3.19 Unite believes that expansion of hub capacity will concentrate more flight options into the hub placing it at a competitive advantage over both national and international options. Failure to expand facilities will see routes connecting at rival European hubs and via hubs further afield. Unite is particularly concerned over the development of a six runway hub airport near Istanbul as it will have both the geographical and political advantages as well as capacity to attract services away from all the European hub airports for Trans-Atlantic to Far-Eastern connections.

3.20 The commercial advantage of flying via Dubai or Istanbul is that they are outside the European Emissions Trading Scheme (EUETS) and hence the airline does not have to pay for the volume of carbon released during the flights entire journey. This is why Unite has been calling for the introduction of a global trading scheme to rebalance the market.

3.21 Heathrow is currently operating not only under physical restraints but also additional tax burdens compared to rival European hubs as all departing passengers on non connecting flights have to pay the highest level of aviation taxation in the world in the form of Air Passenger Duty in addition to the EUETS. On top of this visitors to the UK often have to pay

[4] Movement by water is the most sustainable transport option in terms of emissions released per tonne moved but it generally does not travel much faster than a fast walking pace on inland waterways. In general rail is normally more environmentally friendly than air travel with the exception of high speed journeys and those which have to navigate around geographical obstacles, like expanses of sea.

more for a Visa to enter the country than it does to enter the countries in the Schengen Area[5].

3.22 If airlines see no potential for expansion, there is a declining market advantage of remaining at Heathrow, especially when other rival hubs have so much spare capacity. This spare capacity makes it easier to absorb disruptions with the minimum of interruption to regular schedules and hence reduces cost. The UK hub needs to maintain its competitive position, at the very least, in order to stem the tide of airlines, and therefore international business opportunities, going elsewhere.

*To what extent do transfer passengers benefit UK airports and the UK economy?*

3.23 As highlighted in the discussion paper, without transferring passenger some routes will not be financially viable. As a result, avenues of investment are opened with destinations that would not be served as frequently as would be the case without such connections. As there is this more frequent service passengers from the business communities are empowered to travel to this destination and back with the minimum of hassle or delay.

3.24 Whilst it is true that travelling via a rival hub airport to this destination may enable such a relationship between companies to develop, a Frontier Economics study has shown that up to twenty times more business is completed between emerging markets if they are served by a direct air link as opposed to one which requires a connection[6].

3.25 76,600 people are directly employed at Heathrow with many tens of thousands more employed in the support services that make Heathrow function. This is far more than the number directly employed by Gatwick and Stansted combined. These additional numbers are required to process the increase in demand created by the frequency of flights from the airport. In terms of seat capacity Heathrow is the biggest airport in the world currently providing over 850,000 seats a week. In comparison, Paris Charles De Gaulle provides almost 700,000 seats.

## 4 The structure and operation of the UK aviation sector

4.1 When calculating the total number of passengers departing from a London airport the discussion paper looked at five airports when in fact there are six. London Southend airport was until recently an airport which only occasionally had a flight to the Channel Islands. That all changed

[5] An area encompassing most of the rest of Europe where the one visa provides entry to all of the nations that have signed up to the Schengen agreement.

[6] Source :- http://mediacentre.heathrowairport.com/imagelibrary/downloadmedia.ashx?MediaDetailsID=886&SizeId=-1

under the ownership of the Eddie Stobart group who through aggressive marketing have attracted easyJet and some Aer Lingus business away from Stansted to its South Essex airport. This relocation of business has resulted in the year to date figures going from 3,481 passengers in the twelve months to March 2011 to 776,312 passengers in the year to March 2013.

4.2 Once these passengers are included the percentage of passengers using a London airport rise from 57.9% in June 2007 to 61.3% by March 2013 and growing. The dependence on London has been on the increase as a result of the decline in domestic aviation. The number who flew domestically peaked in the year to February 2006 at 52,603,185. By February 2013 this total had declined to 40,306,371.

4.3 One reason for the decline is the lack of profit which can be raised from these routes principally due to the impact of Air Passenger Duty. In 2005 APD was just £5 per head on domestic flights but the airline has to charge this for both the outgoing and return legs of a journey. In February 2007 this rate doubled overnight to £10 and has subsequently increased further to its current level of £13[7]. The resultant reassignment of flights has resulted in some regional airports closing as highlighted earlier. Economy class passengers on flights to domestic and European destinations pay around 40% of the total money raised from APD.

4.4 Unite does not believe that the London area could support two focal airports due to the need to divide operations and passenger flows between the airports. The experiment of operating two London hub airports was trailed in the 1970s and 80s and failed due to the additional administrative and economic burdens it placed on the airlines.

4.5 The basic principle of a focal hub airport is that it concentrates the airlines through one portal to enable the maximum volume of transfers between the routes on offer. If two hubs operate in one area then the passengers would need to transfer between airports to connect causing them to endure a visa for the UK and the additional cost of the transit. Why would a passenger do this if they could just as easily transfer at a rival hub by walking from one gate to the next?

4.6 Whilst the study by the CAA highlights that an alliance could leave Heathrow and instead concentrate on Gatwick as its base in the London area, doing so would cause them to suffer a potential 8% loss of connectivity with their high value customers etc. With airline margins being cut to the bone, why would they wish to do so? Gatwick does not have anything like the same surface level of connectivity options so significant investment would be needed to enhance the catchment area. Additionally, to accommodate the alliances traffic at least two new runways with additional terminal capacity would need to be constructed to cope with the additional burden.

[7] If seated in economy. If not the rate doubles. From this year if travelling on an aircraft of 20 tonnes or more with fewer than 19 seats the rate doubles again to £52 a head.

4.7 As highlighted, the catchment area of Heathrow and Gatwick is different and, hence, any alliance which relocated would need to convince customers from the M4 corridor to travel that extra distance to Gatwick as opposed to flying from a more local alternative. In total, 202 of the UK's top 300 company HQs are located close to Heathrow. Wherever any secondary hub or alternative is located, it would have competition, not only from Heathrow, but with the other hub airports.

4.8 Consequently, any relocation of an alliance would have to be forced by government legislation. Such a move could potentially be seen in Europe as a way to secure the dominance of the domestic flag carrier at the hub to the detriment of other European airlines or at the least UK governmental interference with the open market. This may also, therefore, be viewed as a challenge to free trade agreements, and be unlawful. If nothing else, such a forced relocation would cause the affected airlines to incur costs in addition to the loss of proximity to high value potential customers and therefore may have a case for compensation.

4.9 If airlines are forced out of Heathrow, there is nothing to prevent those companies pulling services from the UK as a whole and rely on code sharing agreements and alliances to provide feeder services to other hubs.

*Is there any evidence that the UK (or individual countries and regions within the UK) are disadvantaged by using overseas focal airports?*

4.10 In terms of regional connectivity the problem is more one of losing a direct connection to London, which in turn mutually supports those passengers wishing to connect.

4.11 Unite believes that when the links to regional airports from Heathrow have been lost, the volume of passenger traffic it stimulates has declined causing negative effects on the region. The classic example of this decline is Durham Tees Airport which is now struggling to survive. Durham's principle traffic flows are today on the routes to Aberdeen and Jersey.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| Heathrow to Durham | 152,508 | 110,803 | 88,223 | 81,407 | 13,822 | 0 | 0 | 0 |
| Total Durham Passengers | 898,370 | 900,107 | 733,676 | 645,138 | 288,296 | 224,673 | 190,284 | 164,826 |

Source: CAA

4.12 The advantage of Heathrow over other hubs is the frequency of services and hence the reduced MCT. Consequently with the flows to Heathrow it provides the regional airport with the income it needs to attract further business from smaller airports and provides it with an advantage over other local facilities.

4.13 The transfer of overflowing transfer traffic to Gatwick caused the rationalisation of the routes out of Gatwick in early 2011. This led to the Plymouth connection to London being lost and resultant closure of its airport.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| Gatwick to Plymouth | 65,984 | 68,742 | 67,780 | 60,546 | 57,516 | 55,816 | 2,765 | 0 |
| Total Plymouth Passengers | 173,769 | 152,994 | 136,615 | 150,502 | 159,421 | 146,294 | 43,254 | 0 |

Source: CAA

4.14 Similarly the link between Gatwick and Newquay is due to end later this year to be replaced by an easyJet service from Southend. Given that Southend is not one of the major London airports, Unite has its doubts over how successful this service will be and if it will be enough to keep Newquay airport open. It has already seen a significant decline despite picking up passengers from the Plymouth area. Without this link there will not be any large scale commercial services in Devon or Cornwall to London. This means that passengers in this area may need to travel anything up to 450 kms before by road or rail before they can reach a London Airport or would need to fly via a non domestic focal airport like Amsterdam Schiphol in order to reach London.

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|
| Gatwick to Newquay | 40,302 | 43,124 | 73,927 | 63,435 | 100,918 | 105,968 | 100,902 | 96,181 |
| Total Plymouth Passengers | 336,964 | 343,143 | 352,548 | 430,893 | 347,036 | 285,271 | 209,574 | 166,272 |

Source: CAA

*What specific characteristics of the UK and its cities and regions should be considered? For example, does the size of the London origin and destination market and the density of route networks support or undermine the case for a dominant hub?*

*Could the UK support more than one focal airport? For example, could an airline or alliance establish a secondary hub outside London and the South East, for instance in Manchester or Birmingham?*

4.15 Unite believes that the size and population density of London and its affluent customer base, and concentration of head offices for global corporations, especially along the M4 corridor, strongly support the case for the dominance of a hub focal airport to the west of London. Gatwick, for example, in contrast, does have a significantly affluent catchment area, but one which is nowhere near as large a international business community as that in the M4 corridor and, hence, even relocating the focus to Gatwick would have the potential to damage the economics of London or any airline who may be forced to relocate there.

4.16 If on the other hand the focal airports are hundreds of miles away from each other and the location can provide enough of a focus for businesses, then a secondary hub could work. Manchester is around 135 nm (nautical miles) from London and hence is still in its extended catchment area for connecting services. Over 70% of passengers, who fly from Manchester to Heathrow do so to catch connections. This figure will no doubt be enhanced with the opening of the high speed rail service to the city. But Manchester has not got the drawing power of European capitals like Amsterdam or Paris (which both reside around 190 nm of London.

4.17 Edinburgh has the potential for a secondary hub operation but it is unlikely to draw too much business away from Heathrow or improve the capacity issues of the South East. If Scotland gains independence or control of aviation taxation it may become a more viable focal airport but to do so it would be in competition with the London hub and would cause problems for other airports in the north of England.

4.18 Like Manchester, Birmingham airport will have the advantage of direct connectivity to the high speed rail network and access to the industrial heartland, but with the added attraction of the National Exhibition Centre on its doorstep. The problem is that the UK economy has moved towards the service and financial industries that utilise aviation far more than those involved in the manufacturing sector.

*To what extent is it possible to operate a successful 'constrained' focal airport by focusing on routes where feeder traffic is critical and redirecting routes which are viable as point-to-point connections to other UK airports?*

4.19 Unite believes this is already a fairly accurate picture of the current situation in the aviation industry in the UK. If a focal airport is constrained by the routes it can or cannot operate its airlines will simply look elsewhere. Whilst airlines are commercial operations which can be subjected to public service obligations, their principle objective is to make money. As one industry expert once said *"It is easy to make a small fortune in aviation. You just have to start with a very large fortune[8]"* Consequently, if money can be saved it will be.

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[8] http://www.skygod.com/quotes/cliches.html

4.20 The success of the focal airport, in this case Heathrow, is, however, marred by the constraints. When comparing the relative staffing costs it is plain to see that it costs considerably more to staff an aircraft running at capacity than one which is not. The reason for this is that when you have spare capacity it does not necessarily mean that you need more staff to accommodate a new service. At a constrained airport several new working practices may need to be adopted resulting in training, possibly new equipment to speed up the process and of course enough staff on hand to resolve issues when services are delayed or cancelled.

4.21 The type of constraint is also important. If the constraint is legislative as opposed to physical, it means that there would be physical space to resolve an issue. If the constraint is physical as opposed to legislative, the barrier results in the airport obtaining a reputation for unreliability. Given that the focal airport is often the first impression visitors to the UK receive when they arrive in the country. If this impression is not a positive one it will cloud their impression of the whole country.

*Do you consider that the analysis supports the case for increasing either hub capacity or non-hub capacity in the UK? Is there any additional evidence that you consider should be taken into account?*

4.22 Unite believes that the analysis supports an increase in hub capacity as a matter of some urgency followed in time with growth elsewhere. Unite feels that one of the principle considerations should be the labour requirements of such facilities and the subsequent support network. If a new airport is considered as a long term hub solution, the biggest hurdles are finding the additional staff requirements in the area around these new facilities, the effects on unemployment in the west of London and meeting the cost of such a move. It needs to be remembered that expansion of Heathrow capacity would be funded by the airport whilst any other option would involve a considerable amount of tax payers money.

4.23 In addition to the above, any relocation of the hub would also result in the loss of existing community facilities in west London, such as schools, hospitals, libraries, etc. due to diminished demand and the requirement for new community facilities in the new location. The loss or need for these new facilities will result in additional labour implications. It needs to be remembered that not every employee will be in a position to relocate.

4.24 When the BMI aircraft engineering base was closed in the midlands following its takeover by the AIG group, all the staff were offered new jobs at Heathrow. In the end, despite this job offer, and the tough economic climate, only a handful of staff were in a position where they could relocate. Often this was a result of family commitments in relation to schooling for their children, finding new work for their partners, housing costs, the location of other family members etc.

4.25 Unite believes there is a case for more non-hub capacity as well, especially if the DfT projections for passenger growth prove to be correct.

*To what extent do the three potential futures outlined in Chapter 2 present a credible picture of the ways in which the aviation sector may develop? Are there other futures that should be considered?*

4.26 In paragraph 2.13 of the discussion paper it is suggested that the development fuel-efficient, smaller aircraft that are capable of flying to mid and long-haul destinations like the Boeing 787 and Airbus A350. This may encourage airlines to by-pass hub airports and serve direct connections. Unite agrees that there is some potential for this to happen. As with any new route there needs to be the critical passenger demand for a route, at the time when the passenger wishes to fly and at the right price.

4.27 It is true that the provision of such demand and the availability of longer range aircraft can mean a more frequent service on popular routes and the instigation of new routes between airports that had not existed previously. The key factor is and always will be providing the service when it is needed to meet demand and price. If a hub airport can attract a greater number of passengers for a route than the local population in any one area, then it can lay on a higher frequency of service. This in turn means that flights will depart when the customer wants to fly, not when the flights are provided.

4.28 It is also the case that hubs on route can be bypassed and it may be possible to fly direct to key long haul destinations avoiding stop-overs. Similarly, Heathrow can be and is being bypassed for connecting flights from trans-Atlantic routes to destinations in Europe, the Middle East and eastern Asia. However, until an aircraft can fly 11,000 nautical miles (nm) on one tank of fuel more fuel efficiently than two or more flights, it will always be cheaper to connect at a hub airport.

4.29 The limiting factor will always be the demand for a route and weight of the fuel to get the aircraft to the destination. Boeings 787-9 which is not due for first flight until 2014 can manage 8,500 nm which would make a direct flight from Heathrow to Honiara in the Solomon Islands possible, but only if it carried two additional fuel tanks and limited the number of passengers and freight to a minimum and followed the great circle route[9].

4.30 To reach Canberra in Australia, for example, the aircraft would need to carry at least another 500 nm worth of fuel. To do this it would mean reducing the passenger numbers and freight still further in order to fit even more fuel tanks. Whilst this might be technically possible the cost of such a flight both economically and environmentally would be very high indeed and would only be attractive to the business customer whose time is at a premium.

4.31 An example of such a service is the British Airways flight from London City airport to New York. The Airbus A318 aircraft cannot depart London city with enough fuel to complete the transatlantic flight due to the length

[9] The great circle route is the line between two points on the globe which follows the shortest distance.

of the runway and hence carries only 32 business class passengers as far as Shannon in Ireland where the plane is refuelled. Passengers use this time to clear US customs so that when the flight arrives in New York they can pass through domestic flight arrivals. Thankfully the runway in New York is long enough to accommodate the flight with its maximum fuel load. Given the limited seating on this service the cost of a ticket is significantly higher than one on a service from Heathrow.

4.32 Additionally, as highlighted in paragraph 3.7 of the discussion paper, such flights would only appeal to those passengers who wanted to travel from one point to another. If the aircraft stopped off somewhere on route, it could benefit from attracting more customers who wish to only utilise one leg of the journey to either reach that intermediary location or use that stop to connect to a flight to a new destination.

4.33 In paragraph 2.16 the discussion paper highlights the modal shift between air and rail for short journeys. The routes between Heathrow and Brussels or Paris Charles De Gaul are still flown as there is still a significant demand not just for passenger traffic but also for air freight between the airports. Freight does not as easily transfer to rail for journeys to European destination as there are a number of barriers in the way.

4.34 Moving a container by rail via the Channel Tunnel it currently would require it to be shipped to the Tunnels terminal at Dollands Moor through security checks. The locomotive at the front of the train will be changed and the container will then be taken through the tunnel. Once in France the container may need to be lifted onto a new wagon because some wagons used in Britain cannot be used in Europe. The new wagon with the container will then be connected behind yet another locomotive into Continental Europe. Once the rail service enters France, the problems do not end there. At every national border there may again be the need to change locomotives or drivers. This is because there is no universal approval for each type of locomotive design or standardisation of electrification voltages (where applicable), at each border crossing.

4.35 Heathrow is the principle UK airport for air freight which is carried in the hold of passenger aircraft. As a result, even with a decline in passenger demand, some flights will still occur on the domestic and short haul routes even if this is provided on a freight only operation. The bulk of such freight is either time critical or of high value and hence not something that would practically be transferred to long distance road or sea haulage.

4.36 Paragraph 2.42 of the discussion paper highlights the development of the A350 and Boeing 787 that allow commercial routes to be developed between the Gulf States and North America. With an aircraft of the range of the Boeing 787-9 all major cities of the world are within range of Dubai on a direct flight. The only point that is out of range is Adamstown on the Pitcairn Islands. London, by contrast, would still require a connecting service to some locations in Micronesia, as well as to others in Melanesia, Polynesia and Australasia.

*How are the trends discussed in Chapter 2 (e.g. liberalisation, growth of low-cost carriers, consolidation of alliances, and technological changes) likely to shape the future of the aviation sector? Do they strengthen or weaken the case for developing hub versus non-hub capacity?*

4.37 Unite believes that the trend in the aviation industry towards further consolidation etc. increases the need for focal airport capacity, as airlines increase their desire to work together and exchange feeder services for both international and domestic routes. The further growth of the low cost model, on the other hand, focuses on routes between less than prime airports to reduce costs and hence supports the need for non-focal airport capacity. Unite believes that there is not therefore a 'one size fits all' solution.

*What are the impacts on airlines and passengers of the fact that the wave system at Heathrow operates under capacity constraints?*

4.38 The constraints of Heathrow's capacity simply mean that you cannot access flights to all the designations you may wish to connect to if you utilise Heathrow. As a result, passengers are forced into transfers via rival hubs which can lengthen connectivity times.

*How does increasing size and scale affect the operation of a focal airport? Is there a limit to the viable scale of an airport of this kind?*

4.39 Unite believes that the limit on the size and scale of an airport is the transit time of passengers arriving on one flight in time to reach another and the size of the aircraft.

*Would expanding UK hub capacity (wherever located) bring materially different advantages and disadvantages of expanding non-hub capacity? You may wish to consider economic, social and environmental impacts of different airport operational models.*

4.40 Unite believes that expanding hub capacity would have significantly greater economic and environmental benefits than expanding non-hub capacity options. There is, none the less' a strong case for expanding both, in the south-east at least. Department for Transport projections of demand suggest that in the medium to long term, demand will not be satisfied at some of the UK's regional airports. This is especially true already of Gatwick and may be the case at other London airports, Manchester, Glasgow, Edinburgh and several other large UK airports in the not to distant future.

*Do focal airports and non-focal airports bring different kinds of connectivity and, if so, which users benefit the most in each case?*

4.41 Unite believes that focal airports attract the business customer who wishes to travel when they want on each leg of their journey. Focal airports also attract those passengers who wish to fly destinations for short durations, for a family event, for example.

4.42 Regional non-focal airports are only able to support the local community demand and hence provide a quieter alternative to the hub. These airports provide connections to other domestic airports and short to medium haul flights. As a result, these airports survive principally on feeder services to focal hub airports and point to point leisure market traffic. A typical airport of this type would be Bristol or Glasgow.

4.43 There is the third category of airport which is the overflow non-focal airport. These airports attempt to provide transfer capabilities but do not have the volume of airlines transferring to put it into competition with the hub focal airport. These airports are large enough to provide the support needed to handle longer haul flights of a less frequent basis than the focal airport and some limit transfer traffic. These airports principally cater for the leisure market and the low cost sector. Examples of this group would be Stansted, Manchester, Edinburgh or Birmingham.

*What would be the competitive effects (both international and domestic) of a major expansion of hub capacity, and what are the associated benefits and risks?*

4.44 Unite believes major expansion of hub capacity provides a long term future which is currently not guaranteed. Already airlines are scheduling flights to other European hubs as they cannot obtain a slot at Heathrow. If growth of flights to these hubs reaches a level similar to that of Heathrow, that hub will become Europe's principle destination for business.

4.45 London benefits from its financial and services industries, who all have a high demand level for flights. It also has a very large and diverse populous, creating a demand for the family and friends sector. Both of these are currently far larger than can be offered by rival European hub airports. Unite believes this is why there is still such a demand for flights to and from London and via Heathrow. As English is the leading language for business, this also benefits the UK but education in English in other European nations has now negated this advantage to a very large degree.

4.46 Geographically London also benefits from being one the closest European airports to the North American market, resulting in ability of aircraft to fly more passengers and/or freight as less space is needed for fuel on departure. This desire to reduce fuel burn provides the UK with an opportunity to offer the most desirable location in terms of cost and reduced environmental damage.

4.47 The most environmentally sound way of flying is to carry out a series of short flights on a turbo prop aircraft. A turbo prop aircraft uses around 30% less fuel to fly between two points than a jet aircraft, principally due to the reduced speed and, hence, energy demands. The reason for the short flights is due to the aircraft not having to carry the fuel over such a long distance as added weight. Practically, however, such a practice would delay the transit of passengers and freight and which is why the air liner was developed.

4.48 Consequently, providing for an expanded focal airport will result in more demand for international connectivity and hence cheaper and more frequent flights to a wider range of destinations. It will also have the advantage of reducing stacking and queues on runways, reduce the frequency of noise incidents as the slot demand can be more evenly spread, increase reliability of the airport as it would be more able to adapt to incidents without cancellations and also provide a far better first impression passenger experience of the UK on arrival than is currently the case.

4.49 Airlines will also wish to consolidate flights into one focal airport as opposed to multiple European hubs and any nation that can provide an airport where the environment is sympathetic to this desire would attract business away from its rivals. Equally, given the growth of Istanbul and other rival cities, failure to act will see UK plc's position diminish on the world stage.

*To what extent do transfer passengers benefit UK airports and the UK economy?*

4.50 Unite believes that without transfer traffic flights to and from the UK would be considerably more expensive and less frequent. Reducing the frequency and increasing the cost of flights places the UK economy at a disadvantage to other rival nations on the global stage. Unite believes therefore, that without transfer traffic the UK would obtain around a twentieth of its current international business with developing markets.

*Is there any evidence that the UK (or individual countries and regions within the UK) are disadvantaged by using overseas focal airports?*

4.51 Unite believes the economic wealth concentration in the South East and in particular the West of London highlights the power of focal airport of the size and dominance of Heathrow on the economy of a region. The comparative wealth of Birmingham and Manchester in contrast shows that having a sizable airport which can provide services to a wide range of destinations on their doorstep can also help these economies grow.

4.52 As highlighted earlier Durham Airport was one of the few airports in the UK which retained a connection to Heathrow. This connection was lost in early 2009. If you compare not only the number of passengers who used Durham Tees with the level of economic inactivity in the Durham area, there is a noticeable correlation going back for some considerable period. From the table below it is clear to see that the level of economic inactivity in the region rose steeply in 2009, far more than was seen in the wider North East or throughout the rest of the UK. Unite believes that whilst a large proportion of this was due to the global economic crisis, the Durham area was particularly badly hit due to its loss of connectivity to Heathrow.

| | Economically inactive - total | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jan 04-Dec 04 | Jan 05-Dec 05 | Jan 06-Dec 06 | Jan 07-Dec 07 | Jan 08-Dec 08 | Jan 09-Dec 09 | Jan 10-Dec 10 | Jan 11-Dec 11 | Jan 12-Dec 12 |
| **County Durham** | 93,300 | 91,900 | 80,000 | 79,400 | 82,000 | 88,300 | 90,200 | 88,400 | 88,50 |
| **County Durham %** | 29.4 | 28.8 | 25.1 | 24.7 | 25.1 | 27.2 | 27.2 | 26.7 | 26. |
| **North East %** | 27.7 | 26.9 | 26.1 | 25.9 | 25.9 | 26.7 | 26.6 | 27.2 | 25. |
| **Great Britain %** | 23.7 | 23.6 | 23.3 | 23.5 | 23.3 | 23.3 | 23.8 | 23.7 | 23. |

Source http://www.nomisweb.co.uk/reports/lmp/la/1946157058/subreports/einact_time_series/report.aspx

4.53 Durham Airport continues to function as a feeding airport for Amsterdam Schiphol and other European hubs but the level of demand for the flights via these hubs is far less due to the lack of such frequent onward connections. Whilst it is true to say that there are a number of factors which affect employment, it is noticeable how well the growth and decline in employment in this area matches up with the passenger volume flowing through the airport.

*What specific characteristics of the UK and its cities and regions should be considered? For example, does the size of the London origin and destination market and the density of route networks support or undermine the case for a dominant hub?*

4.54 Unite believes, as indicated earlier, that the size of London, its connectivity and geographic location are key in its support for a dominant hub airport. As indicated earlier, many regional airports in the UK have the space and capability to accommodate significant volumes of transiting passengers. Despite offering very competitive rates, these airports have not been able to attract enough airlines to turn the airport from a regional airport into a regional hub.

4.55 What determines the viability of an airport as a hub is not government policy but the commercial realities of the airline industry. The ability of these airports to accommodate international demand is one factor in determining whether an airline utilises an airport. Government policy is vital in that it can assist the hub and the rest of the industry on this global stage to enable it to compete or stand in its way. The lack of a coherent policy like that of the current government only serves to delay improvements and hence hinder not just the aviation community but also the wider economy.

4.56 This is the lesson learnt by the Canadian government when they invested millions into Montréal–Mirabel International Airport[10]. This

[10] Montréal–Mirabel International Airport was opened in 1975 and was the largest airport in the world in terms of surface area ever envisioned. Mirabel was intended to replace the existing Dorval Airport as the eastern air gateway to Canada; from 1975 to 1997, and all international flights to or from Montreal were

lesson was also learnt by the Dutch when they introduced an aviation tax in 2007[11]. Passengers will ultimately decide if an airport is a viable hub or not and will vote with their feet. If the key passenger groups favour one airport over another the least popular will not be in a position to compete and will fall by the wayside.

*Could the UK support more than one focal airport? For example, could an airline or alliance establish a secondary hub outside London and the south east, for instance in Manchester or Birmingham?*

4.57 Unite believes, as stated earlier, that given the predicted growth in demand, it is highly likely that the UK could support a smaller more regional focal airport. The issue is one of location and supporting infrastructure as opposed to capacity, however. There is a reason why hub airports are generally located at European capital cities. These capitals have the highest density of high value passengers and connectivity to the regions than can be offered by other locations. The exception to this is, of course, Frankfurt which is not the political capital, but is the economic one with its access to the European high speed network, European Central Bank and location during the turmoil that followed World War II.

4.58 As stated in previous responses, Unite believes that Birmingham is both too close to London to be in a position to become a second hub airport and yet too far away to provide an effective alternative to additional capacity at Heathrow. Manchester is a more viable option given its two runways, large population and distance from the capital. Manchester would need to compete not only with Heathrow for business but also with the competition from Amsterdam Schiphol and Paris Charles De Gaul. In such a competition Manchester would need a significant edge to compete in terms of capacity and international appeal. Manchester would also need a significant level of investment into surface connectivity which may be gleaned from an expanded high speed rail network beyond that proposed by HS2.

4.59 When examining Birmingham airport's recent claims[12] to have a larger catchment area than Heathrow in 3032, Unite would advise the Commission to read the disclaimer in the Steer Davies Gleave Limited's

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required to use Mirabel. However, Mirabel's distant location and lack of transport links made it unpopular with airlines and passengers. As a result Dorval retained its status as the hub airport and Mirabel became an expensive white elephant used only by maintenance and cargo operations.

[11] The Dutch aviation tax was introduced in 2007 as a method to reduce climate change and to raise €800 million per annum in its first year. As a result of passengers discovering that they could just as easily obtain a flight from an airport in a neighbouring country and avoid the tax, significant numbers stopped using the countries hub airport. Additionally due to the decline of domestic passengers and the tax the cost of flying to the Netherlands increased sharply discouraging foreign visitors. The net result was a net loss to the Dutch Government estimated to be worth €1.3 billion. Consequently the tax was scrapped but its legacy lives on with passengers who have now discovered airports that are more convenient to them over the border.

[12] http://www.balancedaviationdebate.com/pdf/Birmingham%20Airport.pdf

report. i.e. *"This Report may not be relied upon by any party other than Birmingham Airports Limited*"[13].

*To what extent is it possible to operate a successful 'constrained' focal airport by focusing on routes where feeder traffic is critical and redirecting routes which are viable as point-to-point connections to other UK airports?*

4.60 Unite does not believe it is possible to constrain a successful focal airport and force it to provide more connections to UK destinations without paying out significant amounts of compensation for lost trade to the airport. As the airports are operating in a commercial arena, airlines determine routes based on available aircraft, arrival/departure slots and passenger demand. If one focal point is constrained they will simply maximise the profitability by utilising only the most profitable routes/connections.

## 5 Conclusions

5.1 Unite is convinced that any move to force the relocation of airlines from Heathrow to an alternative focal airport will result in those airlines ending their connecting service to the UK. Furthermore, Unite is not convinced that there is currently a viable economic argument to support the existence of two focal airports in the UK.

5.2 Unite believes that without growth, the UK's position on the world stage economically is at risk and in danger of becoming an isolated nation at the end of a branch line served by fewer connecting flights. Already much of the UK does not have the benefit of an easy domestic connection to the UK hub. Whilst this may be sustainable in other European nations, they benefit from an established high speed rail connection which negates the need for flights. The UK's infrastructure has been left by successive governments to make do and mend.

5.3 Even where there is the opportunity to develop a high-speed network this has experienced delays. Such rail networks focus on connections between domestic city centres rather than between international destinations and the UK regions. Unite believes that the focus should be on connecting cities, not just in the UK but further afield. This connection could be from UK cities and those cities on the European high speed rail network or globally via a connection to an airport.

5.4 Unite's greatest concern is the level of investment going into competitor airports and in particular Istanbul's new six runway hub airport. This new airport will have the capacity to change the civil aviation map placing many thousands of UK jobs at risk. Ataturk airport is already in the top 10

[13] "Birmingham Airport - Helping Birmingham Airport become more accessible by rail from across Britain Balanced Aviation debate" the link to which is above. The quote can be found on page 5.

global airports list in terms of available seat capacity and provides a home to Turkish Airlines who provide more flights than British Airways.

5.5 Unite calls for efforts to be made to secure the future of the UK aviation industry and all the jobs that rely on it. Whilst this may mean some very difficult political decisions, Unite believes such a decision is necessary and long over due. Heathrow cannot currently grow any further and without growth it will stagnate and fall into decline. Other nations focal airports have a long way to go before this happens and will in the not too distant future catch up with Heathrow and leave it for dust.

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## Appendix 1 Global Top 30 Airports by Seat Capacity Available on International Departing Flights for w/c 08/07/13

| Ranking | Departure Airport Code | Departure Airport Name | Total Number of Seats |
|---|---|---|---|
| 1 | LHR | London Heathrow Apt | 873,211 |
| 2 | DXB | Dubai International | 803,064 |
| 3 | HKG | Hong Kong International Apt | 734,572 |
| 4 | CDG | Paris Charles de Gaulle Apt | 709,876 |
| 5 | FRA | Frankfurt International Apt | 696,904 |
| 6 | SIN | Singapore Changi Apt | 691,396 |
| 7 | AMS | Amsterdam | 593,038 |
| 8 | ICN | Seoul Incheon International Airport | 518,751 |
| 9 | BKK | Bangkok Suvarnabhumi International Apt | 511,276 |
| 10 | IST | Istanbul Ataturk Airport | 443,482 |
| 11 | LGW | London Gatwick Apt | 424,792 |
| 12 | KUL | Kuala Lumpur International Airport | 424,205 |
| 13 | TPE | Taipei Taiwan Taoyuan International Apt | 419,134 |
| 14 | MUC | Munich International Airport | 389,851 |
| 15 | JFK | New York J F Kennedy International Apt | 378,056 |
| 16 | NRT | Tokyo Narita Apt | 374,706 |
| 17 | FCO | Rome Fiumicino Apt | 353,328 |
| 18 | MAD | Madrid Barajas Apt | 351,118 |
| 19 | BCN | Barcelona Apt | 345,449 |
| 20 | ZRH | Zurich Airport | 323,438 |
| 21 | DOH | Doha | 313,298 |
| 22 | PMI | Palma de Mallorca | 312,656 |
| 23 | PVG | Shanghai Pudong International Apt | 299,978 |
| 24 | VIE | Vienna | 294,681 |
| 25 | DUB | Dublin | 283,228 |
| 26 | CPH | Copenhagen Kastrup Apt | 278,977 |
| 27 | MAN | Manchester (GB) | 269,733 |
| 28 | MIA | Miami International Apt | 260,787 |
| 29 | YYZ | Toronto Lester B Pearson Intl Apt | 259,858 |
| 30 | PEK | Beijing Capital Intl Apt | 257,513 |

The airports highlighted are ones found in Europe making up over 50 percent of the top 30. This illustrates the current level of competition for airline passengers in the European market.

## Appendix 2 – Global Top 30 Airlines by Number of Flights for w/c 08/07/13

| Ranking | Airline Name | Frequency |
|---|---|---|
| 1 | Delta Air Lines | 40,582 |
| 2 | United Airlines | 40,227 |
| 3 | American Airlines | 25,855 |
| 4 | Southwest Airlines | 22,944 |
| 5 | US Airways | 22,520 |
| 6 | China Southern Airlines | 13,098 |
| 7 | Lufthansa German Airlines | 12,510 |
| 8 | Ryanair | 12,008 |
| 9 | China Eastern Airlines | 11,820 |
| 10 | Air Canada | 11,351 |
| 11 | Easyjet | 9,066 |
| 12 | Air France | 8,406 |
| 13 | Air China | 7,825 |
| 14 | All Nippon Airways | 7,710 |
| 15 | Turkish Airlines | 7,640 |
| 16 | British Airways | 6,949 |
| 17 | Alaska Airlines | 6,283 |
| 18 | VARIG-gol Airlines/vrg Linhas Aereas Sa | 6,262 |
| 19 | JetBlue Airways Corporation | 5,983 |
| 20 | Lion Air | 5,681 |
| 21 | Azul Airlines | 5,628 |
| 22 | TAM Linhas Aereas | 5,586 |
| 23 | Qantas Airways | 5,326 |
| 24 | Japan Airlines | 5,062 |
| 25 | SAS Scandinavian Airlines | 4,624 |
| 26 | Air Berlin | 4,605 |
| 27 | Lan Airlines | 4,586 |
| 28 | KLM-Royal Dutch Airlines | 4,522 |
| 29 | Aeromexico | 4,227 |
| 30 | Airtran Airways | 4,016 |

The highlighted airlines are those based in Europe. Again this list highlights the relative position of British Airways when compared to rivals in Europe and further afield. Air Berlin, Ryanair and easyJet are of course low cost airlines which specialise in high frequency short and medium haul flights