The Expansion of Regional Airports

Really a Good Thing?

Over the past decade there has been unprecedented growth at the UK’s regional airports. While the focus has been on the expansion plans for Heathrow, Stansted and Gatwick, flights numbers have soared at most regional airports. Conventional wisdom has seen this as a good thing. It has provided jobs, boosting the regional economies. And it has enabled local people from outside Greater London to fly directly to many cities within the UK as well as to a range of foreign destinations.

This report challenges that conventional wisdom.

- It provides evidence that the expansion of regional airports has taken more money out of the regional economies than it has brought in.

- It reveals that the cumulative impact of the growth on climate emissions has been significant – in 2008 airports outside Heathrow, Stansted, Gatwick, Luton and City Airport accounted for 26% of all emissions from UK airports.

- It shows that the growth has resulted in real noise problems for the local communities.

The report also outlines ways of stabilising or reducing flight numbers at regional airports.

- It assesses the hard evidence which shows that rail could be a viable alternative for many of the short-haul trips which account for most of the flights at regional airports.

- It reveals that more and more businesses expect to fly less and use video-conferencing more often.

- It shows that fiscal and market measures could both cut flights numbers and improve the regional economies.

- It argues that many quangos, such as regional development agencies, have failed to appreciate the impact of regional air expansion on their economies and should be abolished.

The report recommends that a new Government takes a cool, hard, analytical look at the impact of further growth at regional airports. And, should it find it unsuitable, puts in place practical measures to curb the growth.
The Economic Case against the Expansion of Regional Airports

Regional Development Agencies have been falling over themselves to support the expansion of airports in their areas. Local authorities have seen airports as sources of jobs and wealth-creation. But the hard evidence tells quite a different story.

Aviation tourism deficit: £20 billion a year

In every region of the country except London airports take more money out of the country than they bring in. This is caused by the tourism deficit in aviation – that is, the difference between what Britons flying abroad spend in foreign countries and what foreign visitors spend in the UK. In 2008 the deficit was over £20 billion (1).

This means that, although airports do create jobs and bring investment, they are exporting even more jobs and hard cash as UK tourists flock to spend their money in foreign lands. There is a direct link between the decline of resorts like Margate and Morecombe and the number of UK citizens visiting Majorca and Morocco.

The Critical Role of Budget Flights

And it’s all down to short-haul, budget flights. There was no aviation tourism deficit in the early 1990s. It has been brought about by the surge in cheap flights. A 2008 report into the economics of Glasgow Airport found the airport – largely served by short-haul flights - currently contributes an annual deficit of £1.36 billion per annum to the Scottish economy. And that will grow if the airport expands (2).

British Travel Firm Calls for a Level Playing Field

Travelodge, the UK’s fastest growing budget hotel chain, told a House of Commons Select Committee Inquiry (3) into tourism that unfair tax breaks for short-haul airlines are slowly bringing the curtain down on regional tourism including Britain's seaside resorts. Travelodge Director of Communications Greg Dawson claimed budget airlines "are the single biggest cause of decline in traditional tourism resorts and we urge the Inquiry and Government to investigate the airlines' unfair grip on holidaymakers that is squeezing the life out of British tourism." Research provided to the Inquiry revealed: inward tourism spend declined 16% between 1995 and 2002; outward spend increased 48%, creating a tourism imbalance £18bn trade deficit. Travelodge CEO Grant Hearn told the Inquiry: "Labour has thrown away a decade of growth potential for the tourism industry."

“Labour has thrown away a decade of growth potential for the tourist industry.”
The table below – based on 2005 figures – gives some indication of what has been happening, region by region (4).

<table>
<thead>
<tr>
<th>Region</th>
<th>Tourism deficit 2005 (£m)</th>
<th>Tourism jobs lost 2005</th>
<th>Jobs at airports 2004</th>
<th>Net loss of jobs, rounded</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>- 761</td>
<td>40,000</td>
<td>4,100</td>
<td>36,000</td>
</tr>
<tr>
<td>North West</td>
<td>- 2,212</td>
<td>116,000</td>
<td>21,800</td>
<td>94,000</td>
</tr>
<tr>
<td>York/Humber East Midlands</td>
<td>- 1,610</td>
<td>85,000</td>
<td>2,100</td>
<td>83,000</td>
</tr>
<tr>
<td>West Midlands East</td>
<td>- 1,339</td>
<td>70,000</td>
<td>6,500</td>
<td>64,000</td>
</tr>
<tr>
<td>West Midlands</td>
<td>- 1,680</td>
<td>88,000</td>
<td>7,200</td>
<td>81,000</td>
</tr>
<tr>
<td>East of England</td>
<td>- 1,913</td>
<td>101,000</td>
<td>20,000</td>
<td>81,000</td>
</tr>
<tr>
<td>London and South East South</td>
<td>- 1,240</td>
<td>65,000</td>
<td>6,800</td>
<td>58,000</td>
</tr>
<tr>
<td>West Wales</td>
<td>- 756</td>
<td>40,000</td>
<td>1,800</td>
<td>38,000</td>
</tr>
<tr>
<td>Scotland</td>
<td>- 1,291</td>
<td>68,000</td>
<td>12,400</td>
<td>56,000</td>
</tr>
<tr>
<td>N. Ireland</td>
<td>- 114</td>
<td>6,000</td>
<td>5,300</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>- 15,251</td>
<td>803,000</td>
<td>184,800</td>
<td>620,000</td>
</tr>
</tbody>
</table>

If flight numbers continue to grow at regional airports, the deficit will grow, more jobs will be exported, and the regional economy will be less healthy (4).

<table>
<thead>
<tr>
<th>Region</th>
<th>Extra tourism jobs lost To region by 2030</th>
<th>Extra direct airport jobs created by 2030</th>
<th>Net loss of jobs by 2030, rounded</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>40,000</td>
<td>860</td>
<td>39,000</td>
</tr>
<tr>
<td>North West</td>
<td>116,000</td>
<td>4,580</td>
<td>111,000</td>
</tr>
<tr>
<td>York/Humber</td>
<td>85,000</td>
<td>440</td>
<td>85,000</td>
</tr>
<tr>
<td>East Midlands</td>
<td>70,000</td>
<td>1,370</td>
<td>69,000</td>
</tr>
<tr>
<td>West Midlands East of England</td>
<td>88,000</td>
<td>1,510</td>
<td>86,000</td>
</tr>
<tr>
<td>London and South East</td>
<td>101,000</td>
<td>4,200</td>
<td>97,000</td>
</tr>
<tr>
<td>South West</td>
<td>124,000</td>
<td>20,330</td>
<td>104,000</td>
</tr>
<tr>
<td>Wales</td>
<td>65,000</td>
<td>1,430</td>
<td>64,000</td>
</tr>
<tr>
<td>Scotland</td>
<td>40,000</td>
<td>380</td>
<td>40,000</td>
</tr>
<tr>
<td>N. Ireland</td>
<td>68,000</td>
<td>2,600</td>
<td>65,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6,000</td>
<td>1,110</td>
<td>5,000</td>
</tr>
</tbody>
</table>
Budget flights are hurting the regional economies of the UK. In order to cater for business trips (in any region outside London), expansion of the local airport is not required. Business trips in 2003 at the non-London airports accounted for just 20% of the journeys on average. And that percentage seems to be dropping: Bristol, for example, fell from 19% in 2003 to 13% in 2008 (5).

The Role of an Airport in Attracting Business
In any case questions have been asked about the actual importance of the presence of an airport in attracting business to an area.

The European Cities Monitor in 2007 surveyed 200 UK companies on the most important factors in their choice of location. They found:

- Ease of recruiting qualified staff 23%
- Easy access to markets, clients* 21.5%
- Value of money for office space 20.5%
- Cost of staff 16%
- Transport links with other cities 15.5%
- Availability of office space 15.5%
- Quality of life for employees 11%
- International transport links 11%

*This means building a business at a customer base, e.g. a B&Q near lots of people who want to do DIY; not near an airport where you can fly to them.

The survey backed up key studies:

"The relationship between high growth sectors in the region and air travel appears to be weak." South West Regional Development Agency study

"Transport is a factor in business location decisions but is neither the only, nor the most important factor." Napier University Study

An incoming Government needs to assess all this evidence in a dispassionate way. It is not for national government to micro-manage regional airports but it does have a role in setting a national framework that benefits the economy. There is an economic case for stabilising, or reducing, the number of passenger leisure flights using regional airports. The simplest way would be to put a cap on the number of flights at each airport, such has been done at Heathrow (for noise reasons). But fiscal measures – such as introducing VAT on internal flights or using a plane tax to cut demand – could also be used. They would work best if those tax increases were off-set by measures that would benefit regional development, such as tax-breaks for the UK tourist industry or a reduction in the rate of National Insurance paid by employers.
The Climate Change Argument against the Expansion of Regional Airports

It is surprising the amount of CO₂ that regional airports collectively are responsible for. In 2008 all regional airports (i.e. all the UK airports outside Heathrow, Stansted and Gatwick, Luton and London City) accounted for 26% of emissions from aviation. If current growth trends continue, this is predicted to rise to 34% by 2030 and could be anywhere between 40% and 80% by 2050.

Excluding the “London” airports, the other airports are responsible for a total of 6,965 tonnes of CO₂ each year. The biggest single contributor is Manchester which produces over 2 million tonnes. Stansted produces just over 1 million tonnes; Gatwick slightly over 4 million; with Heathrow, as expected, way out front in the dirty league with 13 million tonnes (6). These calculations don’t allow for freight traffic which is considerable at regional airports such as East Midlands or for radiative forcing (the impact of the non-CO₂ emissions from aviation released into the upper atmosphere). Most scientists now accept the concept of radiative forcing. Professor David Lee has said, “the non-CO₂ effects of aviation emissions cannot be ignored and the likely consequence of those effects is to roughly double the impact of CO₂ emissions alone.”

In the UK as a whole aviation accounts for 6% of all emissions; 13% if radiative forcing is included (7). But it is the fastest growing source of emissions. By 2050 the Department for Transport (DfT) argues the aviation sector as a whole will account for 40% of the UK’s total CO₂ emissions. But two independent studies – one carried out for DEFRA (8); the other from the Tyndall Centre (9) – argue aviation emissions could account for between 66% and 80% of all emissions by 2050. And that excludes radiative forcing!

This means that by 2050 it is likely regional airports could account for 26% - 64% of all UK CO₂ emissions. Short-haul breaks to Prague, Paris and Pisa come at a very high cost to the planet.

On present trends by 2050 regional airports could account for 26% - 64% of all UK CO₂ emissions
Ryanair, easyJet and Flybe are noisy neighbours. The mushrooming of budget flights has created unprecedented noise problems at many airports across the country. The statistics from John Lennon Airport in Liverpool will be pretty typical. The Merseyside Noise Study, 2004, found that 44% of people in Merseyside felt aircraft noise had become ‘definitely worse’ over the previous 5 years - a period when the local airport was one of the fastest growing in the country.

It is the sheer increase in the number of aircraft using these airports in recent years which has caused the problem. Fifteen years ago many of these airports were lightly used. The fact that the local communities have not been used to the numbers of planes now operating out of the airports has exacerbated the problem and, for many people, changed the quality of their lives for ever.

**Exeter is a good example of what has happened (10). Ten years ago, little more than an airfield. Then Flybe came along............**

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Noise is now being suffered by households directly under Exeter Airport’s flight paths. We estimate that about 15,000 households in Exeter and East Devon are affected by noise. The area affected is indicated by the noise zone identified on the following diagram. Amazingly an independent study of the noise profile has not been carried out to establish just how damaging the airport is now, and how damaging it will be when 4.5 million passengers are using the airport.

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The UK has signed up to the World Health Organisation’s noise standards, but fails to apply them. W.H.O. states that outdoor noise events at night should not exceed 60 decibels, and that continuous noise during the day should not exceed 55 decibels. It is clear that the aircraft noise affected residents writing into the Express and Echo, feel that noise limits have already reached nuisance levels.
The Exeter situation can be replicated across the country. Ten years ago there was no UK-wide network of local airport campaign groups concerned about noise. Now more groups are joining all the time.

In their comprehensive 2001 Noise Study the Building Research Establishment found the 3.5 million people were moderately or severely disturbed by aircraft noise. A million of those are likely to be affected by Heathrow. But that still leaves 2.5 million people. And that was 2001. The numbers will have risen since then.

The introduction of somewhat quieter aircraft is not making any discernible difference to the numbers disturbed. Certainly in the short to medium term, it is only a reduction on the actual numbers of aircraft which will do the trick.

**Over 2 million people are likely to be disturbed by noise from regional aircraft**

### Two Special Cases

#### London City Airport

It would be a mistake to think that City Airport, because it is in the heart of London, is generally different from other smaller regional airports. Certainly, given its situation, it has noise problems on a par with, or even greater than, other regional airports. But in one respect, it is different: 63% of its passengers are business-people (5). However, all its flights are short-haul, many of them potentially transferable to rail. Of the 1265 flights which use it in a typical week, 142 are to Edinburgh, 134 to Amsterdam and 96 to Rotterdam. While fiscal measures will have less effect on the business market, a fast, affordable rail service, plus the deterrent effect of higher levels of Air Passenger Duty on the leisure market, should have the potential in the longer-term to at least stabilise numbers at the airport. Certainly there is no justification for the airport’s current application to increase flights by 50%.

#### East Midlands Airport

East Midlands Airport has particular problems not faced to anything like the same extent at other regional airports. East Midlands is the 13th largest air-freight operation in Europe and the fastest growing in the UK. Most of the freight comes in at night. Indeed, East Midlands is among the top 20 busiest airports in Europe as far as night flights are concerned. The current Government has been stealthily building up East Midlands as one of the country’s main freight hubs. DHL has one of their principal headquarters there. Perhaps nowhere else in the country has the local population had to put up with such damaging growth over such a short period of time. Particularly badly affected are the communities who experienced aircraft noise for the first time when flight paths were changed a few years back. Reeling under the criticism, the airport improved its public relations but it has not changed its policy of relentless growth. East Midlands presents a particular challenge for an incoming government. What is not an option is leaving things as they are. Given the number of night flights using the airport, there is a powerful argument for making East Midlands Airport a designated airport (like Heathrow, Stansted and Gatwick) so it is regulated by national government rather than local authorities. Secondly, the flight path changes of a few years back, which have caused so much misery, should be revisited. But, at some stage, the whole question of how much of the freight needs to come in at night must be addressed.
Is stabilising – or reducing – the number of planes using regional airports a practical possibility?

In the immediate-term it may well happen anyway. The recession has seen a fall in demand. People are cutting out the extra weekend-break abroad or a holiday in the sun every year. And, over a longer period, the overall trend in rising fuel prices will reduce the ability of the low-cost operators to offer so many budget flights.

There are other trends too which might well reduce demand. Business is looking increasingly at the potential of video-conferencing. 89% of companies expect to use video-conferencing more and fly less over the next 10 years (11).

There are, however, three key initiatives which national government can take to influence the trend: the promotion of rail alternatives; the use of fiscal measures to promote market solutions; and the abolition of regional quangos such as the regional development agencies.

Rail Alternatives

Fast, high-speed, affordable rail can be a viable alternative to many short-haul flights. And the vast majority of flights at the regional airports are short-haul. There is a lot of evidence to show what can be achieved.

The picture is consistent. Where fast, affordable rail services have been introduced there has been a significant switch from planes to the trains. Here are just a few examples:

- Eurostar is now capturing over 70% of the market between London and Paris; and over 60% between London and Brussels.
- The air service between Paris and Brussels has ceased since the train journey was reduced to about an hour.
- Rail held only 22% of the combined Paris-Marseille air-rail market before TGV Mediterranean went into service (2001), but in four years that market share rose to 65% and in 2006 it was 69% and easyJet abandoned its Paris-Marseille flights.

Distance and time are the key factors which influence the mode of travel a person chooses to make the journey.

Distance

under 150km - car or traditional rail are the preferred modes;

150 - 400km - high speed rail wins out over air, but car still has around 70% of the market;

400 - 1200km - there is competition between high speed rail and air, with the fiercest competition at distances of between 400 and 800km;

over 1200km - general preference for air
**Time**

Traditionally, the tipping point has been three hours, but this threshold has recently been increased to between four and four-and-a-half hours for business travel. The French railway, SNCF, has found that on journeys of less than four-and-a-half hours, where their trains compete with airlines, their share of the market is over 50%. This is backed up by other European rail companies, which are capturing more than 60% of the business market from airlines on four hour journeys.

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**The Spanish Experience**

Year on year the number of flights between Madrid and Barcelona grew so that it became one of the busiest routes in the world. But all that is now changing with the arrival of the Ave S103, the new high-speed train which carves its way through the Spanish countryside at speeds of nearly 220mph. The Ave S103 forms the centrepiece of plans to make Spain a model for the rest of Europe, and the world leader in high-speed trains by 2010. Spain’s aim is to have 10,000km (6,200 miles) of high-speed track in Spain by 2020, meaning that 90% of the population will be no more than 30 miles from a station through which the train passes. The Barcelona line is to be extended to Perpignan in France, making the Catalan capital just four-and-a-half hours from Paris. Work to link Madrid and Lisbon is under way.

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- Full references for the above rail section can be found under (12) in the reference section at the end of the document.

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**How High-Speed Rail Could Work for the Regions**

It is possible, with the right high-speed rail scheme in place, for rail to be a real alternative not just for flights between London, the UK’s biggest cities and Europe. It can work for areas far beyond that. The map below shows the geographical range that High Speed North, the scheme being promoted by a number of local authorities, would have (13).

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High Speed Rail North would shorten considerably the rail journey times between many of the UK’s regional cities. The table on the next page, using Edinburgh and Glasgow as an example, shows what could be achieved (12).
**Journey Times**

<table>
<thead>
<tr>
<th></th>
<th>Edinburgh</th>
<th>Glasgow</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>2¼ hours</td>
<td>2¾</td>
</tr>
<tr>
<td>Manchester</td>
<td>2</td>
<td>2½</td>
</tr>
<tr>
<td>Birmingham</td>
<td>2</td>
<td>2½</td>
</tr>
<tr>
<td>Newcastle</td>
<td>¾</td>
<td>1¼</td>
</tr>
<tr>
<td>Leeds</td>
<td>1½</td>
<td>2</td>
</tr>
<tr>
<td>Liverpool</td>
<td>2½</td>
<td>3</td>
</tr>
<tr>
<td>Leicester</td>
<td>1¾</td>
<td>2¼</td>
</tr>
<tr>
<td>Cardiff</td>
<td>4¼</td>
<td>4½</td>
</tr>
<tr>
<td>Bristol</td>
<td>3½</td>
<td>4</td>
</tr>
<tr>
<td>Southampton</td>
<td>4¼</td>
<td>4½</td>
</tr>
<tr>
<td>Paris</td>
<td>4½</td>
<td>5</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>5½</td>
<td>6</td>
</tr>
</tbody>
</table>

**But Rail Fares Would Need to be Affordable**

UK train fares are the highest in Europe. The Government is responsible: it regulates 60% of train fares and allows them to rise 1% above inflation every year. Unregulated train fares can rise even further. Since 1997, train fares have risen in real terms by 7% while the cost of motoring has fallen by 13% and the price of one-way flights from UK airports has, on average, halved. If these trends continue, the switch to high-speed rail services is unlikely to take place in any significant way. High fares are pricing people off the railways and pushing them back into cars and planes. But the Campaign for Better Transport has published research which shows that reducing rail fares today by 20% (to around the European average) could increase rail travel by 17% by 2015. The Campaign for Better Transport has also released research which shows that cutting bus and rail fares and increasing motoring and aviation taxation could cut carbon emissions by 13%. It would reduce demand for short haul flights, the need for airport expansion and cut congestion and traffic levels on the roads. The Campaign for Better Transport argues there are realistic ways to reduce fares. They are calling on the Government to cut train fares and introduce a fuel tax on domestic flights. This would make it easier for people to switch from plane to train. They stress they are not asking for more public spending: taxing fuel on domestic flights at the same rate as motoring fuel tax would raise around £460 million a year – enough to make up for revenue lost through train fare cuts, and boost capacity where trains are already crowded. A fuel tax on domestic flights that increases the price of air travel by 50% would cut carbon emissions by 1 million tonnes a year, helping the Government to meet its commitments in the Climate Change Act. And is probably essential if high-speed rail is to fulfil its potential.

- We are indebted to the Campaign for Better Transport for this section on fares. More information can be found on their website – [www.bettertransport.org.uk](http://www.bettertransport.org.uk)
Using Fiscal and Market Measures

Governments and local authorities have spent years interfering with market forces when it comes to aviation. The demand for air travel is artificially high because of the tax-breaks the aviation industry receives, mainly its tax-free fuel and its exemption from VAT. Kenneth Clarke, recognising this when Chancellor of the Exchequer in the 1990s, introduced Air Passenger Duty (APD). Even with the recent rises in APD, it doesn’t come anywhere near to matching the loss to the Treasury of the other tax-breaks - estimated at over £9 billion annually (14).

It would be difficult for any government to unilaterally introduce tax on aviation fuel (except, as the Americans do, on domestic routes). But VAT on internal flights is a possibility. However, the easiest way of making up the shortfall is a progressive rise in APD. It would have an impact on demand at the regional airports. Budget, short-haul, leisure travel is highly price sensitive. Governments have to make the political decision whether they want to go down this route, but there is no doubt, if they did, demand at the regional airports would be reduced.

What could really assist the regional economies is a policy to ensure the extra taxation collected was matched by tax reductions elsewhere, particularly in areas which could have a direct benefit to job creation and economic regeneration, such as a reduction in employers’ National Insurance contributions.

Getting Rid of Regional Quangos

Somebody once said that, while the rest of us work for a living, quangos simply talk for a living. It is unclear what the appointed members of the regional development agencies can bring to the economic prosperity of an area that can’t be better done by the free market in conjunction with elected local authorities with enhanced decision-making powers.

We are not making an argument for abolishing all quangos – the Environment Agency, for example, do a useful and focussed job – but the record of the regional development agencies leaves much to be desired. They have latched on to – and, even in certain cases, helped to fund – regional airports as a way of creating jobs, seemingly oblivious to the fact these airports are responsible for taking more money out of the economy than they are bringing in.

Overall Conclusion

There are ways of stabilising and cutting the number of flights using regional airports. The recession will do it in the short-term but the trick will be to use the breathing space afforded by the recession to put in a long-term rail and fiscal policy which will cut overall flight numbers using the regional airports. The alternative is not good. Yet more resources and jobs being taken out of the regions as a result of the aviation tourism deficit. A continuing growth in CO₂ emissions. Noise ruining people’s quality of life and, ultimately, almost certainly their health as well (15).

The next Government should choose wisely.
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This paper was written by John Stewart for AirportWatch.

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