

***Air Connectivity between London and UK Regions***

**What this paper is about**

Provides an update on the work of the Airports Commission and the National Connectivity Task Force examining regional air connectivity. It also gives an update on two PSOs established to provide links between London and Dundee and Newquay.

**Points for Discussion**

- the National Connectivity Task Force's suggested interim measures to address the decline in regional air connectivity to London airports are reproduced in Annex 2. Do these gain the support of UKACCs?
- Are there any other issues that need to be addressed by the Airports Commission and/or Government? If so, should UKACCs wait for the publication of the Airports Commission's Final Report as it may address the question of regional connectivity to London.

**Possible Action**

- Depending on the recommendations contained in the Airports Commission's Final Report, the UKACCs Working Group be asked to consider whether UKACCs should write to the Airports Commission and/or Government to outline the views expressed at the meeting.

## **Introduction**

1. Over many years UKACCs has been urging the Government to address the gradual decline in the air links between London and the UK regions and this has been a topic of much debate at the UKACCs Annual Meetings. The growing concerns about the gradual decline in the number of slots for domestic air services at the capacity constrained London airports has led to a greater focus on the importance of regional air links to London by the Government and the Airports Commission. UKACCs' views on the need to preserve domestic connectivity at London airports, principally Heathrow and Gatwick, have been made known to the Airports Commission highlighting the need to address the matter in the short term before new capacity is provided.

2. In addition, as reported at last year's Annual Meeting, the Government announced in June 2014 that it would be providing £2.850 million to support a Public Service Obligation (PSO) on the air route between Dundee to London Stansted from 1 July 2014 for a two-year period. Also, Cornwall Council had begun a tender process to find an airline to operate the Newquay - London route under a PSO. Both these PSOs are now in operation.

3. Below is a brief summary of some of the key work streams over the past year.

## **Airports Commission's work**

4. The Airports Commission's Interim Report published in December 2013 documented how the number of UK destinations served from Heathrow had steadily decreased in recent years. The Commission also recognised that domestic connections at Heathrow and other London airports were of economic significance for both London and the regions. The regions benefitted both from access to the capital's economy and from the long-haul connectivity they can access via Heathrow. London benefitted from the contribution that those regional passengers made to enhance the business case for its long-haul routes.

5. Following the publication of its Interim Report, the Commission issued on 9 June 2014 a discussion paper on "Utilisation of the UK's Existing Airports Capacity (Discussion Paper 06)"<sup>1</sup> which focussed on the domestic and international connectivity provided by regional and DA airports and airports serving London and the South East other than Heathrow and Gatwick. It also examined the connectivity trends at airports, how the business models of these airports are developing and whether the connectivity provided by these airports can be enhanced. Philip Graham, Airports Commission Secretariat briefly outlined the purpose of that discussion paper at the Annual Meeting last year. Member ACCs were asked to respond direct to the Airports Commission with views.

6. In that Discussion Paper, the Airports Commission acknowledged that domestic air routes played a crucial role in connecting the different regions of the UK, shortening journey times between distant areas, and ensuring that the UK's more isolated regions were connected to its major cultural and economic hubs with the key domestic connection for the UK's regional airports being London.

7. It also stated that by and large, the domestic links that once operated out of Heathrow had not moved to other airports in the London network. Instead, the decline in air connectivity between the UK regions and Heathrow was part of a wider decline in domestic links to all London airports over the last decade (although this decline in traffic is less marked than at Heathrow). The reasons given for the recent decline were capacity constraints, airports pricing mechanisms 'squeezing out' domestic routes and reduced demand from the recession (although it was recognised that domestic traffic failed to increase in line with the economic recovery).

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<sup>1</sup> <https://www.gov.uk/government/consultations/use-of-the-uks-existing-airport-capacity-call-for-evidence>

8. The Airports Commission's final report is expected to be published either in June or early July 2015.

### **National Connectivity Task Force**

9. The concept of establishing a Task Force to look at regional connectivity to London and its airports was first set out in Heathrow Airport Limited's (HAL) submission to the Airports Commission in May 2014. Following informal discussions with the DfT and the Commission, it was agreed that such a Task Force might usefully undertake work that would complement that of the Airports Commission. In particular to focus on how a new runway in the South East could help to:

- Enhance air access from the rest of the UK to London and its surrounding areas;
- Offer effective connections to the wider world via a network of services to a range of continental and inter-continental destinations, at a level of frequency not available locally or at other regional airports not currently connected to either Gatwick or Heathrow;
- Optimise the economic benefits of that enhanced connectivity for regions, nations and the Crown Dependencies outside the South East of England; and
- Provide long-term security for these domestic routes.

10. Lord Shipley OBE was asked to chair the Task Force, supported by a small secretariat and with access to a research budget that HAL agreed to fund. The Task Force comprised 15 members which included Sir Rod Eddington (former CEO, British Airways), Sir Peter Rigby, Sandie Dawe (former CEO, Visit Britain) and Neil Pakey (CEO, Shannon Airport and former president, Airport Operators Association), academics from Cambridge and Ghent Universities and University College London and business representatives from seven different parts of the UK (Scotland, Wales, Northern Ireland, the North East & Yorkshire, the North West, the South West of England and the Midlands).

11. The Task Force issued a call for evidence and ideas from those with a direct and indirect interest in the Task Force's work. The Task Force was specifically seeking ideas on how proposed air service improvements could be brought about and their value optimized; who they would benefit and which agencies should be made responsible for ensuring they are delivered and over what timescale. Recognising the importance of the Task Force's work, a letter was submitted to Lord Shipley on behalf of UKACCs outlining the previous views of the Group. A copy of the letter is set out in Annex 1.

12. The Task Force's Final Report "Air Connectivity Matters - Linking the Nations and Regions of Britain to London and the wider global economy" was published on 16 March 2015<sup>2</sup>. Delegates should note that the Task Force decided not to reach a view on which of the Airports Commission's short-listed schemes should be preferred. This is because the Task Force felt strongly that this was the role of the Airports Commission and the future Government.

13. As part of its work, the Task Force considered a range of case studies on the relationship between regions, nations, the crown dependencies and air access to London. The case studies included north of Scotland, Northern Ireland, north of England, the Channel Islands, Isle of Man and potential impact of HS2. It also considered what mechanisms for support were available which included the Regional Air Connectivity Fund (RACF), traffic distribution rules (TDR) and Public Service Obligations (PSO).

14. The Report suggests that air travellers should be able to accomplish four to six hours of business in London and be able to get home the same day, or reach global cities with one stop within 24 hours (with the possible exception of the Asia Pacific region) and

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<sup>2</sup> [http://www.nationalconnectivitytaskforce.co.uk/National\\_Connectivity\\_Task\\_Force\\_Report.pdf](http://www.nationalconnectivitytaskforce.co.uk/National_Connectivity_Task_Force_Report.pdf)

acknowledges that HS2 will not be the answer for many mainland UK cities and regions, even if it were to be 'directly' connected to the UK's designated national hub airport(s).

15. The Task Force has set out a range of Interim Measures which reflects the views that were expressed in response to its call for evidence. Responses to its questionnaire survey and meetings with, and representations from, a number of important regional stakeholders have shown that there was a strong body of opinion supporting early action being taken in advance of new runway capacity coming on line. The Report highlights that the 'Do Nothing' scenario remains a possibility if no political consensus can be built around one of the Commission's short-listed options.

16. The Task Force's key conclusion is that there is a compelling evidence base to support the case to substantially enhance UK domestic air access to London as part of any new runway being approved in the South East of England. The value of this will not only be to materially improve access to the national capital and its dynamic and prosperous economy, but also to the international connectivity offered at its hub and/or major gateway airport(s) to the European single market, the world's leading cities and the global economy.

17. In its recommendations, the Task Force has suggested that as a starting point either the designation of a national hub, if the preferred additional runway location is at Heathrow. But if it is at Gatwick, then focus on promotion of domestic links to one or other airport and non-UK other hubs, to meet equitable global access provisions, or development of Northolt as a domestic satellite capable of providing acceptable access to Heathrow's long haul network.

18. The Task Force's recommendations and its four-pronged approach for interim measures are reproduced in Annex 2.

19. The Task Force's Report and supporting technical papers were submitted to the Airports Commission for consideration.

### **Proposed Route Development Funds by Heathrow and Gatwick**

20. Following the publication of the Task Force's Report both HAL and Gatwick Airport Limited (GAL) have individually announced commitments to boost Route Development Funds designed to improve regional connectivity.

21. HAL's new package of commitments includes:

- Establishing a new Heathrow Route Development Fund. £10 million in start-up capital for airlines to support five new routes for three years;
- Partnering with UK airports, LEPs, Chambers of Commerce, national and regional governments to work with airlines to establish new domestic routes through Heathrow;
- Working with Government to re-designate PSO routes to Heathrow, the only airport that can connect them to and through London to growth markets across the globe;
- Working with any organisation that wants to operate Northolt as a satellite runway for UK routes until Heathrow is expanded.
- A review of airport charges to help play our part in keeping existing domestic routes commercially attractive to airlines from January 2016.

22. GAL's package will establish a £20 million fund to support new air services to Gatwick from around the UK in the ten years following the opening of a second runway. The fund can be used to incentivise airlines to introduce new services. The fund can also be used to provide jointly-agreed marketing support to regional development or other tourism bodies in regional England or Scotland, Wales and Northern Ireland for new services. Along with the fund, Gatwick will also:

- Propose and consult on changes to charges to support the growth of national and regional air services and encourage easier connection between airlines;

- Support funding applications for new PSO services; and
- Work with Government to explore how to safeguard slots for new national and regional services.

### **Public Service Obligations**

23. Dundee and Newquay have both needed PSOs to retain their London links, which are essential to the economic case for the on-going subsidy required for keeping them open. As reported last year, the Government announced in June 2014 that it would be providing £2.850 million to support a PSO on the air route between Dundee to London Stansted from 1 July 2014 for a two-year period. Also, Cornwall Council had begun a tender process to find airline to operate the Newquay - London route under a PSO.

#### **Dundee –Stansted route**

24. This is a two-year contract under a PSO on behalf of Dundee City Council. However it appears that only a small number of passengers support the service. The Dundee and Angus Chamber of Commerce has reported that the feedback from the business community that the air link to Stansted is not ideal, so one to Heathrow with its better connections to central London and more onward flights would be better. After consultation with the business community and regular passengers, Loganair that operates the service has changed the times of flights from January this year to allow daily passengers longer working days before leaving for the airport. The change will be especially useful for commuters returning to Dundee. When the service was launched, commuters found that the travel distance between Stansted and central London was about an hour, and travel routes to Stansted often heavily congested, they would have to begin their return journeys by mid-afternoon to be sure of checking-in on time for the 6.25pm flights. The flight now leaves at 7pm. The corresponding flight from Dundee to Stansted was also moved back from 4.25pm to 4.50pm.

25. The airline has advised that the Dundee-Stansted link is a vital economic asset to the region, and it will continue to work with the business community to ensure its long-term prosperity.

#### **Newquay – Gatwick route**

26. This crucial transport link between the south west and London has been secured when the DfT announced a 4 year funding deal for flights between Newquay and London Gatwick airport. The PSO will continue a link which contributes millions of pounds to the Cornwall and south west economies. The Government is providing £2.5 million (from the Regional Air Connectivity Fund) in addition to £300,000 from Cornwall Council. Three flights each way take place during the week with 2 weekend rotations. Around 100,000 passengers use the route every year for work or leisure.

27. It should be noted that the airport is part of Newquay Aerohub Enterprise Zone - one of 24 government-backed sites nationwide that are helping companies grow by offering top-class business incentives and world-class infrastructure.

28. It should also be noted that Flybe has launched this May a Newquay – Stansted service (mid-afternoon service) which will operate until 29 September 2015 with a flight time of 90 minutes.

**Paula Street**  
**UKACCs Secretariat**



## UK Airport Consultative Committees - Liaison Group

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From Paula Street - Secretariat  
County Hall, Chichester, West Sussex, PO19 1RQ  
Telephone: +44 0033022 22543  
E-mail: [paula.street@gatcom.org.uk](mailto:paula.street@gatcom.org.uk) Web: [www.ukaccs.info](http://www.ukaccs.info)

### BY EMAIL

Lord Shipley OBE  
Chair,  
National Connectivity Task Force

19 January 2015

Dear Lord Shipley,

### National Connectivity Task Force – Regional Air links

The Liaison Group for UK Airport Consultative Committees (UKACCs) welcomes the opportunity to input to the National Connectivity Task Force's deliberations current and future requirement for improved connectivity between the UK's regions and the major hub/gateway airports short-listed by the Airports Commission.

UKACCs brings together 23 airport consultative committees (ACCs) ranging from major international gateways to smaller regional airports across the UK (member committees listed at the bottom of this letter). UKACCs provides a valuable forum as its membership covers a wide range of airports each with different local operational circumstances.

UKACCs supports the Government's stated objective that UK aviation should be able to grow, but to do so it must be able to play its part in delivering environmental goals and protecting the quality of life of local communities.

We fully recognise the importance of connectivity and its key role in helping the UK economy grow on a sustainable basis. Airports outside the South East have a vital role in providing international and domestic connections across the UK, and contributing to local economies. Regional access into London's airports, especially Heathrow and Gatwick, is also an important element of this connectivity. However UKACCs, particularly its regional airport member committees, continues to have real concerns about the negative impact of capacity constraints. In particular the major London airports have seen a steady reduction in point to point regional services.

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Aberdeen - Belfast City – Belfast International - Birmingham - Bristol – Bournemouth - Edinburgh - Inverness – Glasgow - Glasgow Prestwick - Leeds Bradford - Liverpool John Lennon - London City - London Gatwick - London Heathrow - London Luton - London Stansted – Manchester - Newcastle - Nottingham East Midlands - Robin Hood Doncaster Sheffield – Southampton - Southend



Faced with capacity constraints, the major airports already appear to be prioritising long haul international services over regional services. Whilst it is clearly open to airports to use their commercial judgement in the best interests of the airport company and its shareholders, such action has wider national and regional implications. Passengers using regional airports faced with limited services to Heathrow will look to interline over European hubs such as Schiphol, Frankfurt and Paris etc. This leads to dilution and loss of revenue to the UK economy and in some cases adds additional journey time as has already been identified by the Airports Commission.

UKACCs has long lobbied the Government to address the issue of protecting domestic services from the far regions of the UK into the London airports and is concerned that any steps to limit access to smaller aircraft will further reduce the number of regional services into London. In addition to this, there has been growing concern about the increase in landing charges at Heathrow and Gatwick airports which has resulted in some regional carriers withdrawing services between the regions and the London airports because a viable operation can no longer be sustained. The sale of Flybe slots to easyJet at Gatwick is a good example of further erosion of regional connectivity with a major international London airport. The efforts of Cornwall County Council in securing a service between London and Newquay highlights the importance of this link to their region.

UKACCs notes that the Government has suggested that demand for domestic aviation and much of that for near-European short-haul aviation could be met by high-speed rail although it also acknowledges that air transport will continue to provide essential links to more remote parts of the UK and areas not served by high speed rail. UKACCs welcomes the development of high-speed rail initiatives and the important contribution that these can make to the future UK transport network. However it must be accepted that high speed rail connectivity will not be delivered for many years and that domestic air travel is a reality. There is therefore a vital need to preserve domestic air travel as an essential part of the UK's strategic transport infrastructure for many years to come.

UKACCs accepts that the preservation of an effective domestic network is subject to a number of considerations including commercial interests, EU obligations and competition rules. We are aware that the current airport slots regulations are being reviewed by the EC and that the UK Government is continuing to work closely with the EC and other Member States with the aim of ensuring that any amendments to the slot regulations will recognise the importance of domestic access to London airports. We realise that the prospect of securing such amendments may be limited, as the introduction of a mechanism to protect routes which are at present well served by economically viable regional air services would necessitate a fundamental change to the existing applicable EU law. However, it is of vital importance that the appropriateness of the current PSO legislation is reviewed to ensure that it is fit for purpose. If the UK is to have a sustainable domestic network of air services, it would seem essential that slot allocation must be looked at in a different way.

UKACCs would like to see the Airports Commission address the need to protect slots for domestic services at the major London airports, particularly in the short to medium term before new runway capacity is delivered. We are concerned that the Commission's recommendations for operational improvements which may deliver some modest capacity in the short to medium term may be at the expense of vital regional services which rely on the use of smaller aircraft to maintain a viable operation. You will therefore appreciate UKACCs desire to ensure that this important matter is addressed as soon as possible and that some alternative mechanism to preserve domestic slots is identified.

I trust you can take our comments into account.

Yours sincerely,



Paula Street  
Liaison Group Secretariat

**TASK FORCE RECOMMENDATIONS**

“... Task Force recommends that the following policy measures be implemented within appropriate timetables and legislative priorities:

**i.** A comprehensive overhaul of the DfT’s extant policy approach to the issue of UK domestic air access to London highlighted in Chapters 2 and 3 of this report, occasioned by the transformational opportunity, unique in the last thirty years, arising from new runway capacity being added at one of the South East’s two major airports. The focus needs to be on equity of access for all parts of the UK and on the interventions needed to achieve this together with the continued operation of a properly functioning ‘commercial’ market for slots at the preferred airport. It should move on from the current policy which is grounded in an approach assumptions that appears to accept market failure in the ability of UK regions, nations and Crown Dependencies to access London’s principal airports.

**ii.** This will require a major change to current DfT and CAA pre-conceptions about the significance of domestic air connections. It will also need a new re-interpretation of the current legal policy and operational framework appertaining to domestic air services to London to be drawn-up and published. The aim must be to foster a change in outlook in the form of a new collaborative approach between the Government, the preferred scheme promoters, the CAA and other relevant interests, in liaison with the relevant EU Directorates to promote (not constrain) domestic air links in the UK and between it and its Crown Dependencies.

**iii.** This will require policy to be developed that enshrines minimum standards of accessibility for travel to London and beyond from all parts of the UK (e.g. the ability to do 4-6 hours business in London and return home in a day, or secure access to all but Australasia and the Pacific Islands within 24 hours).

**iv.** This in turn, will oblige the Government to adopt a more pragmatic and positive approach to relevant existing legislation and case law as it relates to airport slots, PSO’s, Traffic Distribution Rules and start-up aid for route development, the aim being to take pro-active leadership in creating the conditions and procedural mechanisms through which (i) above can be achieved and thereby:

- Put in place a long-term Government commitment to retaining extant established routes to Heathrow and/or Gatwick from UK airports that are already connected to them, and their current frequencies
- Enable more potentially commercially self-sustaining routes to UK regional, national and Crown Dependency destinations to be served; whilst
- Facilitating, where there is a demonstrable case, links from domestic airports that will require on-going subsidy to be added to the network of destinations with services to the preferred airport.

**v.** The starting point would be:

- Designation of a national hub, if the preferred additional runway location is at Heathrow. But if it is at Gatwick, then focus on promotion of domestic links to one or other airport and non-UK other hubs, to meet equitable global access provisions, or development of Northolt as a domestic satellite capable of providing acceptable access to Heathrow’s long haul network.
- A clear declaration of intent that the Government will require the promoter of a new runway to commit to ensuring that between 5-10% of new capacity (equating to 70-110 additional slot pairs) is ring-fenced for use in enhancing the connectivity from the UK’s regions, nations and Crown Dependencies in the period 2025-40.



- Identify a binding mechanism that allows the airport operator to release (or declare) an amount of new capacity each season, that is tied solely to the use of stands on one (or more) specially allocated and internally designed domestic piers. Runway capacity equivalent to these provisions would not be permitted to come into use until the provisions are met.

vi. Recognise the importance of London airports and Heathrow in particular as a gateway to the world for air cargo from the UK regions, nations and Crown Dependencies and make sure that appropriate measures are taken to materially enhance connections to and from London's major airports for air freight from all parts of the UK in the form of improved air/road trucking links.

vii. Workup a package of short-term measures and associated costs/benefits for implementation from early 2016 to help provide transition in domestic air access to London and its airports through the period where a new runway is being built.

viii. Require the local/regional partners and/or devolved administrations/Crown Dependency Governments of all eligible airports to work with their airport operator to prepare Air Service Action Plans that will facilitate optimisation of the economic value of the enhanced air links being provided in line with the proposals for the same set out in Chapter 11."

## TASK FORCE'S INTERIM MEASURES

- Promote access to other London Airports to serve point-to-point traffic, by making it a **priority within the RACF funding process.**
- **Fund and allocate, using PSOs and TDRs,** a small number of additional regional slots for important absent regional links for example Inverness, Liverpool and Newquay), whilst preserving existing regional services, perhaps by introducing frequency capping on routes with over 15-18 services a day, or destinations within 3 hours (airport to airport) by High Speed Rail.
- **Develop Northolt** as a domestic regional satellite for use by services from the UK and Ireland that currently are not connected to Heathrow until a new runway is built. Our evaluation of this 'interim' role for Northolt and the scope and impact of the operation we envisage there is set out in an accompanying Research Paper. Although controversial, and not without difficulty (a recent court case has prospectively restricted the scale/nature of civilian activity that may be possible at RAF Northolt under military operation and a full civilian transition would be expensive and not privately fundable with a concession of less than 20 years), it has the big advantage of being underutilised, within the Government's control to deliver and its use is enthusiastically supported by many regional aviation interests and stakeholders.
- In the absence of any other response that would help to ensure that UK RNCDs do not become second class citizens in terms of global air connectivity whilst waiting for new South East runway capacity to come on line, it may be necessary to **temporarily support enhanced access to overseas hubs,** particularly those offering global connectivity such as Paris, Frankfurt and Amsterdam in Europe and the MEB3 Group (Dubai, Abu Dhabi and Doha) and prospectively Istanbul in the Middle East, and to secondary hubs offering complementary networks to world markets of particular importance to regional business (e.g. Dublin and Shannon for Transatlantic destinations; Helsinki for the Far East; Brussels, Gatwick and Manchester for Europe and Africa and Munich/Zurich for central and Eastern Europe and the former CIS states). Once a new runway is open, however, then Government

measures to encourage UK originating traffic using overseas hubs to interline 'at home' may be appropriate for a short transition period.