

Written evidence from London Biggin Hill Airport (AS 66)

Introduction

1. This evidence is presented on behalf of London Biggin Hill Airport and its principal shareholder Regional Airports Ltd and concerns itself with those aspects of the Committee's terms of reference that are relevant to the Business Aviation industry in the UK. Our key concern is that the UK Government appears neither to fully appreciate the importance of, nor to be willing to make appropriate provision for, this growing and economically important sector of the aviation industry in its Aviation Policy Framework, which it published in draft for consultation earlier this year¹, and proposes to issue in final form in early 2013.
2. We would like to draw this important omission to the attention of the Committee, highlight new evidence on the key role the sector plays - particularly in serving the needs of London as a leading World City, and explain our concern about the potential implications its absence from the Framework document could have on the future development of the industry, especially within the congested airport system in the South East of England.

Objectives of Government Aviation Policy: Connectivity, Strategic Competitiveness and Economic Benefits

3. The first part of the Committee's Terms of Reference asks:

What should be the objectives of Government policy on aviation?

a. How important is international aviation connectivity to the UK aviation industry?

b. What are the benefits of aviation to the UK economy?

c."

4. We support the Government's aim of making aviation as sustainable as possible, but 'sustainable' here must be recognised in its wider definition encompassing economic and social objectives rather than simply a narrow didactic 'environmental' focus. The inclusion of aviation (including business aviation) within European Emissions Trading System (ETS) the Government has tackled the climate change impact issue within the terms of its wider legislative commitments and obligations. The draft Appraisal Framework attempts to tackle the other major environmental issue associated with airports – notably noise. What is missing then from a sustainable or 'balanced' aviation policy is a commitment to ensuring there is sufficient capacity, with appropriate resilience margins, in the right locations to meet the UK's future economic and social need for air travel. In terms of airport capacity the debate is currently framed solely around scheduled air services; but we would contend that it should be widened to take in other forms of aviation, most notably 'business aviation', because of its overall scale and its value to UK plc.
5. In 2011 there were some 164,000 air taxi and business aviation flights recorded in CAA statistics across the UK's airports, although this figure is probably an under-estimate as some flights recorded as being 'private' were probably also for business purposes. Of this figure some 32.5% were made from London Airports; if airports in the wider South East are included this rises to over 50%.

¹ Department for Transport: Draft Aviation Policy Framework (July 2012)

Taking into account some flights inappropriately allocated to other categories of General Aviation, that means that there are currently around 100,000 business aviation flights each year from London and the South East, up materially on the equivalent figure in 2001. The growth of the sector is confirmed in Eurocontrol reports, which indicate that business aviation already accounts for almost 8% of all flights in European airspace and is expected to grow faster than scheduled airline services as the economy recovers.

6. The demand for business jet travel has increased because of a range of factors:
 - a. The increase in the value of business people's time and the benefits to them of the speed and flexibility business aviation offers.
 - b. The rise in the average seating capacity of scheduled airline passenger flights and the consequent limitations on the range and frequency of services that can support 150 seat aircraft.
 - c. Congestion at scheduled airline airports and the increasing delays and risk of delays before and after flights.
 - d. The globalisation of trade and search for new areas of development and economic opportunity, few of which are served, or served frequently enough to be convenient by scheduled airlines.
 - e. Innovation and development of new commercial options for ownership, sharing, chartering and generally making better use of these modern aircraft with a seating capacity of between four and 55 seats.
7. But what is also clear from a wide range of in-depth studies, in the USA by Anderson² and NEXA³ and Europe by Price Waterhouse Coopers⁴ and most recently by the Oxford Economics⁵, is that that the users of business jets are generally those companies, staff and individuals who are the innovators, investors and deal-makers which drive economic activity, stimulate trade and generate associated employment. Indeed Oxford Economics report for EBAA indicates that a business aviation user has a 'value of time' nine times higher than a business class customer on a scheduled service (http://www.ebaa.org/content/dsp_page/pagec/PwC-EBAA-StudyBusAv).
8. Critical to this kind of high value passenger is that his/her time is used optimally with flexible departure times and access to airports close to where their ultimate destination is, rather than being forced to rely on the city pairs and timings on offer from scheduled services.
9. Table 1, which shows the number of destinations served by each of the major business aviation airports in London in 2011, illustrates the much greater point to point connectivity offered by business jets.

Table 1: Connectivity Ranking of Main London Business Airports

² Andersen LLP: Business Aviation in Today's Economy – A Shareholder Value Perspective (2001)

³ NEXA Advisors LLC: Business Aviation – An Enterprise Value Perspective; S&P500, 2003-09

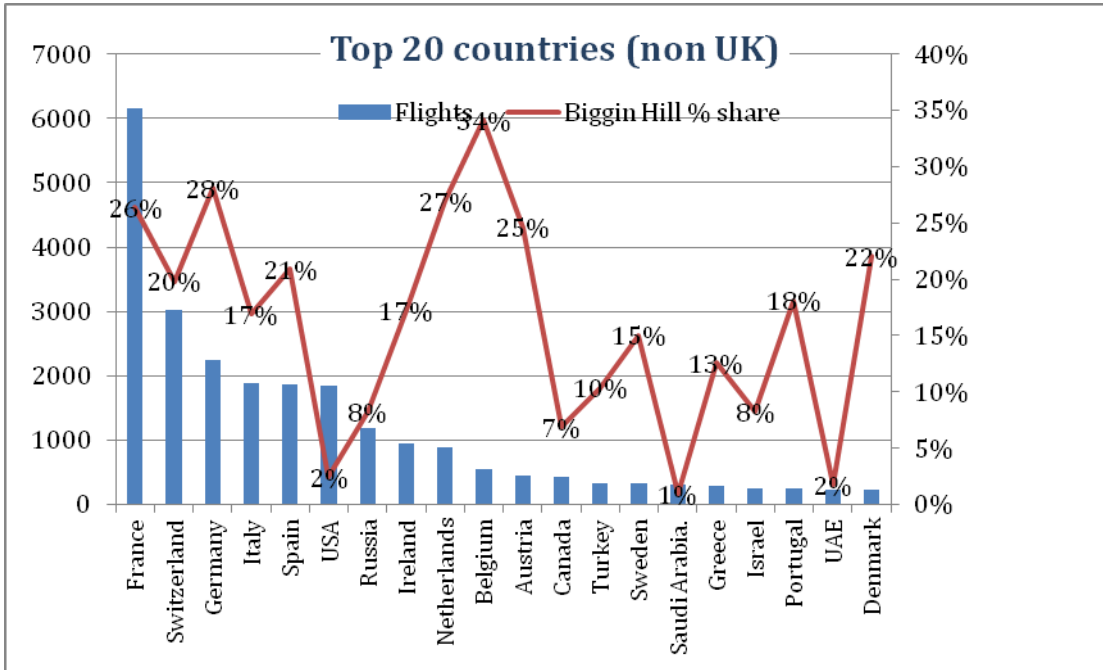
⁴ Price Waterhouse Coopers: The Economic Impact of Business Aviation in Europe (2008)

⁵ Oxford Economics: The Role of Business Aviation in the European Economy (2012)



10. Table 2 overleaf then examines the destinations by country served by the five airports in Table 1 combined and Biggin Hill's share of each of those markets. Major trading partners in Europe, in North America and outside these two core zones (eg Russia and Turkey) are prominent. And as Appendices A-C illustrate, Biggin Hill serves a particularly important role in terms of business connectivity between London and Europe and London and business aviation markets elsewhere in the UK, providing time critical links as it does not just to major regional cities but also to much more remote and inaccessible locations such as the Western Isles, Shetland, Crown Dependencies and far South West.

Table 2: Business Aviation Connectivity by Country from London Airports



Making Best Use of Existing Capacity

11. The second part of the Terms of Reference ask:

"How should we make the best use of existing aviation capacity?"

a. How do we make the best use of existing London airport capacity? Are the Government's current measures sufficient?"

12. Such connectivity is particularly important for the functioning of a World City such as London where the types of companies and entrepreneurs who make good use of the efficiencies that business aviation offers typically cluster. In the UK, and in London in particular, the focus of Government aviation policy has been on meeting the capacity requirements of scheduled airlines and enhancing the passenger experience, leaving the business jet sector to "fit in where it can". Going forward, this approach will materially disadvantage London, especially as any South East hub or other solution is at least 10 years away (probably more), unless specialist provision is made for business aviation. This is because, as the scheduled airline traffic recovers after the economic downturn, business jets will be squeezed out of the major commercial airports serving London, whose principal business is scheduled traffic and the more traditional package holiday charter airlines.
13. With this in mind, as Mayor of London and the Government engage in an in-depth review of the future runway capacity required to support the UK's capital city, now is also the right time to focus on the growing demand for business jet access, which has nearly doubled in the last 10 years, and helped to improve international connectivity, in part by filling the gaps left by scheduled airline services. Helpfully, this does not require new runways. Indeed it may help relieve runway capacity constraints at some commercial airports in the short and medium term. Rather it requires a firm policy to make better use of capacity available at smaller dedicated business aviation airports that have particular value in serving London, such as Biggin Hill and Farnborough.

Step Change in Capacity?

14. The final part of the Terms of Reference ask:

Do we need a step-change in UK aviation capacity? Why?

a. What should this step-change be? Should there be a new hub airport? Where?

15. In answer to the first question about a 'step-change' in capacity and supplementary question (a), we believe the answer is yes but would frame the question somewhat differently, notably:

"Should UK Government policy seek to ensure that sufficient infrastructure capacity is available to meet the country's long term aviation requirements in a carefully planned and co-ordinated way that facilitates competition, builds in resilience and takes account of the future needs of all sectors of the industry? How is that best achieved?"

16. As foreshadowed in our introduction, and above, this slightly different perspective shifts the debate away from (a) an over-dominant focus on scheduled traffic and (b) a new hub airport to find solutions to the current capacity problem, and towards the effective functioning of the airport system as a whole as being the key objective, particularly in the case of London. It also means that consideration of carefully planned, incremental, and system-based approaches (in which some airports are accorded specialist niche roles which

they are ideally suited to and have spare capacity for, allowing other airports to operate at maximum efficiency in meeting the needs of mainstream sectors where capacity constraints are more significant), are not precluded from consideration in favour of an over pre-occupation with a “big-bang” approach which seeks to mix traffic that is better kept separate.

17. Applying this logic to planning for the business aviation sector in London over the medium to long term, we believe that over the next ten years, as pressures to maximise the use of the capacity at the major London Airports (ie Heathrow, Gatwick, Stansted, Luton and London City) for commercial traffic (ie scheduled airlines) intensifies, business aviation will find itself being severely squeezed at these airports as a result of a combination of factors:
 - congested runway capacity and the disparity between full slot co-ordination status and the flexibility of operation that is integral to business aviation’s value proposition;
 - limitations on apron, hangar and aircraft parking availability;
 - maximising the commercial returns being sought from expensive and scarce infrastructure assets;
 - airspace conflicts and constraints within the London TMA; and
 - Transport and access constraints.
18. Indeed, there is a strong argument for Government intervention to facilitate clarity, resilience and co-ordinated planning for the sector (a precedent set during the Olympics which worked well), whilst freeing up as many slots as possible for scheduled services at these predominantly commercial passenger airports by:
 - imposing traffic distribution rules banning business aviation flights to heavily congested airports such as Heathrow and Gatwick;
 - prescribing on a seasonal basis, time periods or slots available to business aviation at airports such as Stansted and Luton that are slot co-ordinated; and
 - designating two smaller airports with plenty of capacity and potential to develop as specialist, possibly dedicated, business aviation airports to serve the needs of London.
19. This approach has been adopted in major World Cities with congested aviation systems such as: New York where Teterboro (New Jersey) and White Plains (Westchester County in New York State) serve this role; Paris which has Le Bourget (the busiest business aviation airport in Europe); Singapore (for which Seletar acts as the business aviation hub with only VIP’s being allowed into Chiangi); Los Angeles (where Van Nuys the busiest business aviation airport in the world); and Chicago (for which Chicago Executive and DuPage act as relievers to O’Hare).
20. Given that London is currently the number one ranked global city, and has the most congested airport system of any major city in the world, we believe a similar solution commends itself and that two specialist business aviation airports should be identified now, allowing their operators to plan and invest in high quality facilities to meet future demand as increasing congestion and eventually traffic distribution rules push traffic their way in the short to medium term. We believe one of those airports should be Biggin Hill because of its proximity to

Central London and the other Farnborough, which is well located to meet demand from south and west of London.

Concluding Comments

21. Civil Aviation the world over is divided into just two components – scheduled airline services and General Aviation which is comprised of Business Aviation and the many other specialist niches such as emergency services, casualty and medical flights, small group travel and charter. It is vital the UK Government now recognises the economic and employment benefits that the flexibility, innovation and capacity this non-scheduled airline sector can provide, that scheduled airlines cannot, as highlighted in a report by Oxford Economics, published this September for EBAA.
22. It is in this context that Regional Airports Ltd are proposing that Biggin Hill should be designated in forthcoming aviation policy documents as London’s Business Aviation Airport (or General Aviation reliever airport as with Teterboro Airport in New York), thus fulfilling the niche provision that New York and other World Cities have already recognised is required as an important component of their overall global connectivity and transport strategy. This then facilitates quick and convenient access to the literally thousands of places around the world that are either not served by scheduled airline services, or are only served infrequently.
23. Biggin Hill is the ideal business jet Gateway for London and now is the right time to ensure the forthcoming Airport Strategy recognises the potential of the asset and creates the policy framework in which its support role for London as a World City can be fully realised.

19 October 2012

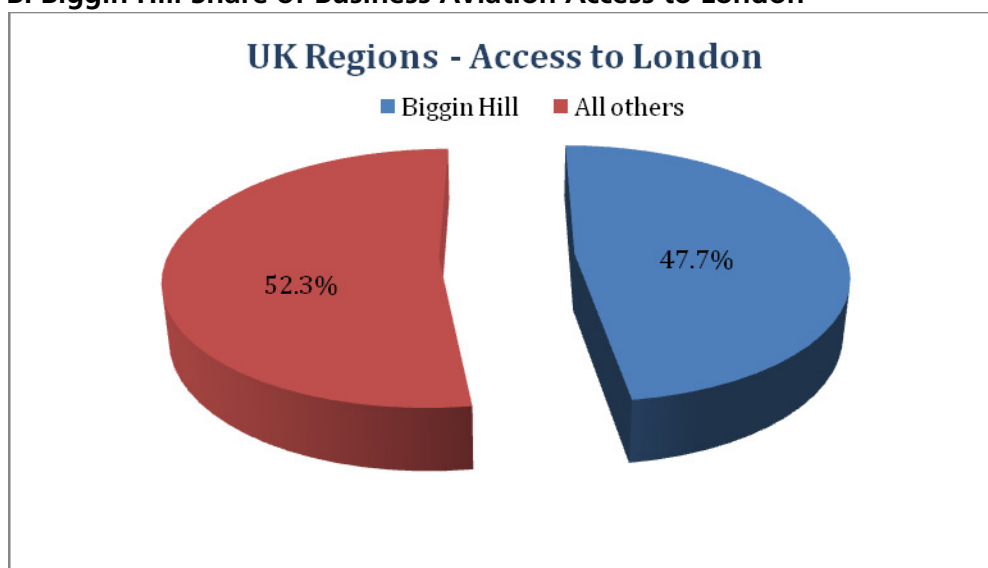
APPENDICES

A: Biggin Hill Connectivity Quotient by Global Region

Global Region	Biggin Hill Destination Links	London Airport’s Scheduled Destination Links
	2011	
UK	101	16
W Europe	310	192
E Europe	70	39
N America	50	34
Caribbean & Central America	5	24
S America	0	3
Near and Middle East	19	14
Far East / India / Australia	4	28
Africa	22	34

Sources Biggin Hill ATC data and CAA

B: Biggin Hill Share of Business Aviation Access to London



C: National Connectivity Quotients for Biggin Hill

	London Scheduled links	Biggin Hill Links	Increased Connectivity Quotient
UK	28	101	3.6
France	49	82	1.7
Switzerland	6	12	2.0
Germany	25	50	2.0
Spain	34	28	0.8
Italy	33	36	1.1
Netherlands	4	12	3.0
Ireland	8	10	1.3
Belgium	3	6	2.0
Austria	5	7	1.4
Sweden	17	16	0.9
Portugal	8	4	0.5
Denmark	7	8	1.1
Norway	14	10	0.7
Greece	20	11	0.6

Finland	10	5	0.5
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Sources Biggin Hill ATC data and CAA

Note: All countries with ratios above 1:1 and highlighted in red have a higher level of connectivity (ie have a greater range of destinations served) from Biggin Hill, than by scheduled airlines. The connectivity quotient is a measure of that relative difference.