

## Essex County Council Officer Response to the Discussion Paper 04

### Airport Operational Models

#### Introduction

The Airports Commission published Discussion Paper 04 entitled Airport Operational Models in May 2013. The Discussion Paper provides an understanding regarding the trends in the aviation sector and how it may develop in the future, the distinguishing features of a hub/focal airport and the structure and operation of the UK aviation sector. The County Council has an interest to respond to the Discussion Paper given our role as a -

- Key partner within Essex and the South East Local Economic Partnership promoting economic development, regeneration, infrastructure delivery and new development throughout the County;
- Guardian of the environment and the interests and safety of the County's residents and workers;
- Strategic highway and transport authority, including responsibility for the delivery of the Essex Local Transport Plan and as the local highway authority; and
- Major provider of a wide range of local government services throughout the county of Essex.

#### Essex County Council's Strategic Aviation View

The County Council is supportive of expansion at both airports within levels set by current consented planning permissions. This would allow for 35 million passengers per annum at Stansted, and 2 million passengers per annum at Southend airport. It is considered that given there is considerable capacity at both Essex airports, this will provide an effective strategy for meeting the UK and in particular South East airport capacity in the short – medium term.

The County Council is keen to understand the impacts associated with maximum use of runway capacity in the South East, before consideration is given to the construction of new infrastructure to serve aviation demand.

#### Structure and Summary of ECC Response

The response submitted by the County Council is structured to answer the questions raised by the Commission in paragraph 5.3 of the Discussion Paper. A summary of the principle issues raised by the County Council is set out below.

- **Additional Evidence/Analysis** – The County Council considers that there is a need to review additional evidence in relation demand capacities and available capacity at non-hub airports.
- **Freight** – Greater consideration should be given to appreciate the existing and future requirements for air freight including cargo and belly hold. The analysis should show how future air freight may impact on the Futures proposed by the Commission.
- **Potential Futures/Aviation Options** – The Commission welcomes views regarding the proposed scenarios for future aviation in the UK, the County Council proposes that consideration should be given to a Future/Option that reflects catchment areas.
- **Capturing Economic Benefits** – The County Council considers it essential that the economic benefits derived from existing and future aviation growth are captured to benefit local and national economic priorities and community aspirations.
- **Surface Accessibility** – Consideration should be given to the impact that operational models have on delivering and facilitating surface accessibility and sustainable modes.

## Discussion Paper - Questions and Answers

This section of the County Council's response sets out the questions posed on the Discussion Paper and the County Council's response.

**Question -** *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?*

**Response –** The County Council considers that the Operational Models adopted by the UK in the future must be a reflection of anticipated aviation demand capacities. The Department for Transport published revised demand forecasts for the UK. The unconstrained demand forecasts outlined by the Department for Transport illustrate that the use of the runway capacity at the Essex airports is consistent with existing planning permissions and is sufficient for the short-medium term. This will provide economic growth and effective connectivity for the local Essex and neighbouring Counties.

A review of the aviation forecasts and additional evidence suggest there is sufficient capacity at non-hub airports throughout the UK. For instance analysing available capacity at M.A.G airports suggests that there is readily available capacity. Table 1 outlines the extent of capacity at M.A.G airports.

**Table 1 – M.A.G Capacity**

Airport	Current Throughput	Forecast to 2028	'Best Use' Capacity	'Maximum Use' (without major on airport infrastructure investment)
Stansted	17mppa	32mppa	Planning consent given for 35mppa	Capability to accommodate 40-45mppa
Manchester	19mppa	33mppa	Planning consent for growth beyond 33mppa	Capability to accommodate 55mppa
East Midlands	4mppa	6mppa	Can grow beyond 6mppa with incremental growth	Capability to accommodate
Bournemouth	0.7mppa	1mppa	Existing capacity for 3mppa	Capability to accommodate

The County Council considers that in determining the need for hub and non-hub capacity the operational models information must refer to freight. Whilst there is some reference to freight in chapter 4 it is considered that more information is required to appreciate how freight operational models have changed overtime, and what factors are influencing air freight operational models in the future.

**Question -** *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?*

**Response –** The County Council supports the assessment of viable, realistic, and relevant options in the development of the most sustainable and effective approach for the UK's aviation strategy/policy. The Commission is welcoming views regarding whether the 3 Futures pose credible alternative approaches for the development of the UK aviation sector.

An initial review of the 3 Futures proposed by the Commission, suggests that the Commission fails to appreciate the impact of air freight in developing future aviation operational models. Cargo and belly

hold freight operations are likely to continue to have key requirements to ensure sustainable, effective and efficient operations. The County Council therefore welcomes clarification on how air freight options will relate/impact the Futures that are presented in Chapter 2.

Whilst the Futures proposed by the Commission do provide a range of options, there is an additional Future that the Commission should consider. Table 2 highlights information on some of Europe's busiest airports.

**Table 2 – Information Concerning Europe's Busiest Airports**

2012 Rank	Country	Airport	City	Passengers 2011	Passengers 2012
1	UK	London Heathrow Airport	London	69,433,230	70,037,417
2	France	Paris Charles De Gaulle Airport	Paris	60,970,551	61,611,934
3	Germany	Frankfurt Airport	Frankfurt	56,436,255	57,520,001
4	Netherlands	Amsterdam Airport Schiphol	Amsterdam	49,755,252	51,035,590
5	Spain	Barajas Airport	Madrid	49,671,270	45,195,014
6	Turkey	Ataturk International Airport	Istanbul	37,394,694	45,124,831
7	Germany	Munich Airport	Munich	37,763,701	38,980,911
9	Spain	Barcelona El Prat Airport	Barcelona	34,398,226	35,145,176
10	UK	London Gatwick Airport	London	33,674,264	34,235,982
12	France	Paris-Orly Airport	Paris	27,701,610	28,165,657
14	Turkey	Antalya Airport	Antalya	25,113,635	24,993,667
17	Spain	Palma de Mallorca Airport	Palma de Mallorca	22,725,517	23,336,187
20	Germany	Dusseldorf International Airport	Dusseldorf	20,339,466	20,833,246
21	UK	Manchester Airport	Manchester	18,892,756	19,736,502

Table 2 sets out the volume of passengers at some of the busiest airports in Europe in 2011-2012. Using this information it is possible to determine the types of Futures that are operational in some European countries

For instance, Future 1 is demonstrated in the Netherlands, where there is one dominant hub airport at Amsterdam Schiphol. This is highlighted as the airport has the 4<sup>th</sup> highest volume of passenger traffic and there is no other dominant airport in the Netherlands within the top 100 busiest airports in Europe.

Future 3 is described as the integration of the low-cost and full service models sees more airports operating some level of hub type model, with the dominant role of the hub airport weakened. Future 3 is illustrated by airports such as Paris Charles de Gaulle, and Paris Orly, as well as Heathrow and Gatwick in London.

The County Council recommends that a 4<sup>th</sup> Future be considered for emerging UK aviation operational models. The 4<sup>th</sup> Future is likely to be dependent on catchment areas. In reviewing the busiest European airports using 2011 and 2012 it is apparent that in some European countries there are multiple busy airports catering for a specific geographical scale or potentially a type of passenger.

For instance Germany has three busy airports Frankfurt (ranked 3) which may primarily serve north west Germany, Munich (ranked 7) possibly serving south Germany and Dusseldorf (ranked 20) providing access to aviation services for central Germany. Furthermore Germany has also granted planning permission for Berlin airport. Similarly Spain has Barajas airport in Madrid providing aviation services for central Spain and Barcelona El Prat supplying aviation services for eastern Spanish business and leisure communities. Turkey has two airports Ataturk in Istanbul (ranked 6) providing services for northern Turkish communities and Antalya (ranked 14) however Antalya serving the South, however Antalya may primarily serve leisure tourism. A dispersed strategy that concentrates on local demand and catchments is used by other countries, and therefore may be viable for the UK.

The County Council recommends that the Commission undertake further research regarding airport catchment areas, and determine whether two hub airports in the UK may be appropriate one serving for instance the South East and the second serving northern UK communities.

It is also recommended the Futures deemed realistic, reasonable and viable in the UK give consideration to the impact they may have upon surface access and how surface access would need to be delivered dependent on the operational adopted.

It is important to note that although the County Council is proposing consideration be given to a 4<sup>th</sup> Future, at this stage the County Council is not expressing a preference regarding any option being considered by the Commission.

*Question - 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?*

Response – Liberalisation, growth of low-cost carriers, and consolidation of alliances have reduced the price and increased the convenience of air travel. The County Council supports the Commission in seeking to determine the future of air travel for business and leisure passengers. The developed economies such as the UK are likely to reach market saturation, as people have limited time and money that may be used for air travel. The effect in developed nations such as the UK is that the scale of air travel increase is likely to be slower than historical trends.

The County Council acknowledges that technological advances continue to result in the evolution of our working methods. It is therefore likely that although leisure time may restrict travel, a more limited growth in air travel may appear as it becomes acceptable to work remotely, for instance from destinations abroad e.g. second homes.

The Discussion Paper highlights that more fuel efficient and smaller aircraft will seek to make long haul air travel more viable for smaller aircraft, therefore making long haul travel a realistic option from non-hub airports.

The County Council considers that the potential future trends in air travel may weaken the case for a hub airport, as air travel is increasingly accessible to the masses of the developed economies such as the UK.

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

Response - The County Council appreciates the importance of the wave system, and how it enables greater connectivity, and effective use of runways. However depending on the extent to which the wave system is operated there may be an impact on resilience and efficiency. At other hub airports runways are normally operated to approximately 75% utilisation. Heathrow is currently operating at 98-99% capacity, and therefore resilience is an issue if there are issues that result in obstruction to the runway or passenger delays.

The impact of poor resilience is that Heathrow must have robust mechanisms to deal with cancellations. The maintenance of the long haul flight schedule is normally prioritised at the expense of short haul, as alterations to long haul flight timetables are more challenging to rectify. Short haul and in some instances other longer haul flights are diverted to other London airports including Stansted.

It is recognised that the wave system is established to facilitate transfers, and ensure minimum connection times. The County Council recommends that further consideration is given to how surface access to and from airports facilitate and assist the wave operations. The Discussion Paper states that the wave system should see 'a large number of flights arriving in a short space of time, then a large number departing again as soon as sufficient interval in which to redistribute passengers and luggage has elapsed'. The Commission therefore should ensure that it considers how surface accessibility to and from the airport can facilitate and cope with passengers arriving to and departing from the airports in waves.

The County Council recommends that the Commission publish a separate Discussion Paper that discusses airport surface accessibility.

*Question - 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?*

Response - The County Council considers that the Discussion Paper highlights some of the issues that need to be taken into account when determining the size and scale of a focal airport. It is recommended that the Commission seeks to consider wider impacts including airspace restrictions, surface accessibility, environmental and health impacts. It is important that the future UK focal airports are sustainable.

*Question - 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.*

Response - The County Council considers that there are materially different advantages and disadvantages of expanding hub/non hub capacity. The economic benefit from aviation often uses evidence from Heathrow and Gatwick, where the role of aviation as an enabler of wider growth within the national and local economy is more pronounced. Historically London Stansted has been dominated by leisure and UK origin patronage, offering short haul point-to-point services. Similarly the business strategy for London Southend is dominated by leisure and UK patronage as well as short hauls point-to-point services. The County Council wishes to highlight to the Commission that at present London

Stansted does not have the 'enabler' and 'catalytic' effects which are displayed by Heathrow and Gatwick.

However the future vision for Stansted by the new owners highlights a desire to enhance international connectivity at Stansted, through the promotion and development of the long haul flight market. Offering more international connectivity at Stansted is likely to benefit the local and national economy. The County Council aims to ensure that whether an airport is hub or non-hub future airport expansion should maximise economic benefits to local and national businesses, promoting local and national economic growth.

The Commission should aim to provide an understanding of how airport expansion can deliver local and national economic growth, irrespective of the type of services and operational model adopted by an airport. The County Council considers that there are some possible mechanisms that may enhance economic growth and connectivity through –

- Ensuring hub and non-hub airports provide high quality transportation interchanges to facilitate movement and connectivity of people and goods through effective and efficient surface accessibility between the airport, and within Essex, to London and the wider South East.
- The maintenance of effective links to locations that contribute to local and national economic growth and development. Set out how new routes may be delivered encouraging airport operators, airlines, local authorities and businesses to work collaboratively to reinforce and promote the delivery of routes that benefit the national and local economy.
- Encourage airports and local authorities to liaise with local businesses to ensure that there is awareness of the economic opportunities that may be directly and/or indirectly provided by the airport through connectivity with certain countries/regions. Similarly ensure there is awareness by the airport operator of the economic benefits that airports provide to existing and future business growth and development.

The County Council is also mindful of the environmental, social and health impacts associated with airport development, these issues should also be appreciated as well as economic impacts.

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

Response - The future vision for Stansted is to enhance international connectivity through the promotion and development of the long haul flight market. The County Council aims to ensure that Stansted airport shall have the enabler and catalytic effects demonstrated at Heathrow and Gatwick. It is through the provision of long haul and diverse range of air services that the economic benefits from aviation will be captured.

The County Council appreciates that connectivity may vary between focal and non-focal airports; however it is important that the economic benefits of aviation are captured locally irrespective of the type of airport.

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

Response – The County Council considers that interlining transfer passengers may benefit the UK economy by ensuring the maintenance of viable routes. Transfer traffic ensures that a more diverse range of air services may be accessed by local businesses and communities. Transfer traffic also

increases the efficiency of maintaining routes and allowing for the provision of less established/thick routes.

Frontier Economics published a report for Heathrow in 2011 which indicated that 'passengers who want to fly to or from the hub airport benefit from better connectivity, because many routes and service levels would not be viable if other passengers were not transferring through the hub. As a result passengers enjoy a wider range of routes and greater frequency on existing routes'. The report also highlighted that passengers benefit from 'lower fares, because sharing their services with spoke passengers (those wanting to travel between two spoke destinations) spreads fixed costs over a larger number of passengers and leads to lower average fares'.

Interlining transfer traffic may benefit the UK economy where airports are well built and designed to facilitate easy access to shopping facilities at airports. The County Council appreciates that there are minimum connection times, but in developing or expanding airports consideration should be given to how interlining transfer traffic spend may be captured for the benefit of the UK and local economy.

It is also important to note that the proportion of transfer passengers is small. Also changing technological development of aircraft will ensure that smaller aircrafts can travel long haul, making it more viable that local traffic alone may ensure routes are viable at other airports.

*Question - 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?*

*Response -* Figure 3.4 of the Discussion Paper sets out the population density in Europe in 2010, with the locations of the major focal airports namely – London Heathrow, Paris – Charles de Gaulle, Amsterdam – Schiphol and Frankfurt Airports. The Commission concludes that 'two of Europe's largest airports, are located close to the EU's largest metropolitan areas, London and Paris'.

A review of the information set out in figure 3.4 highlights that the UK has three areas with high population density in Europe, namely London, the West Midlands and Greater Manchester.

*Question - 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?*

*Response –* The County Council recommends that the Commission consider a 4<sup>th</sup> Future scenario based on catchment areas, therefore analyse whether a secondary hub airport would be realistic in the north of the UK. Figure 3.4 of the Discussion Paper highlights the population density in Europe and locations of major focal airports. The population density information for the UK indicates that there are three areas of high population density in the UK – London, West Midlands and Manchester.

It is important to note that apart from Heathrow, Manchester is the only UK airport with two full-length runways. Manchester is the UK's third largest airport; it is the only airport outside the South East with the scale and critical mass necessary to serve key emerging long haul markets. The airport also has a large catchment area with 22 million people living within a 2 hour drive. The County Council therefore welcomes that the Commission consider whether a secondary hub outside the South East is feasible.

It is important to note that although the County Council is proposing consideration be given to a 4<sup>th</sup> Future, at this stage the County Council is not expressing a preference regarding any option being considered by the Commission.

Question - *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?*

Response – The County Council is keen to ensure that the routes provided by the Essex airports – Stansted and Southend reflect those that are demanded by our local living, working and investing communities.