

# Airports Commission submission

Edinburgh Airport 2013



# Foreword

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**A little more than a year ago, Edinburgh Airport was acquired by Global Infrastructure Partners.**

This was a landmark moment in our history. Now, decisions relating to Edinburgh Airport are made in Edinburgh, with Edinburgh's best interests in mind.

For our passengers, that simply means competition and more choice; we want to be the airport where Scotland meets the world.

To succeed, we will put the interests of our passengers first. We are investing in new, modern facilities and in creating a strong network of direct air routes, carrying people to and from Scotland, and onwards to the world.

We hope the Airports Commission will be mindful of its broad remit across the United Kingdom and carefully consider Scotland's voice, and others from around these islands, as it develops its conclusions.

The commission must acknowledge that London's airports do not just serve that city; these are national strategic assets providing valuable international opportunities for our people and our economy.

Scotland's enduring ability to trade and to export depends on good access not only to the London airports, but also to the large airports of Europe, the Middle East and North America. It should be noted that Edinburgh is currently the third largest entry point for air travellers starting journeys outside the UK.

Government should consider what incentives exist for airport operators and airlines to further serve Scotland, protecting access to London and sustaining direct international routes.



**Sir John Elvidge**  
Chairman



**Gordon Dewar**  
Chief Executive

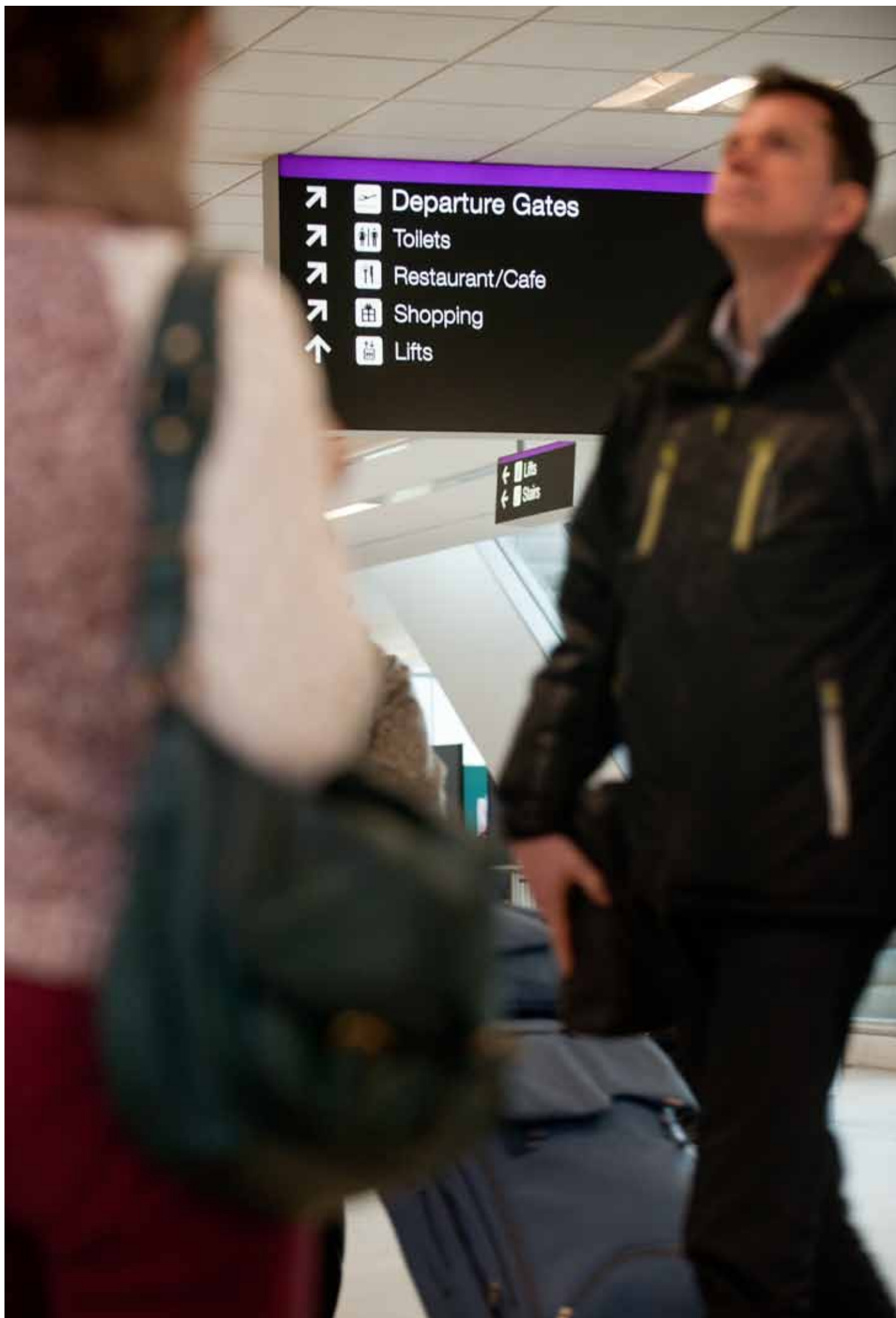
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We will also look for a sensible regime of taxation, which reflects aviation's powerful role in stimulating economic growth and international trade.

Too many times, it has proved difficult to turn policy into reality; this time, for the sake of our future prosperity, politicians must find solutions that can and will be delivered.

Airports exist to connect people and goods to places and opportunities; to make business and trade happen and to allow societies and economies to prosper.

In this document, we have endeavored to articulate the Edinburgh Airport view; our carefully considered thoughts on the long-term needs of the UK aviation sector, and the best means of serving passengers. We look forward to pressing our case in the months and years ahead.



## 1.0 Introduction

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- 1.1 Edinburgh Airport is owned by Global Infrastructure Partners, which acquired the airport in June 2012. It is Scotland's largest airport and the sixth largest in the UK in terms of passenger numbers. Edinburgh serves more than 120 destinations across Europe with long haul links to the USA.
- 1.2 In recent years, Edinburgh has cemented its position as Scotland's principal gateway for business travellers and visitors to the country, and is an important conduit for Scots businesses sending people, knowledge and goods around the world.
- 1.3 In 2012, approximately 9.2 million passengers used Edinburgh Airport, which represents a slight reduction on the record number of 9.4m passengers in 2011.
- 1.4 Edinburgh's recent history has been one of growth and investment, and the new airport management team fully intends to maintain that positive approach. Our long-term masterplan, published in 2011, outlines how we can grow responsibly and within our existing boundaries, handling 13 million passengers by 2021.
- 1.5 Edinburgh Airport consulted widely on the masterplan, which has been welcomed at all levels of government and importantly by our local communities, businesses and their representatives.
- 1.6 For three years running, in 2011, 2012 and 2013, ACI Europe judged Edinburgh to be the best European airport of between five and ten million passengers and we are ranked in the top three in Europe for customer service as voted by passengers by ACI's Airport Service Quality Survey.

- 1.7 Edinburgh Airport is an important part of Scotland's social and economic fabric, and we understand the leadership role we can play in terms of promoting Scotland around the world and connecting our people with opportunities to travel and do business.
- 1.8 Scotland relies heavily on a dynamic aviation industry. We need more links to the outside world, and in that context we are pleased to make our views known to the Airports Commission as it determines how best to develop the industry in the future.

## 2.0 UK aviation policy

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- 2.1 The United Kingdom is a small island on the western periphery of Europe. The success of our Victorian forefathers in building trade routes was founded on their ambition and bold decisions taken to build port infrastructure that sent ships, goods and people to the four corners of the world.
- 2.2 Similarly bold and adventurous thinking is required today, but it is action – and specifically the physical delivery of infrastructure – that is most urgently required.
- 2.3 In order to facilitate the investment required to modernise the UK's dated airports infrastructure, Governments must build political consensus round a long-term aviation policy that provides global investors in airports with similarly long-term certainty.

### 3.0 Political consensus

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- 3.1 Successive Governments have failed to deliver new infrastructure, despite occasionally putting in place sensible long-term policy. The critical requirement it would seem is consensus across the political divide, and across Government departments.
- 3.2 In order to deliver infrastructure, specifically new runways, politicians of all parties must work harder to agree on the specific components of airports policy, and then to ensure that these are delivered regardless of changes in Government at the political or official level.
- 3.3 Similarly, Government ministers and officials must ensure that the competing demands of Government departments do not prejudice the future growth of the industry and the subsequent economic benefit for the economy as a whole for the sake of short-term increases in tax revenues, for example.
- 3.4 The UK's air passenger duty (APD) is an increasingly unjustifiable tax on Scotland's ability to trade and compete with other European and world economies.
- 3.5 Scotland is a relatively small island nation on the western periphery of Europe, yet the UK government perseveres with increases in a tax that directly increases the cost to people who want to come and go from these islands, whether for social, cultural or business reasons.
- 3.6 Within the UK itself, APD undermines important air routes between areas such as the Highlands of Scotland and London, and weakens the overall case for airport capacity.
- 3.7 We implore the Airports Commission to reflect the obvious damage that this blunt financial instrument is doing not simply to the UK economy as a whole, but to the areas outside the South East of England that depend more on sustainable air connections with international markets.
- 3.8 Other countries are pragmatic enough to consider how the best strategic long-term interests of their economies are protected and enhanced through better infrastructure and sensible tax policies, and the UK risks falling further behind its international competitors if our political system continues to frustrate the modernisation and competitiveness of our airports.



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## 4.0 Passengers and competition

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- 4.1 We welcome the positive steps taken in recent years to promote better customer service in UK airports, principally through greater competition between airports.
  - 4.2 Having come out of the BAA airports group in 2012, we feel the many benefits that come with greater flexibility and faster, better and local decision-making.
  - 4.3 Allowing airports to compete through better service and more efficient investment is undoubtedly good for passengers.
  - 4.4 The passenger is always the first consideration of any good airport operator, and whatever policy emerges from the Government's latest round of consultation, it must put the best interests of travellers at its heart.
  - 4.5 At Edinburgh, we recently published a number of commitments to our passengers ([www.edinburghairport.com/about-us/passenger-commitments](http://www.edinburghairport.com/about-us/passenger-commitments)), promising excellent service, choice and a seamless journey through the airport. Every organisation represented on the airport has signed up to the commitments, from our airlines and handling agents to the Border Force and retailers.
  - 4.6 This initiative reflects our view that the end-to-end customer experience is critical, and that any weak link in the chain will undermine the efforts of the other parties involved in providing a service to customers.
  - 4.7 We would encourage members of the Airports Commission to think carefully about the end-to-end passenger experience when making recommendations on future Government policy, but particularly the location of new airport capacity.
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- 4.8 UK airports compete with European airports and increasingly with Middle Eastern airports, and any investment in new capacity must come with a step change in how large airports in particular serve passengers.
  - 4.9 The British airport regulatory system was designed largely to imitate competition where it did not exist, specifically in the South East of England.
  - 4.10 The dismantling of BAA's monopoly ownership position has injected a healthy measure of competition into the London airports market, and in central Scotland. Those competitive dynamics have been further enhanced by the sale of Stansted Airport in February 2013.
  - 4.11 While the case for regulating Heathrow remains a powerful one, it is difficult to justify the long-term regulation of other airports. However, whatever system of regulation exists in future must put the passenger at its heart, and facilitate long-term investment in infrastructure.

## 5.0 London airports; UK assets

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- 5.1 Scotland's relatively small population makes it likely that its airports will always be served by a mixture of direct and indirect routes.
- 5.2 Passengers generally value direct international services over indirect services, and Edinburgh Airport's sharp focus will remain on developing a robust and sustainable network of direct international routes.
- 5.3 However, Scotland values its connections with London airports, not simply to do business in the UK's capital, but to take advantage of the high number of destinations served through these larger airports.
- 5.4 Providing new runway capacity in the South East of England must be an important priority for the Airports Commission, and we underline our view that politicians of all parties must agree sensible proposals and deliver them, or the country as a whole will face many more years of lost social and economic opportunities.
- 5.5 We would urge the Airports Commission to always be mindful of its UK remit and to consider that the large London airports are national strategic assets, which provide benefits to the UK as a whole. These are not merely London airports.
- 5.6 In implementing the Airports Commission findings, we encourage Government to consider options that are cost-effective and most accessible to the residents of the south east of England, and which minimise the environmental impact of the airport or airports concerned.
- 5.7 Having reflected carefully on the arguments being put forward by the London airports, our view is that new capacity can most easily be delivered at Gatwick Airport in the short-term.
- 5.8 Gatwick airport's 'constellation' proposal whereby, over time, Gatwick, Heathrow and Stansted all operate a two-runway model, is a realistic and highly competitive proposal that merits further serious consideration as the Airports Commission develops its final proposals for publication in 2015.
- 5.9 We believe that Heathrow's position in West London, and the density of the surrounding population, means it will remain difficult to ever build sufficient capacity to improve that airport's ability to deal with disruption and provide room for more flights, without there being an unacceptable local environmental cost.
- 5.10 In any event, we believe that the importance of the traditional hub model is overplayed, and that it is an outdated view of our changing industry.
- 5.11 Airlines are investing in long-range aircraft such as the Boeing 787 and the Airbus A350, prioritising direct international services ahead of transfers.
- 5.12 However, Scotland's continued access to developing long-haul markets depends upon our connections to large London airports, and similar airports overseas, in Europe, the Middle East and North America.
- 5.13 In arguing for new capacity, it is our view that Scotland's needs are better served by spreading our 'risk' across multiple airports, and supporting deliverable proposals as opposed to those which are not.



5.14 Furthermore, we believe that the concentration of a large number of long-haul services at one airport, for example at Heathrow, leads to more expensive ticket prices as that airport's effective monopoly position is compounded.

5.15 At a simple level, the passenger will benefit more from the competitive 'constellation' system advocated by Gatwick, which will require airports and airlines to compete for all traffic, bringing ticket prices down and raising standards of customer service.

5.16 Too often in the past, the understandable but narrow interests of London have dominated national airport policy decisions. If that approach is allowed to endure, then it is often the remoter parts of the UK that are affected first, and disproportionately, by a lack of capacity in London.

5.17 That said, it is important to consider the environment around each of the London airports, and the communities in which they operate, and

to consider the relative impact of each proposal in terms of how many people will be affected adversely.

5.18 It is also our view that the policy frameworks, which have allowed Heathrow Airport to operate at close to maximum capacity for some years, were at best misguided. Therefore, any future airport capacity should be sustainable over many generations and be limited to the extent that the UK's largest airports are considerably more resilient and provide a higher standard of service to customers.

5.19 The attractiveness of London airports for travellers across the UK can be measured in terms of the end-to-end customer experience, and in terms of choice, service and connectivity with London.

5.20 Therefore, any investment in new runway capacity must be met with a proportionate investment in surface transport connections, with support where appropriate from the bus and rail industries and the public sector.

5.21 The varying quality of airport rail links in the South East must be addressed, and the public and private sector should be encouraged to work together, to procure dedicated rail services to and from each of the large London airports.

5.22 It is also important to consider other transport modes such as the private car and the bus; sufficient capacity must be created for all modes of transport.

5.23 We are firmly of the view that very few of our passengers use English airports other than the London/SE ones to connect to international flights and we do not believe that any strategy which focuses more on non- London/SE English airports to alleviate London/SE pressures (for example Birmingham) would do anything to meet Scotland's needs.

## 6.0 Scotland's direct connections

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- 6.1 Scotland, and Edinburgh in particular, has made great progress in recent years in efforts to build a sustainable network of direct international air routes.
- 6.2 There are now more than 120 destinations served directly from Edinburgh, and our research team has established that as many as 32% of people using Edinburgh Airport have a non-UK passport.
- 6.3 Scotland's route network will always reflect demand for the routes served, but airport operators have an important role to play in promoting airports, cities and the country as a whole.
- 6.4 We know from recent successes in Scotland that public sector support can often be the difference between an airline choosing to locate in Scotland, or not.
- 6.5 The Scottish Government's Route Development Fund was by every measure a success, and contributed to the growth in routes to and from Scotland.
- 6.6 That fund was closed following the intervention of the European Commission, which applies a strict set of rules to such support across the EU and regardless of other factors such as airport ownership (public or private), and the size and proximity of airports to neighbouring airports and cities.
- 6.7 We would urge the Airports Commission to consider the benefits of policies, at the UK and EU level, which would encourage airlines to introduce direct international routes to airports outside London or which will facilitate future increases in passenger demand.
- 6.8 It should be acknowledged that Edinburgh is currently the third largest entry point for air travellers starting journeys outside the UK, and is Scotland's national gateway.
- 6.9 The airport is well served by public transport to and from Edinburgh itself, and will benefit from the tram service to be launched in 2014 providing fast connection to the City but also improved connections to the national rail network for journeys to the north and west.
- 6.10 However, Edinburgh is connected to the A8 by a single road, and is not connected at all to the nearby trunk roads – the M8 and the M9.
- 6.11 As economies benefit from the private investment of airport operators, we would anticipate local and regional governments doing more to ensure that the rising number of passengers can be comfortably accommodated on a range of good ground transport choices.
- 6.12 Encouraging airport and route development outside London is beneficial in two ways; first, those regional economies are supported by direct access to and from international markets.
- 6.13 Secondly, creating sustainable direct routes from Scotland, for example, will relieve a modest amount of the pressure building in the South East airports system, allowing those airports to maintain spare capacity or use it for long-haul routes, which will in turn serve all of the UK.

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## 7.0 Conclusions

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- 7.1 Edinburgh Airport is encouraged by the creation of the Airports Commission, and the commitment from the UK Government that it will produce a long-term airports policy around 2015/2016.
- 7.2 It is essential for the United Kingdom that airports policy puts the needs of passengers at its heart, and is designed in the best interests of the country as a whole; further, it must provide long-term certainty of return for international investors and airport owners planning infrastructure developments over decades.
- 7.3 The UK's air transport infrastructure is a pivotal driver of social progress and economic activity, providing direct and indirect jobs and opportunities to move people, goods and knowledge around the world.
- 7.4 It is time for politicians of all sides to agree how the best strategic interests of these islands can be developed through sustained and responsible investment in airport infrastructure, with due consideration of the environment and the communities in which those airports exist.
- 7.5 Edinburgh Airport believes that the plans being worked on by Gatwick Airport represent the most realistic and deliverable proposals in terms of providing short, medium and long-term capacity for growth.
- 7.6 Whatever the Airports Commission recommends, it is more important that politicians of all parties unite behind delivering the modernisation of the UK's airports infrastructure.
- 7.7 Edinburgh Airport will continue to forge new direct links to destinations around the world and, through the relatively new dynamic of competition, we will always strive to provide a great service to passengers.
- 7.8 In determining how to deliver and use new runway capacity, the Airports Commission must always be mindful of the interests of Scotland, Wales, Northern Ireland and the regions of England outside the South East. The large London airports are strategic assets for the UK as a whole, and not simply for London.

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**Edinburgh Airport**

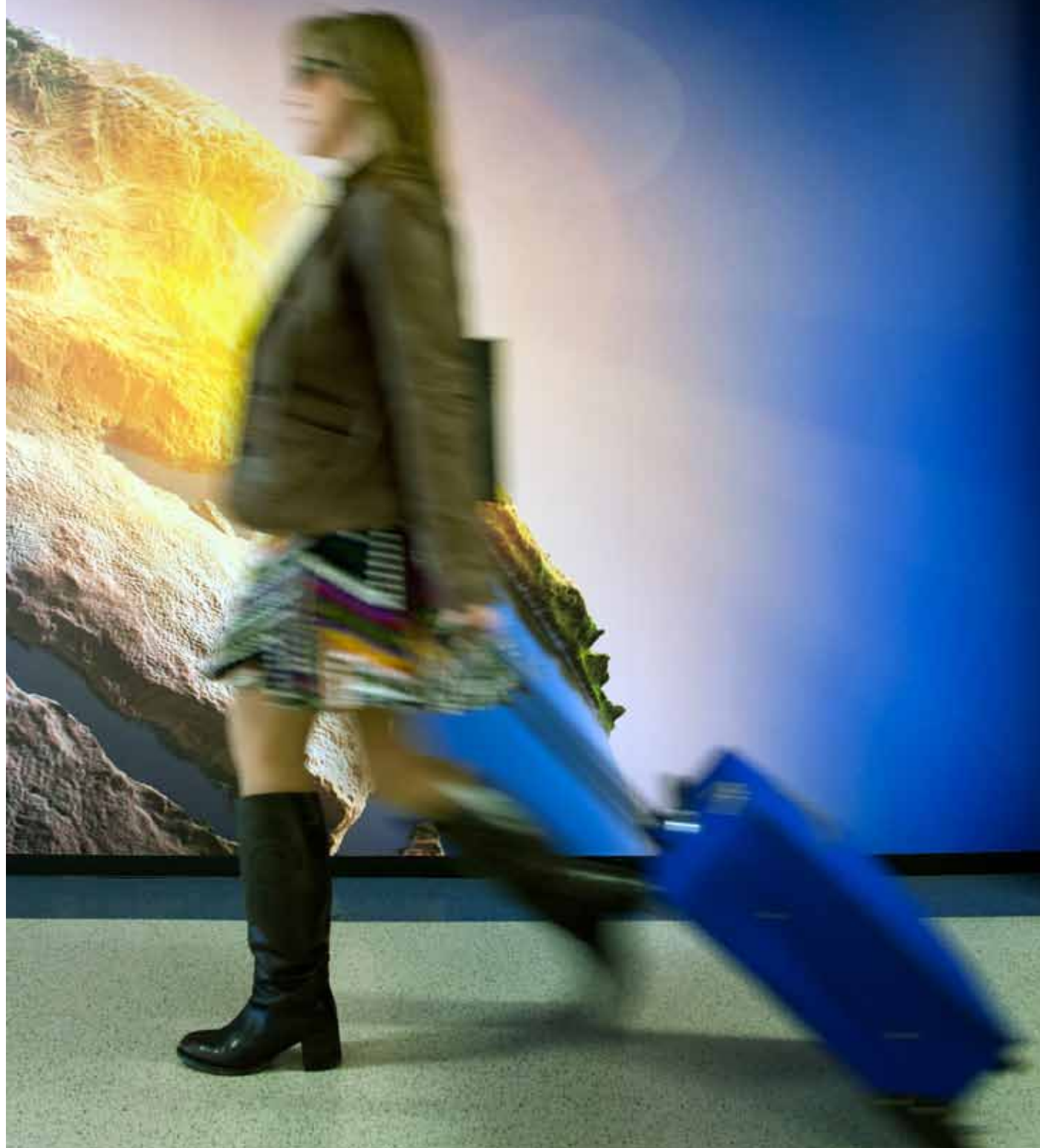
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*Where Scotland meets the world*





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