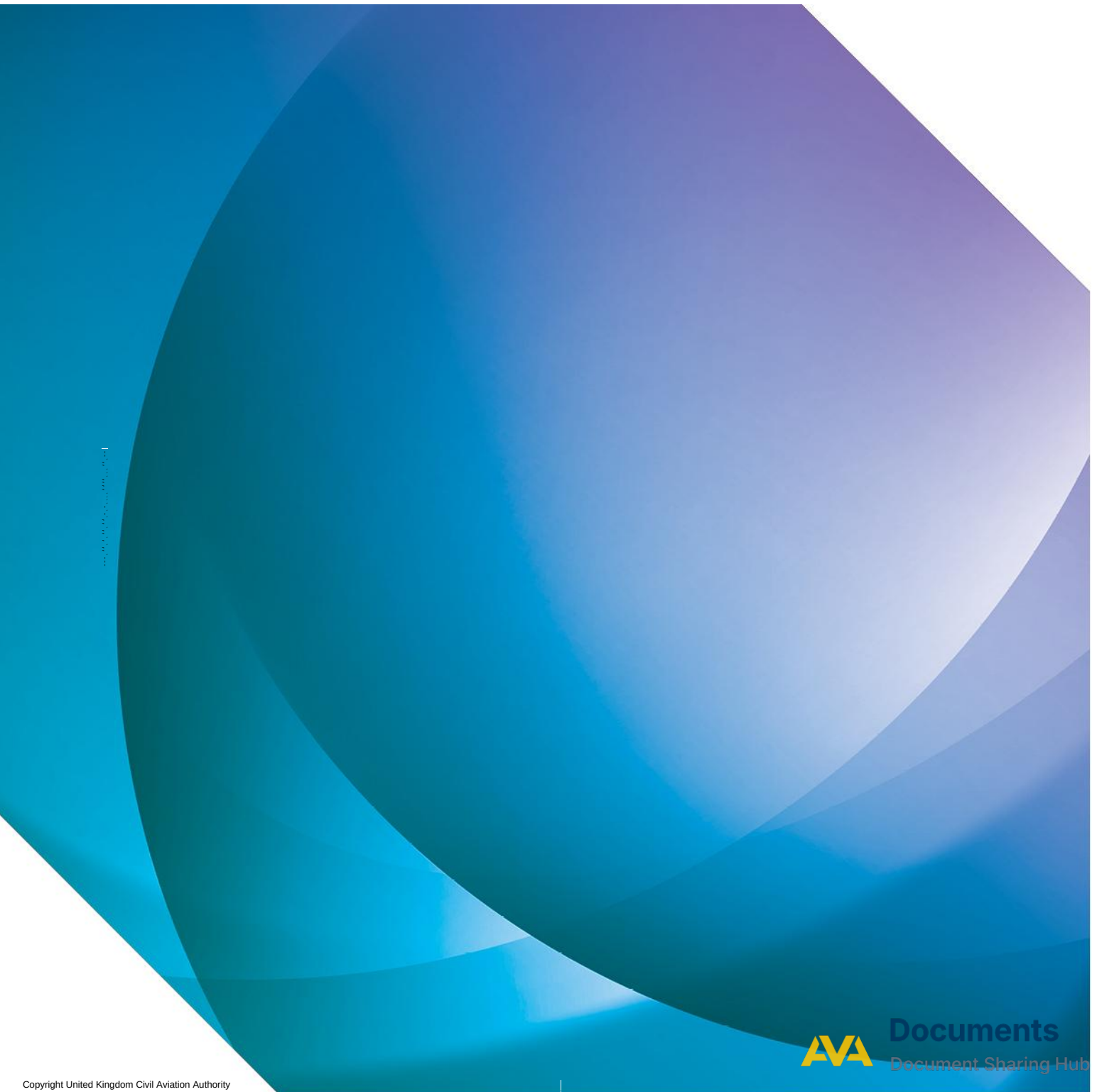


CAA's response to the British Infrastructure Group's Call for Evidence on UK airports

CAP 1413



Published by the Civil Aviation Authority, May 2016

Civil Aviation Authority,
Aviation House,
Gatwick Airport South,
West Sussex,
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Summary

1. The CAA welcomes the opportunity to respond to the Call for Evidence in May 2016 by the British Infrastructure Group (BIG) – a cross-party group of MPs whose goal is to promote better infrastructure in the UK.¹
2. The UK's regional airports and the airlines that serve them play an important part in providing air connectivity throughout the UK and contributing to the economic growth of their regions. We have made a number of submissions on this subject in recent years, including to the Airports Commission² and the Transport Select Committee³. We are pleased that this issue continues to benefit from the attention of policy makers.
3. The CAA oversees the economic regulation of the UK's two largest airports, Heathrow and Gatwick. We continue, however, to have a keen interest in whether the broader UK airport market works well for consumers. In relation to the BIG's two principal concerns about the number of passengers using regional airports and the number of connections between regional airports and UK hub airports, we consider the available evidence points to the following key observations.
 - **Airports in the UK's regions and nations operate in a competitive environment and there is a broad diversity in their individual performance in terms of passenger growth.**

¹ The Call for Evidence letter is available in Appendix A.

² Available at <http://webarchive.nationalarchives.gov.uk/20140713054907/http://www.caa.co.uk/default.aspx?catid=589&pagetype=90&pageid=14751>

³ See for example CAA's response to the Smaller Airports inquiry, available at <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/transport-committee/smaller-airports/written/13426.pdf>.

Passenger numbers at all non-London airports have recovered following the economic downturn to be now just below their pre-2008 peak. This overall picture, however, masks some sharp differences in performance at the individual airport level. Some regional airports, especially the larger ones, have been thriving recently experiencing rapid growth in passenger numbers to record levels, whereas some of the smaller regional airports have continued to experience a fall in passenger numbers.

- **There has been a reduction over the past decade in the average number of daily departures from UK regional and national airports to the London airports.**

We would, however, encourage a degree of caution in interpreting this trend. The number of regional airports serving the main London airports with more than two departures a day continues to show a reasonably broad spread. Regional airports have historically grown by providing short haul and medium haul direct flights to destinations thus making a connection through London less important than it used to be for some consumers. Surface access links with London may provide suitable alternatives to a flight connection for some UK consumers. In addition, from a consumer perspective many regional airports have good connections to non-UK hubs serving long-haul destinations: for example Amsterdam is connected with 14 UK regional airports. Notwithstanding these observations, the CAA agrees with the Airports Commission that UK consumers would benefit from new runway capacity in the South East of England to help unlock a greater number of domestic and international connections and the economic benefits they bring.

4. This report also offers a number of observations on the three potential policy interventions raised in the BIG's Call for Evidence: the role of government/Public Service Obligations (PSOs); renegotiating the EU slot regime; and discounts for domestic routes/incentives for smaller aircraft.

CAA, May 2016

Chapter 1

The UK's regional airport market

- 1.1 This section highlights some evidence and context relevant to the two principal concerns expressed in the BIG's Call for Evidence: the decline in passenger numbers at some regional airports; and the fall in the number of domestic connections to the UK's hub airports.

Recent developments in passenger numbers

- 1.2 Overall passenger numbers at the UK's regional airports grew rapidly in the years leading up to 2007 by taking advantage of the growth of low-cost airlines increasing their connections to European destinations.⁴ Airports outside London were generally more affected by the economic downturn of 2008, but since then passenger numbers have recovered so by 2015 they were just a little below their pre-2008 peak (see Figure 1 in Appendix B).
- 1.3 This overall picture, however, masks much diversity at the individual airport level (see Figure 2 in Appendix B). Some of the larger regional airports have recovered and now exceed 2007 traffic levels, such as Manchester, Luton, Edinburgh, Birmingham, Bristol, Aberdeen and Leeds. Some regional airports have seen strong recent growth but have not yet reached their pre-downturn peak, such as Stansted and Glasgow. Finally, some of the smaller regional airports saw a substantial decline between 2007 and 2010 and are yet to see any significant recovery, such as Cardiff, Prestwick, Liverpool and Belfast.

Connectivity between regional and UK hub airports

- 1.4 Links with Heathrow and Gatwick are particularly important because of the connections they allow UK consumers to long-haul destinations. Direct

⁴ This growth in connectivity was described in-depth in www.caa.co.uk/CAP754 in 2005 and in www.caa.co.uk/CAP775 in 2007.

links between UK regional airports and long-haul destinations are still very small compared to what is available in the London area, but they are growing. UK consumers wishing to connect through London may also value that the London airports also provide substantial short and medium haul connectivity.

1.5 Evidence suggests that the average number of daily departures from regional airports to London airports has declined over the past decade – see Figure 3. These numbers should, however, be interpreted with some caution.

- There number of regional airports serving the main London airports with more than 2 routes a day remains a reasonably broad spread and has declined only slightly over the same period.
- The growth of point-to-point flights from regional airports to European destinations has meant that some indirect access to hub airports is less important than it used to be.
- There are non-UK hubs capable of providing connectivity for UK consumers to many long-haul destinations from the UK's regional airports. For example, Amsterdam is connected to 14 UK regional airports. There has also been some growth in connections from the UK's regional airports to long-haul hubs, particularly in the US and the Middle East.

1.6 Heathrow and Gatwick have recently taken a number of steps⁵ to promote connectivity for UK consumers, including by undertaking certain investments, changes to their charging structures, and providing some regional connectivity commitments.⁶

1.7 Aside from Heathrow and Gatwick, some UK airports and airlines are looking to adapt their business models to provide consumers with more connection possibilities, including to the UK regions. For example, Ryanair

⁵ Heathrow has lower airport charges for connecting passengers and recently decided to introduce discounts for domestic passengers. Gatwick has undertaken some investment to actively promote passenger connections between flights at the airport, even though those are not formally arranged by airlines.

⁶ See Heathrow's commitments available at <http://your.heathrow.com/regionalcommitments/>.