1. Background

Following the oral evidence session of 19\textsuperscript{th} January, the Regional & Business Airports Group (the RABA Group – the Group) were invited to submit supplementary evidence in support of the issues discussed by the Select Committee. This submission seeks to serve that purpose.

2. Strategic Importance of Regional Airports

a. RABA Group Airport Members typically serve the UK’s secondary or tertiary cities, UK Nations, Crown Dependencies or more remote and peripheral regions.

b. Invariably these airports are greatly valued by their local business communities and regional economic development interests. These airports and airfields often host significant aviation and non-aviation related employment clusters in the form of individual business units or very large business parks, accommodating a wide range of employers and activities, on parts of the airfield site superfluous to long term aviation development needs.

c. The status of many Regional and Business Airports as “brown-field sites” with their unique connectivity (air and surface) potential present enormous opportunities for economic development in the regions. Given appropriate planning and development support, these airports are well positioned to stimulate new and increased commercial activity in the regions very quickly. They are ready to make an important and immediate contribution towards re-balancing the UK economy.

d. As greater policy recognition is accorded to the importance of secondary and tertiary cities and their regions in efforts such as the City Deals programme and the Scottish Cities Alliance, the sustainable development of smaller regional airports will become an increasingly important aspect of keeping these cities, regions and sub regions they support effectively connected to the world economy, in the same way that larger regional airports do for many of the UK’s core cities.

e. Regional airports play host a wide range of essential specialist social roles such as fire, pilot and aeronautical training; aircraft and component manufacture, maintenance, testing and teardown; medical – including transplant - and air ambulance flights; dedicated freight (parts, perishables), newspaper and mail distribution; national security and emergency services support; military training and ad hoc support; support for offshore energy operations; business and corporate aviation; and more recently UAV’s as well as ‘events’ such as air shows and routine GA, that cannot be accomplished at the increasingly congested larger regional airports. It is the nature of the aviation sector that many of these businesses also have an international dimension.
3. Fiscal, Regulatory and Governance Regime

Despite these opportunities, small airports face many challenges, most notably how to remain or become commercially and financially sustainable. This issue has been crystallized by the 10 year transition timetable set by the EU in its revised state aid Guidelines for regional airports published at the beginning of 2014. RABA Group believes that this puts an onus on national and regional governments to work with the sector to ensure the viability of many small regional airports is secured within this timeframe as possible. Key policy initiatives required to accomplish this include:

a. **Removing the burden of APD on passengers travelling from smaller UK regional airports** whose thinner more marginal routes are disproportionately affected by this tax. RABA airports such as Glasgow Prestwick and Newquay Cornwall experienced dramatic falls in traffic throughput as a result of its imposition. The current structure of the tax has had the, probably un-intended and misunderstood, effect of penalising the smaller airports far more than their larger counterparts.

b. **Capping the cost of the enhanced regulatory and security regimes being imposed on all airports** for airports below certain thresholds because the ability of an airport to pass on these costs to airlines and passengers depends critically upon economies of scale and hence utilisation of specialist assets. Small Regional and Business Airports are unable to recover costs fully themselves. Other European and world countries have very different ways of shouldering these burdens, with the state in its various forms, making a substantial contribution to the cost of the obligations that it is imposing on the airport as an economic entity. RABA Group seeks material changes in this area, in recognition of the special challenges of smaller airports, if some measure of equity is to be re-established in the UK airport and internal travel markets. These might include:

   I. **Differential APD**: Providing smaller airports (e.g. those <3mppa) with an APD holiday; their volumes do not deliver significant revenue to the Treasury and could easily be replaced by a small surcharge on highly congested airports (i.e. those operating at +85% of declared capacity – principally LHR and LGW).

   II. **Support for the cost of nationally imposed obligations**: Compensating Airports for the system-wide and network benefits associated with common security, immigration and customs regulations they pay for, particularly smaller airports where they impose a disproportionate cost on the smaller number of passengers which pass through those airports.

   III. **Reviewing cost/risk balance within certain operational safety measures** A risk based approach such as that which applies to certain elements of Aviation Security should be adopted for smaller airports in areas such as Rescue and Fire Fighting, Air Traffic Control and other licencing functions. This would allow costs to reflect the very different risk profile at airports and airfields in the regions when compared to current one size fits all standards.
IV. CAA Terms of Reference: These could quite easily be extended to promote enhanced regional air connectivity and assist in making smaller airports more commercially sustainable. An example might be putting in place a regulatory settlement that ensures smaller aircraft employed or potentially employed on thinner regional routes are not priced out of key strategic UK airports such as Heathrow, London City and Gatwick. Currently, the CAA Economic Regulation Group is solely focused on the economics and functioning of markets – unless that is the Secretary of State directs them otherwise. The CAA currently has no remit to build consideration of Government Policy associated with, for instance, rebalancing of the UK economy or other social policies when discharging its responsibilities. The CAA therefore has no remit to look at any implications regional economic development or other social policies when considering slot allocation systems or airport pricing regimes.

c. Larger airports are much more substantive beneficiaries from Public Sector capital investment - both 'direct' (e.g. £52m at London Gatwick’s Railway Station, Manchester’s Transport Interchange, Birmingham Airport’s runway extension project), and 'indirect' (rail subsidies, trunk road investment) than smaller airports. There needs to some explicit re-balancing in this trend if smaller airports are to be afforded the same scope to develop commercially.

d. Public / Private Ownership models – The regional airports sector in the UK should not be described as 'privatised' by Government and its agencies but as having a range ownership/governance models from full public ownership (regional and local - Cardiff, Newquay, Highlands and Islands Airports, City of Derry, Glasgow Prestwick, Gloucestershire etc), to majority public ownership (e.g. Manchester Airports Group, Newcastle, Birmingham) to concessions and minority public ownership (e.g. London Luton, Leeds Bradford) and fully privatised (e.g. Heathrow Airport Ltd, Global Infrastructure Partners). Regional interests are often prepared to take significant steps to ensure the survival of their airports and the surrounding business clusters and where there is a clear operational/economic need this should be welcomed and encouraged in UK Central Government circles with the aim of capturing the latent benefits for the good of regional communities as quickly as possible.

4. More Flexible and Supportive Policy Framework

a. Introduce a presumption in favour of airports being allowed to develop their estate for non aviation related property development and roll out a package of incentives to encourage the creation of employment clusters and diversify their income streams so they can become less exposed to the vagaries of the aviation cycle. The Newquay Aerohub Enterprise Zone has been successful in developing the Airport site which now supports over 400 jobs (average salary £14k higher than the regional average) and adds over £50m in GVA to the local economy. This should be replicated and encouraged across the country. There are examples of small airports e.g. Gloucestershire that manage to cover their operating costs and yet have minimal scheduled passenger throughput. With carefully tailored public sector support, many others could make the same transition.
b. The prospective National Policy Statement (NPS) for Airports needs to address issues related to small airports in a positive manner, setting out a strategic approach which provides a viable future and a sensible basis for financial investment. Support provided through measures such as Enterprise Zone designation and Regional Growth Fund are very welcome initiatives. However, because airports are often located on the outskirts of towns or cities, planners often regard these sites as unsustainable locations and seek to tightly define and constrain the uses for which the sites might be used to pure aviation related uses – at a cost to the ability to develop new clusters of economic activity and to the sustainability of the airports and airfields themselves. The NPS should therefore encourage the potential of smaller regional airports as generators of economic activity, which will complement their role in providing regional connectivity and will also improve the viability of public transport, which itself will enhance sustainability.

c. The specialist niche, ‘reliever’ and cluster nuclei roles of smaller regional airports needs to be explicitly recognized in local development plans, with accompanying area action plans being used to put in place zoning regimes consistent with airport masterplans.

Other Measures

a. Regional Access to London and Long Haul Connections. The ability for services by specialist, low capacity, aircraft to operate to London could quickly be achieved if corporate aviation were to be displaced from RAF Northolt to other convenient alternatives such as Biggin Hill and the capacity released be dedicated for use by services from regional airports. Ground connections to Heathrow and nearby London Underground stations could be quickly established and connections between the UK’s regions and London and inter-continental destinations would be forthcoming as a direct consequence. The continued use of the site by MoD would continue virtually unaffected as has been seen at several other joint MoD/Civil sites such as RAF St Mawgan / Newquay Cornwall Airport and RAF Valley / Anglesey Airport. This would allow National Air Connectivity to be dramatically improved without the need for inevitable delays if the development of a new runway was to be prerequisite.

b. New runway capacity in the South East: An airline to the main UK international hub would transform the prospects of many RABA Group members and similar smaller regional airfields. It would be extremely sad if substantial new airport capacity was developed in the South East built but that more regional airports were closed in the meantime. The resolve must be that any new runway capacity benefits the whole UK and the regional airports are one important aspect of this. Ensuring inbound tourists can be delivered effectively to all the regions of the UK is another benefit of policy delivering regional air access links to an invigorated UK international hub.

c. Voluntary Arrangements on Affordable Slot Prices. The possibility of entering into agreements with Gatwick and Heathrow for the allocation of appropriately timed and costed slots should be encouraged and facilitated. RABA Group seeks such arrangements with the various runway promoters on the understanding that any
new airport capacity, better serving the UK regions, will inevitably better gain the support of regional MPs.

d. **Appropriate Density of UK Airports.** The CAA has produced research that some interpret as suggesting that several UK airports could close without greatly impacting regional connectivity. However the methodology does not bear the interpretations that are being placed upon it in that it was based upon pure drive-time and takes no account of range/type of destinations (e.g. hub connections, business routes, domestic services, international short haul and long haul) and frequency. RABA intends to look into this matter in much more detail, particularly from a business traveller’s perspective, as serious policy mistakes could be made as a result.

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**The Regional and Business Airports Group represents the views opinions and interests of the following airports**

Regional and City Airports (i.e. owning or operating Exeter, Norwich, Blackpool, City of Derry & Coventry Airports - and Cardiff Heliport); Peel Airports (i.e. Durham Tees Valley & Robin Hood Doncaster Sheffield Airports); Glasgow Prestwick; Newquay Cornwall; Land’s End Airport; Stobart Airports (London Southend & Carlisle Airports), Gloucestershire Airport; London Biggin Hill Airport; Lydd London Ashford Airport; Guernsey & Alderney Airports; Jersey Airport; Isle of Man Airports. Highlands and Islands Airports (Sumburgh, Kirkwall, Wick, Inverness, Stornoway, Benbecula, Barra, Tiree, Islay, Campbeltown and Dundee) also support RABAG.