

Report to Partnership Meeting – 1 February 2008

HITRANS Response to the Department for Transport Consultation on adding capacity at Heathrow Airport

SUMMARY

The Department of Transport has initiated a consultation on the future growth of Heathrow Airport through providing a further new terminal (Terminal 6) and a third runway. Responses are requested by 25 February and this report asks the Board to agree the response to be submitted by HITRANS in reflection of the particular importance of access to the Heathrow hub to the future prosperity of the Highlands and Islands.

RECOMMENDATIONS

The Board is asked

1. to agree that the response as included below be sent to the Department of Transport as HITRANS response to the consultation on adding capacity to Heathrow.
2. to ask the Chair to write to the Secretary of State for Transport and Parliamentary Undersecretary seeking a meeting to discuss the issues surrounding access to the Heathrow hub from Inverness and other air service issues facing the Highlands and Islands.

HITRANS Response to the Department for Transport Consultation on adding capacity at Heathrow Airport

HITRANS (Highlands and Islands Strategic Transport Partnership) is the statutory body concerned with the development and coordination of all public transport programmes within the Highlands and Islands of Scotland. It also takes a strategic interest in the provision of trunk transport services to and from the region, including air services.

HITRANS (Highlands and Islands Strategic Transport Partnership) welcomes the initiative by the Department for Transport to give serious consideration to expanding the number of available slots at Heathrow Airport, by suggesting an early introduction of mixed-mode operations on the existing two runways by around 2015, to be replaced by the construction of a third runway in around 2020. The shortage of capacity in regional air service access at Heathrow has long been a major problem for the business community of the Highlands and Islands which needs access to a wide range of European and global connections in order to secure inward investment and overcome the negative effects of its peripherality to both the rest of the United Kingdom, Europe and global communities as a whole., particularly in North America.

Our response takes a more strategic overview of the question in order to provide a particular perspective to the DfT on the issue. HITRANS believes that the relatively

narrow focus on mechanisms is denying a real necessity to evaluate the role and value of the Heathrow hub to the UK, particularly the peripheral regions. Our submission focuses on these aspects.

HITRANS welcomes this potential expansion of slots (up by 46% from 480,000 today to a maximum of 702,000 by 2030) but is seriously concerned that few if any of these extra slots will be directed toward small and medium-sized aircraft services as required for the second and third tier domestic destinations such as Inverness.. The consultation paper itself notes that, even at 702,000 slots in 2030, Heathrow would only be able to satisfy around 70% of the demand for slots (para 3.32). HITRANS has no doubt that flights to the smaller domestic destinations will be amongst the 30% of flights unplaced unless Government intervention is forthcoming.

The Department will be aware that this is not because of any inherent unprofitability of domestic routes – the passengers are generally prepared to pay the full price to ensure access to Heathrow, and airlines have historically made reasonable profits on these routes, without any need for regional or national subventions. The problem instead is that the operator of an intercontinental B777 can make a much greater profit from the use of a single pair of slots than the operator of a small domestic aircraft, and – under the UK's interpretation of EU slot rules – is allowed to pay premium prices to purchase the necessary slots from the smaller airlines.

The Department for Transport will know that HITRANS and other organisations concerned with the economic well-being of northern and western Scotland have long argued for the resumption of direct flights between Inverness and Heathrow Airports. With the backing of the Scottish Executive, we have attempted to persuade the Department of the necessity of providing security of tenure through the imposition of an EU-approved Public Service Obligation (PSO) on the route – but these attempts have always foundered on the Department's preference for a free market in slot allocation at Heathrow.

The impact of this free market approach can be seen in the attached table, which shows the change in weekly domestic frequencies from Heathrow from 1988 to 2008.

Weekly flights from Heathrow to domestic destinations (and to New York) in 1988 and 2008 and weekly flights from each domestic destination to other European hubs in 2008						
Year	1988	2008	2008	2008	2008	2008
Airport	LHR	LHR	AMS	PAR	FRA	BRU
Aberdeen	46	101	28	14	-	-
Belfast Int.	101	-	21	9	-	-
Belfast City	-	54	-	12	-	-
Birmingham	37	-	54	61	46	35
East Midlands	33	-	13	12	-	16
Edinburgh	112	128	41	47	21	17
Glasgow	121	121	26	7	-	-
Guernsey	29	-	-	-	-	-
Humberside	23	-	26	-	-	-
Inverness	22	7	-	-	-	-
Isle of Man	25	-	-	-	-	-
Jersey	46	-	-	5	-	-
Leeds Bradford	35	32	32	7	-	16
Liverpool	25	-	22	13	-	-
Manchester	76	117	53	61	46	36
Newcastle	43	41	33	26	-	11
Newquay	22	-	-	-	-	-
Norwich	17	-	33	4	-	-
Plymouth	22	-	-	-	-	-
Teesside	33	20	21	-	-	-
Total domestic	868	621	403	278	113	131
New York	108	171				

Source: OAG

Inverness has seen its frequencies reduce from 22 flights a week by British Airways in 1988 to none in 1998, when the flights were transferred to Gatwick. bmi has since introduced a once-daily middle-of-the-day service from Heathrow, but has recently announced that this service is to terminate within the next ten weeks, with the expectation that the slots will be used for its Star Alliance partners to operate yet more flights to the USA. The Department had earlier stated that it would be prepared to request four month's notice of the planned dropping of a domestic route to Heathrow or Gatwick by an airline, to enable the Department to search for ways of achieving continuity of service – HITRANS is anxious to see how successful this planned intervention will be.

Inverness and the Highlands and Islands in general have not been alone in their suffering – in the last twenty years, ten significant peripheral communities have had their lifeline to Heathrow completely removed. In addition, the total number of domestic flights has reduced by 28% at a time when total movements through Heathrow airport have increased by more than 40%, from 339,000 commercial movements in 1988 to some 480,000 today.

During the same period, flights to New York alone have increased by nearly 60%, and there is now an average of 6 flights a day departing from New York to Heathrow in the 100 minutes from 07:40 to 09:00, and a further 18 flights a day leaving between 18:10 and 23:45, or an average of one every 18 minutes. The Department will be well aware that – as a result of the recent EU-USA open skies agreement -

this already generous provision of flights is set to increase substantially, much of it at the expense of domestic and other short-haul routes that will 'lose' their slots. In addition many 'Bermuda 2' destinations currently served from Gatwick will be allowed to transfer to Heathrow, and any EU airline may now operate from Heathrow to any point in the USA. This is now putting even greater pressure on the few remaining operators of domestic routes to sell their slots, and for BA and bmi to use their domestic slots to increase their own operations to the USA

Many of the smaller European destinations have been suffering as well – almost all the growth since 1988 has been in intercontinental flights, most notably to China, India and the USA. The average aircraft size and the average stage-length per flight have been increasing rapidly as small domestic airlines have sold their slots to major world airlines for abnormal profits – profits that are regrettably not shared with the regions that have lost service.

The observation is often made that if a region is unable to access Heathrow, it could still obtain access to an alternative global hub at Paris, Amsterdam, Frankfurt or Brussels – to the detriment of British airlines and the balance of payments. However, the above table also shows convincingly that those destinations that have not been able to retain their flights to Heathrow also have difficulty in accessing other hubs due to the lack of demand for those cities as destinations in their own right. In addition, Frankfurt (and to a lesser extent Amsterdam and Paris) are also becoming slot-constrained. If one discounts the current Beechcraft service from Jersey to Paris via Cherbourg, then six of the destinations that have lost their Heathrow service (including Inverness) have no flights to any of the four other European hubs and are effectively disconnected from their global buyers, sellers and investors.

The trend of replacing routes to the smaller UK destinations by flights to Asia and North America will have been of great benefit to London and the South East, but the Department for Transport is charged with the responsibility of providing transport links for all regions of the United Kingdom, and to have special regard to the needs of the smaller and more peripheral regions, in line with the Government's overall objectives of reducing social isolation and decreasing the economic gap between the regions.

HITRANS believes that the use of Heathrow is now at a crossroads – unless positive intervention is made by the Department, the future of Heathrow will increasingly be as an airport serving only the south east of England, (and a few major cities in the European Community, perhaps including Edinburgh, Glasgow and Manchester); and becoming a global hub offering interline connections between intercontinental destinations, but without giving them the necessary feed from the smaller cities of Europe.

HITRANS strongly argues that this might be an acceptable result for the three RDAs in the South East (London, SEEDA and EEDA) but it will be totally unacceptable for the devolved administrations in Scotland and Northern Ireland, the Crown properties of the Channel Isles and the Isle of Man, and to a lesser extent the five RDAs representing the more peripheral parts of England.

HITRANS is concerned that the free enterprise approach of Government will lead to an ever-increasing economic imbalance and dominance of South East England at the expense of the rest of the United Kingdom, and contribute to the flight of industry and commerce from the regions to the London area, putting even greater pressure upon severely scarce resources of housing, land and labour.

HITRANS has noted the specific questions upon which the Consultation has requested comments. However, they relate in the main to specific aspects of environmental concern to those citizens of the United Kingdom that reside close to Heathrow Airport, which is some 440 miles away from the residents of Inverness and

700 miles from those in Shetland who would use the Inverness services to Heathrow if they were to be re-instated. As such, HITRANS does not consider it is relevant or competent for it to comment on matters of purely local concern.

Recommendation

HITRANS believes that the Department for Transport should reconsider its adherence to laissez-faire principles, and recognise that the free market may lead to the greatest number of passengers using the scarce resources of Heathrow's three runways, but that this could well be at the expense of the economic and social cohesion of the whole United Kingdom. The main beneficiaries of this free market approach will be private sector companies (often foreign-owned) that operate Britain's airlines and airports in the south east, not the residents and businesses of the whole nation which Government represents.

This is despite the Consultation paper stressing right from the start that Heathrow is vital for the whole nation's economy and noting the dramatic decline in domestic routes and flights from the airport. However, nowhere in these papers does the Department give any consideration as to how the UK as a whole can benefit from the national Government permitting such a development, or how the disturbing trend of reducing domestic flights could be reversed, presumably because of the Government's strong commitment to free trade principles.

Government as a whole is working strenuously to spread economic benefits throughout the United Kingdom – indeed, other parts of Government are helping to fund uneconomic road, rail and ferry public transport services around the entire nation to ensure that social and economic cohesion are strengthened. For regions without the possibility of practicable land based access to the Heathrow hub, HITRANS would argue that Government should establish a means of ensuring access and as a result redress some of the imbalance in economic opportunities across the country.

HITRANS is strongly of the view that – in return for allowing a private airport operator to expand its capacity from 480,000 flights a year up to 702,000 a year – the Government should reserve a proportion of these new flights to be preserved (possibly through the PSO mechanism or through conditional planning approval for the airport extension) to ensure the provision of access for the regions to the Heathrow hub and the reintroduction of flights to domestic destinations.

HITRANS argues that the Department should aim to reserve some 30,000 slots a year, or around 13% of the 222,000 slots it is considering authorising. These would be used to re-introduce the level of domestic flights lost from the eleven smaller routes since 1988. They would then by whatever means be given the protection of PSOs and put out for tender in the normal way, so that as many of the eleven routes as possible could have secure operation of some three or four flights a day to provide the necessary global links vital to their economies, additionally supported by traffic seeking to undertake a day's business in the nation's capital.

Without such an acceptance by Government of the valid needs of the regions of the United Kingdom, and an agreement to reserve a significant proportion of the new slots created by enforceable decree for protected services to these regions, HITRANS will be unable to support the Government's consultation.

Report by: Dave Duthie
Designation: Partnership Director
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