# The future of UK Aviation

# A call for evidence on a new strategy

## A response from MAG

## October 2017

# Executive Summary

## The need for a comprehensive new Aviation Strategy

A thriving aviation sector is the cornerstone of a prosperous, global Britain. Connectivity to markets around the world is a platform for the UK economy and is critical to meeting the Government's vision for a global Britain.

As a sector, aviation makes its own distinct contribution to employment and growth across the UK, generating £1 billion a week towards UK GDP, made possible by the nearly one million people working in and around the industry.

But it is more than this. Our sector is an enabler for the rest of the economy. It plays a unique role in creating jobs, connecting businesses to markets, uniting family and friends and driving growth across the country. With the right policies and investment priorities, aviation can play an even greater part in helping Government to achieve its broad economic objectives.

## A bold, ambitious plan

It is right for Government to have a bold, ambitious plan for how the industry needs to develop, guided by a clear objective – to maximise the economic contribution of UK aviation.  The process should start with an evidence-based assessment of aviation capacity, capability and competitiveness, including a detailed analysis of the UK's aviation needs on a region-by-region basis. The Aviation Strategy process should then identify how those needs should be met and Government's role in ensuring the targeted outcomes are achieved. This structured approach will enable Government to prioritise those areas where policy support and investment will achieve the greatest benefit.

## Making best use of capacity

Government policy support for making best use of existing runways provides an effective complement for its support for new runway capacity at Heathrow.  In this respect, 'making best use' should be seen as a key component of the Government's integrated and overarching strategy for meeting demand in the period to 2030.

We particularly welcome the Government's intention to bring forward this statement of policy support for more intensive use of runway capacity.  Better use of existing capacity at the UK's leading airports – including Manchester, Stansted and East Midlands – will deliver significant economic benefits. The Government should confirm this policy support as soon as possible and identify practical ways to support airports in 'making best use' of capacity.

## Government should take a 'hands-on' approach

Policy support for 'making best use' is an excellent starting point for the development of the strategy. It is important that the Government now adopts the same active and 'hands on' approach to the development and delivery of the rest of its aviation policy as it has to delivering new capacity and infrastructure at Heathrow.  By this we mean that the Government should identify the specific policies and actions that are needed to maximise the economic and social benefits from development of airports across other parts of the country so that they meet both national and regional connectivity needs.

This approach would recognise the Government's proper role in overseeing the development of a vital component of the UK's transport infrastructure, and acknowledge the powerful influence of its decisions and actions have on the industry, on competition and the strategic role that different airports are able to play.

## A strategy for the Northern Powerhouse

Global connectivity will play a vital role in rebalancing the UK economy. To support the development of the Northern Powerhouse, the Aviation strategy should include a core objective to make the North one of the best connected regions in Europe over the next 10-20 years. MAG is supporting this by investing £1bn in a transformation of Manchester airport's terminals and facilities to enable the airport to handle growth to full use of its runways.

Aviation in the North, though, is not an issue of airport capacity but one of connectivity to the region's global gateway. Manchester Airport has the potential to serve 55 million passengers a year from its two runways and has the strongest network of long haul connections of any airport outside London. Connecting an HS2 station at the airport with Northern Powerhouse Rail would increase the population within two hours by public transport to around 10 million people, compared with three million today, and support the 20-30 new long haul connections from the North.

Government should commit to funding the development of Northern Powerhouse Rail and its integration with the delivery of HS2. Given the imminent timing of decisions on Phase 2b of HS2, CP6 funding and TfN's feasibility studies on NPR, an early part of the Aviation Strategy should be to evaluate the benefits of investment in road and rail investment to Manchester (and other airports) before setting out clear priorities for relevant delivery agencies.

## Stansted – delivering competition, choice and capacity

Over the next ten years, Stansted will be the primary opportunity for aviation growth in the South. We are committed to playing our part in maximising Stansted's contribution, including the investment of £600 million in new facilities and raising the airport's planning cap of 35mppa to enable better use of the existing runway.

A primary objective of the Aviation Strategy should be to maximise the economic benefits of making full use of Stansted's remaining capacity. Government can and should play a central role in achieving this by taking forward the Airports Commission's 2013 recommendation for urgent improvements to Stansted's rail links to London. Improving journey times to the City of London would not only increase competition and choice in the London market, it would also be a powerful stimulus for airlines to add new long haul routes from Stansted.

We are encouraged that in the last year both the Secretary of State and the Rail Minister have committed the Government to delivering improvements to Stansted's rail services. In particular, the Secretary of State set out his wish in October 2016 to *"see everything done as soon as we practically can to make sure the links to Stansted are as good as they are to London's other airports"*.[1] With planning for CP6 under way, the Government should press ahead quickly to direct Network Rail on the high priority that should be attached to delivering these investments over the next five years.

## Fuelling the Midlands Engine

We welcome the Government's recognition of the economic significance of the air freight sector. In light of this, the Aviation Strategy should include a detailed assessment of the UK's air freight needs and the role of key airports in meeting those.

East Midlands Airport is the largest pure freight hub in the UK and second only to Heathrow in the total annual tonnage (330,000) and value of exports, facilitating trade with more than 150

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[1] House of Commons debate on Airport Capacity, 25 October 2016

countries across the globe. Alongside a passenger operation of almost five million passengers a year, the airport is rightly central to the Midlands Engine's aspirations for the region.

The Aviation Strategy should consider how Government can support a programme of potential investments to facilitate expected growth at East Midlands and to crystalise the economic contribution made by its cargo and passenger operations. With Heathrow operating at capacity for another 10-15 years, East Midlands' freight operations provide one of the most important growth opportunities post-Brexit.

### Long term capacity for growth
The Airports Commission identified that a second new runway was likely to be needed after 2030 to meet long term growth in UK demand. The Aviation Strategy should set out an ambitious and long term vision for sustainable growth, laying the foundations for further runway capacity in a framework that will support airports, investors and other stakeholders to plan for the future.

We agree with the Airports Commission's view that it would be premature to carry out an assessment of the options until there has been an opportunity to consider a range of other issues, the full evaluation of options for capacity expansion and the Government's primary economic objectives. The National Infrastructure Commission (NIC) is the logical and appropriate body to take responsibility for assessing the need for further capacity, including the question of 'when' it is likely to be required.

### Integrated decision making: rail, roads, aviation
It is one of the vital roles for Government to make sure major projects are designed and delivered in a joined-up way. In the North, projects like HS2, Northern Powerhouse Rail, and MAG's transformation of Manchester Airport require careful co-ordination to maximise their economic impact and a platform for future investment. To make the most of Stansted's capacity over the next decade, the Government also needs to lead the delivery of short-term improvements in the quality of rail connections between London and the airport.

Given the timing of the Government's upcoming decisions on CP6 funding, HS2, Northern Powerhouse Rail and strategic road investment priorities, an early priority in the Aviation Strategy process should be to direct agencies (such as TfN, Network Rail, Highways England and HS2 Ltd) to deliver their investment plans in ways that are properly integrated with wider policy objectives.

We are keen to work with Government to deliver major rail improvements to our airports, and in principle, we are willing to contribute to the funding arrangements for these projects where appropriate. However, the lack of a clear framework for third party financing poses a risk to the delivery of these improvements and, therefore, to competition between airports and airlines. Government should look to develop a funding mechanism that shares both risk and value of investment (for example, taking account of fare-box revenue to the business case for such projects). It must also take a consistent approach to developing funding schemes that benefit airports, given large scale public funding of Crossrail and Thameslink.

### APD: a tax on global connectivity
APD is a tax on international and domestic connectivity. The tax makes UK airports relatively uncompetitive against European competitors when it comes to attracting airlines to start new routes, particularly on long haul sectors. APD is a key reason why long haul capacity from UK airports has grown at less than half the rate achieved by other European countries since 2004. The Government must now decide whether such taxes are consistent with its vision for a global Britain, supported by the best possible international connectivity.

Adopting a consumer-led approach to the development of the strategy, the Government should assess the extent to which APD also restricts competition and choice across the UK market. We urge the Government to carry out a fundamental review of long haul APD to consider how its level and structure are distorting competition for new services, and holding back the development of a more diverse range of direct connections to global markets.

The Government should use the Aviation Strategy process to develop a clear understanding of the current market for long haul services, and the features of the market that are restricting or distorting competition.   In particular, the Government should quantify the value of wider economic benefits that would result from improved long haul connectivity using recent evidence and Airports Commission data, and evaluate a range of policy measures for driving growth and improvements in long haul connectivity from a network of UK airports, alongside growth at Heathrow.

## Managing growth sustainably

We welcome the Government's continued recognition of the important balance between aviation growth and environmental and social impacts, including noise, air quality and carbon emissions. In developing the new strategy, the Government is right to consult widely on these issues.

Maximising the positive economic and social contribution that aviation brings within a framework that challenges the industry to do so within acceptable environmental limits must be a critical component of the new Aviation Strategy.  Experience shows that with Government and industry working together, there has been continuous improvement in performance across these metrics. Progress in the last 20 years provides positive view of what can be achieved and we are committed to continuing that work as the sector grows.

## Resourcing the UK Border to support growth

Growth in passenger demand over the next decade will create significant additional resource requirements for UK Border Force and the need for additional UKBF resources should be considered as part of a strategic review, taking into account the projected level of growth both at a national level and for individual airports.

Through the Aviation Strategy, we would urge the Government to commit to a cross-departmental strategic review of UKBF performance and resourcing.  This will provide Government with a clear view of the resources needed to meet demand over the next decade, and the strategic case for improving service levels to support the achievement of its wider policy objectives.

## MAG's consultation response

MAG owns and operates four airports in the UK (Manchester, London Stansted, East Midlands and Bournemouth), handling more than 58 million passengers per annum. Our airports are nationally significant infrastructure assets, providing essential connectivity both for the regions they serve and the wider UK economy. Contributing £7.1 billion in GVA each year, MAG directly employs more than 5,300 and supports around 40,000 jobs on our airport sites.

MAG welcomes the start of the Government's work to develop a national aviation strategy and the publication of the 'Future of UK aviation' consultation document. We look forward to working with Government to help shape its new strategy and then to implementing the strategy in due course.

Our response to the call for evidence provides comment and feedback on the Government's proposed approach. We regard this as an important opportunity to comment on the objectives for the new strategy and the scope of the issues to be considered as part of the process.

We support the Government's proposed approach to developing the strategy in most areas. However, we set out a number of key areas where we believe a different approach is required.

In particular, we highlight the need for the Government to develop a clear plan for the development of aviation across the UK to complement its support for new runway capacity at Heathrow.

To achieve this, the strategy will need to assess the connectivity needs of each UK region and identify the support that Government will provide to meet its own policy objectives for economic growth, trade, inward investment and regional competitiveness.

The main body of our response provides MAG's views on aviation policy the Government should aim to develop and identifies key issues that should be the focus of the strategy development process. The appendix to our response provides detailed comments on the Government's proposed objectives and its approach to developing the each element of the Aviation Strategy.

## The need for a new Aviation Strategy

A prosperous, global Britain needs a successful aviation industry – one that is capable of creating jobs, increasing productivity, enabling trade, supporting tourism and making the UK a great place to invest. International connectivity is vital to the UK's future global competitiveness.

Aviation's role in Britain's economic future is so significant that it is both right and necessary for the Government to take an active role in supporting the industry's development. With the negotiation of UK's exit from the European Union now underway, a new Aviation Strategy will play a key role in delivering the Government's vision for a truly global Britain.

The Government recognises the need to deliver balanced growth across the UK and has set out a vision for productive and internationally competitive regions, such as the Northern Powerhouse and Midlands Engine. Access to international markets will be vital to realising this vision, nurturing the globally significant, high value sectors within them.

The UK and its regions now need Government to set out a new Aviation Strategy that shows how it will support sustainable growth over the period to 2050 and ensure that improved international connectivity helps drive a successful rebalancing of the economy.

The strategy must set out to deliver an ambitious, overarching objective of maximising the economic and social benefits of aviation. This clear focus will ensure the Government asks itself and others the right questions about how to maximise the benefits from aviation for the economy, passengers, consumers, businesses and local communities.

The Government should use the strategy to establish a new framework for sustainable growth which provides assurance on how the impacts of aviation will be managed, as well as clarity for the industry on the performance improvements needed to unlock further growth in the long term.

While the UK aviation industry will deliver much of the required innovation and investment, the Government needs to support the private sector by taking the lead in some key areas, including investment to improve connections between airports and the strategic road and rail networks, and ensuring wider infrastructure investment is properly integrated with aviation capacity planning.

The new strategy will play a key role in achieving this integrated approach by providing clear direction on the actions required from all parts of Government, its delivery agencies, local authorities, the private sector and other stakeholders for UK aviation to grow successfully over the coming decades.

These are the reasons why the new Aviation Strategy matters. To airports and airlines. To passengers, local communities and other stakeholders. To UK and foreign businesses. To the UK economy and overseas visitors. To every part of the UK where aviation will play a vital in driving growth and prosperity.

## What sort of strategy is needed?

To maximise the economic and social benefits of aviation, the Government's Aviation Strategy needs to be:

- **Ambitious:** the strategy should be driven by an 'active' objective to ensure the UK has the most sustainable, competitive, economically productive and globally connected aviation market in the world

- **UK-wide**: the strategy should support aviation playing its full part in achieving a better balance of economic growth across the whole country and fostering greater competitiveness

- **Regional**: the strategy should be based on an assessment of the capability and potential contribution of the UK's key airports – region by region

- **Strategic:** the strategy should focus on those issues and policies that will contribute the most to meeting the overall objective

- **Sustainable:** the strategy should establish a framework to ensure that growth is delivered in a sustainable and responsible way

- **Integrated**: the strategy should provide a joined-up plan for investment in rail, road and aviation infrastructure across the UK

- **Long term**: the strategy should look out to 2050 and identify a range of short, medium and long term priorities for Government

- **Brexit-ready**: the strategy should identify how aviation can help boost British trade, investment and productivity over the next five to ten years.

The Government's decision to support capacity expansion in the South East provides an unequivocal statement about the importance of aviation to the UK economy. That view of aviation's role in driving economic growth provides the right starting point for the development of the Government's wider Aviation Strategy.

However, the Government's decision to support capacity expansion is not an Aviation Strategy in itself. In taking forward the Airports Commission's recommendations, much of the Government's work on aviation issues over the last few years has adopted a narrow focus on the issue of where a new runway should be built before 2030.

It is now time for Government to develop a corresponding statement of wider aviation policy for the whole of the UK. Alongside the Heathrow NPS, the new strategy is the Government's opportunity to set out a comprehensive and balanced plan for UK aviation between now and 2050, reflecting the connectivity needs of all regions.

The new strategy must go much further than the 2013 Aviation Policy Framework (APF). While the APF is a positive and supportive document, it is not the strategic plan that is needed now to enable aviation to play its full part creating a prosperous, global Britain.

**The strategy process should start with a thorough, evidence-based analysis of the UK's aviation needs on a region-by-region basis, taking into account its contribution to driving regional economic growth and improving competitiveness. The process should then move to identifying how those needs should be met and Government's role in ensuring those outcomes are achieved. The policy tests will play a particularly important role in helping the Government focus on the**

**issues that will contribute most to achieving the overall objective of maximising the economic benefits of aviation.**

This structured and objective-driven approach will enable Government to prioritise those areas where policy support and investment will achieve the greatest benefit to the economy and to consumers. It would also enable the Government to mirror the active role that it is taking in the delivery of new capacity at Heathrow; the same 'engaged' approach is needed in developing and implementing the Aviation Strategy.

This means identifying and evaluating the strategic opportunities across the UK for improving connectivity, and being clear about the support and resources that Government will provide to make sure these improvements are delivered.  To create a joined-up approach to infrastructure development, it is essential that the strategy identifies the policy support required from different parts of Government, and where aviation priorities should be taken into account in the Government's wider investment decisions.

## Making best use of existing capacity

### Government support for making best use of existing capacity

We welcome the Government's recognition of the need for more intensive use of existing airport capacity, and its proposal to support all airports who want to make best use of their current runways.

The proposed policy takes forward the Airports Commission's recommendation to the Government on the need to recognise the 'crucial importance' of making better use of existing capacity and the 'imperative' of growing the UK's connectivity in the period before a new runway is delivered.

The Government's policy support for making best use of existing runways complements its support for new runway capacity at Heathrow.  Taken together, these statements establish an integrated and overarching strategy for meeting demand in the period to 2030.

MAG airports will play a vital strategic role during this period:

- **Manchester Airport** is the UK's third busiest passenger airport and currently serves 27.6 million passengers per annum (mppa), an increase of 8 mppa over the last five years. Investment of £1 billion in new facilities will soon enable Manchester Airport to serve 45 mppa, with its two runways providing further capacity for up to 55 mppa.

- **London Stansted Airport** is the UK's fourth busiest passenger airport and currently serves 25.4 mppa, an increase of 8 mppa since MAG acquired the airport in 2013.  Stansted has planning permission to serve up to 35 mppa, and will soon be applying to raise this cap to enable it to make better use of its single runway.

- **East Midlands Airport** currently serves 4.8 mppa and handles 330,000 tonnes of air freight each year.  East Midlands is the UK's second largest airport for air freight and over the next decade has capacity to increase annual freight throughput to around one million tonnes and to double the number of passengers it serves.

Better use of existing capacity at the UK's leading airports - including Manchester, Stansted and East Midlands - has the potential to deliver significant economic benefits by improving access to global markets, increasing trade flows, supporting the creation of new high skilled jobs and encouraging investment that will help to rebalance the UK economy.

Other smaller airports – including Bournemouth – will also make an important contribution by meeting regional demand and providing connectivity to European destinations. We support the Government's intention to explore how the contribution of smaller airports can be maximised as part of the strategy process.

By providing a clear context for national and local decisions, the proposed policy will help airports with spare capacity to maximise their contribution to growing the UK's connectivity and economy over the next decade. We also support the Government's emphasis on the importance of airports giving due consideration to environmental issues when seeking to make best use of existing capacity and we are committed to delivering on this requirement.

**We particularly welcome the Government's intention to bring forward a statement of policy support for making more intensive use of existing runway capacity in advance of the publication of the final strategy.  We would encourage the Government to confirm this policy support as soon as possible after the current consultation closes.**

In addition, we believe there would be benefit in providing clear guidance to local decision makers on the importance of considering planning applications to increase planning caps in an efficient and timely way. This would go on to support long term planning and investment decisions for local planning authorities, Network Rail and Highways England, for example.

## Government should adopt a 'hands on' approach

The Government's proposal to support airports who want to make best use of their existing runways is an excellent starting point for the development of the aviation strategy. It is now vital that the Government adopts an active and 'hands on' approach to the development and delivery of the rest of the Aviation Strategy.

**In line with the approach being taken to Heathrow expansion, Government should move forward to identify the specific policies, actions and resources that are needed to maximise the economic and social benefits of aviation across other parts of the country.**

This 'hands on' approach would recognise the Government's proper role in overseeing the development of a vital component of the UK's transport infrastructure, and acknowledge its ability to support the development of strategically important assets, particularly with integrated investment in rail and infrastructure.

This approach would also be a welcome recognition that a new Heathrow runway will not meet the connectivity needs of all UK regions.  While a new runway will provide opportunities for some regions to develop their international connections through Heathrow, by far and away the greatest benefits for passengers and the economy will come from strengthening their own direct connections from different UK regions to those same global markets.

## The timing of new capacity at Heathrow

In evaluating the case for Government action, the aviation strategy should adopt a prudent and realistic approach to the likely timing of new capacity at Heathrow.

The potential for delays in the planning process and the complexities associated with delivering a new runway means it would be unrealistic for Government to develop the Aviation Strategy on the current best-case assumption that new capacity will be available by 2026.  To do so would risk understating the benefits of policies and investment that will support airports in making more effective use of existing runway capacity up to and beyond that date.

**Adopting a realistic view of the opening date will ensure that the Government's aviation policy recognises the true value of existing capacity at other airports and the strategic importance of policies that will support them in making the most effective use of their spare capacity.**

# Global connectivity for the Northern Powerhouse

## A Northern Powerhouse Aviation Strategy
Global connectivity will play a vital role in rebalancing the UK economy. The ability of British and foreign companies to access international markets directly from the North will be fundamental to supporting trade, attracting investment and creating high-value jobs across the region.

Global connectivity from the North is not a 'regional' issue - it is one of national significance. Better direct connectivity has the potential to drive higher productivity and economic growth right across the North, which in turn will make a significant contribution to the UK's economic performance.

For this reason, the Aviation Strategy is an important and timely opportunity for the Government to show commitment to the vision for a Northern Powerhouse by identifying the specific steps that it will take to improve the region's global connectivity.

The process should start with an ambitious objective, and we believe that one of the strategy's core objectives should be to make the North one of the best connected regions in Europe over the next 10-20 years.

Achieving this objective as part of the strategy will require the Government to work with partners across the region to evaluate and prioritise measures to improve global connectivity in the North, and then to commit to delivering these in the Aviation Strategy.

The strategy will help define the Government's strategic priorities for its delivery agencies (such as Network Rail, Highways England and HS2 Ltd) to ensure investment is planned and delivered in an integrated way. The strategy should also give clear direction to Transport for the North on the priority to be attached to infrastructure schemes that improve journey times, reliability and commuters flows, and unlock better international connectivity for the North.

## Manchester Airport: the Global Gateway for the Northern Powerhouse
The North already benefits from having a thriving global gateway at Manchester Airport.  With potential to serve 55 million passengers a year from its two runways, Manchester Airport is one of Europe's top 20 airports and is one of the few UK airports with the infrastructure capacity to meet long term growth in demand.

Importantly, the airport has, by some distance, the strongest network of long haul connections of any airport outside London, with services to cities such as Beijing, Hong Kong and Singapore as well as key routes to North America and the Middle East. These services, for both passengers and freight, provide businesses operating in global sectors such as life sciences, technology, energy and advanced manufacturing with the direct access to overseas markets they need to compete successfully.

The Secretary of State for Transport recognised the strategic significance of Manchester Airport during a visit to the airport in July 2017, highlighting the airport's position as the UK's second global hub and its role in providing international connectivity and supporting growth.

To support the airport's next phase of growth we are investing £1 billion in the Manchester Airport Transformation Programme (MAN-TP).  This four-year development will be complete by 2022,

providing high levels of customer service and new passenger facilities and infrastructure to enable the airport to initially serve up to 45 mppa.

The wider economic benefits generated as a result of Manchester Airport's global connections are considerable; in 2016 we estimate that Manchester Airport contributed around £8 billion in wider economic benefits to the UK economy in terms of direct, indirect and induced benefits, as well as business productivity and tourism. Over the coming decades, the present value of the economic benefits from Manchester Airport's growth will be well in excess of £100 billion.

Starting now, Manchester Airport's growth will contribute significantly more to driving economic growth in the Northern Powerhouse than any other UK airport. While new capacity at Heathrow may eventually deliver some connectivity benefits for UK regions by 2030, these will be a small proportion of the benefits that Manchester Airport will deliver across the North in terms of trade, investment and opportunities for skilled employment.

For that reason alone, Manchester Airport warrants particular focus as a national strategic priority during the Aviation Strategy process.

## Unlocking Manchester Airport's long term potential

The key aviation issue for the North is not one of airport capacity; with two runways and a £1bn investment under way, the aviation 'building blocks' are already in place at Manchester Airport to enable the North to become one of the best connected regions in Europe. Instead, the fundamental issue is one of connectivity from across the North to the region's global gateway.

With better rail and road links – including HS2, Northern Powerhouse Rail (NPR) and strategic road improvements – the North's cities and towns would benefit enormously from improved connections to global markets, with millions of additional people (and businesses) coming within easy reach of Manchester Airport. More than anything, this would help to address the disparity between the different parts of the North in terms of international connectivity. Transport for the North estimates that with better road and rail infrastructure, the number of passengers travelling to/from the region by air would be around 10% higher than it is today.

NPR would significantly reduce journey times between the North's core cities and Manchester Airport, improving access to global markets from across the Northern Powerhouse. For example, once NPR is developed, Liverpool and Leeds city centres would be only 15 and 30 minutes respectively from Manchester Airport. Based on analysis of CAA data, NPR would increase the population within two hours of the airport by public transport to around 10 million people, compared to just over three million today.

From an aviation perspective, this much larger catchment would act as powerful catalyst for airlines to introduce new long haul services, and support around 20-30 new long haul destinations. In turn, this would broaden the network of connections available directly from the North, providing further encouragement to global businesses to invest in the region, supporting productivity improvements and the creation of new high-skill jobs.

This is a view we share with the National Infrastructure Commission and Transport for the North. In particular, the NIC recommended to Government that plans for HS3 should be developed by the end of 2017 to "*provide enhanced connectivity and improved journey times between the major cities of the North and to Manchester Airport, its most important international gateway*".

The NIC also recommended that the northern phase of HS2 should be planned and delivered in a way "*so as to facilitate the development of the HS3 network, enhancing connectivity between Leeds – Sheffield, Liverpool – Manchester (and its airport), and between Sheffield – Newcastle, as well as to onward destinations*".[2]

In relation to strategic highway improvements, the NIC recommended that Government should bring forwards investment for improvements to the M62, the North's most important east-west link, which could cut journey times by up to 20% and increase capacity by up to a third. It further recommended that development funding should be provided to accelerate the design of further enhancements to the road network, and to prioritise better connections to Manchester Airport.[3]

We welcome the Government's recent commitment of £300 million to ensure that HS2 is designed and delivered in a way that will enable NPR to be easily integrated in due course.  This provides a clear signal of the Government's intention to press ahead with a major programme of investment to improve rail connectivity across the North.

**Government should now commit to funding the development of Northern Powerhouse Rail and its integration with the delivery of HS2. Given the imminent timing of decisions on Phase 2b of HS2, CP6 funding and TfN's feasibility studies on NPR, an early part of the Aviation Strategy should be to evaluate the benefits of investment in road and rail investment to Manchester (and other airports) before setting out clear priorities for relevant delivery agencies.**

## Integrated decision making: rail, roads, aviation

There is a vital role for Government in making sure major projects like HS2, Northern Powerhouse Rail, and MAG's transformation of Manchester Airport are designed and delivered in a joined-up way.

The Government will soon make key decisions on investment in the second phase of HS2, the design of NPR and strategic road priorities for the next decade.  All of these decisions will have an important impact on connectivity to Manchester Airport for passengers, exporters and investors across the North.

**To inform these decisions, it is essential that through the Aviation Strategy process the Government understands and takes full account of the wider economic benefits of improved global connectivity to the Northern Powerhouse, and the contribution that rail and road improvements would make to achieve these benefits.**

Having considered the value of long haul connectivity as part of the Airports Commission process, the Government has already developed a recognised way of quantifying these benefits.  The same methodology should now be used in a Northern context to evaluate the wider economic benefits of improved international connectivity.

These benefits should form an important part of the Government's overall business case for rail and road investments in the North.  Based on the value attributed to new long haul services as part of the Airports Commission process, these benefits will make a significant contribution to the economic and strategic case for public investment in these projects.  A clear understanding of the international connectivity benefits will enable the Government to be clear about the strategic

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[2] **High** Speed North, National Infrastructure Commission, March 2016
[3] High Speed North, National Infrastructure Commission, March 2016

priority that should be attached to integrating Manchester Airport into wider infrastructure investment.

The Aviation Strategy should help achieve a joined-up approach by setting out the economic case for developing stronger global connections to the Northern Powerhouse, and the Government's commitment to integrating investment in rail, road and aviation networks.  Given the timing of the Government's decision on HS2, NPR and strategic road investment priorities, this work should be an early priority in the Aviation Strategy process.

## APD: a tax on global connectivity

APD represents a tax on international and domestic connectivity which has the effect of making UK airports relatively uncompetitive against other European airports when it comes to attracting airlines to start new routes, particularly on long haul routes.

Manchester Airport has achieved significant successes in recent years attracting airlines to invest in long haul routes. However, evidence shows that the UK has generally under-performed in the development of new long haul connections over the last 10-15 years, coinciding with the introduction of very high rates of APD for long haul passengers.  In particular, the growth of long haul capacity from Manchester has been less than half that achieved by other non-hub European airports since 2004.

In the current context, these connections will be vital to realising the Government's vision for the UK as global trading economy. **We urge the Government to carry out a fundamental review of long haul APD to consider how its level and structure are distorting competition for new services, and holding back the development of a more diverse range of direct connections to global markets.**

## Manchester Airport's long term potential

In the long term, high-speed rail has the potential to strengthen the network of competing airports across the UK.  In particular, NPR would radically reduce city-to-city journey times and transform access to Manchester Airport from across the region.  HS2 services will also significantly enlarge the airport's catchment to the south and make it easy for passengers to fly from Manchester as an alternative to London's airports.

Once these rail improvements are in place, millions of additional people will be able to benefit from direct and convenient access to the global connectivity provided by the airport.  In turn, this will enable the airport to attract airlines to offer new services to an even wider range of destinations.

Over a 10-20 year time horizon, there is clear potential for Manchester Airport to develop as a major global hub.  With capacity to serve 55 mppa from its two runways and convenient access to the airport for millions of additional passengers, Manchester Airport would be in position to meet a much higher share of the UK's aviation needs and transform the North into one of the best connected regions in Europe.

The scope for such profound changes needs to be central to the Government's thinking as it considers not only the Aviation Strategy over the period to 2050, but also the strategic case for investment in new rail and road connections linking to Manchester Airport, the global gateway for the Northern Powerhouse.

# Stansted – delivering competition, choice and capacity

## Immediate capacity for growth

MAG's acquisition of Stansted in 2013 was the start of a new era for the airport. Under new ownership, Stansted's positive commercial approach to working with airlines has brought significant benefits for consumers and the UK economy through increased investment, more competition and greater choice.

Overall, this has resulted in a rapid increase in passenger numbers at Stansted from 17.4 million in 2012 to over 25 million in 2017. A reinvigorated Stansted has also increased the number of destinations it serves from 170 to 192, and the number of services per week from 2,400 to over 3,000. Stansted now provides more routes to European destinations than any other UK or European airport, and offers a range of long haul services to North America and Central America.

In terms of wider economic impact, Stansted contributes around £6 billion in wider economic benefits to the UK economy in terms of direct, indirect and induced benefits, as well as business productivity and tourism - an increase of 49% per cent over the last four years.

Over the next ten years Stansted will be the primary opportunity for aviation growth in the South, with its existing runway having the ability to accommodate significant growth in demand by 2030. Stansted's potential to handle nearly 20 million additional passengers a year means it is likely to contribute as much capacity to the London system as all other airports combined over this period.

## The value of Stansted's spare capacity

This unrivalled capacity for growth means Stansted will play an important strategic role in meeting the UK's connectivity needs over the next decade. As constraints bite harder at other airports, Stansted's growth will deliver significant benefits for consumers and businesses. In particular, the ability for airlines to introduce new services at Stansted will help maintain competition and keep prices down across the London system.

Critically, Stansted can support growth in international connectivity and trade in the period immediately after Brexit, at a time when other airports will be heavily constrained. This ability to accommodate new services to new markets will make an important contribution to realising the Government's vision for prosperous and global Britain.

Stansted is ideally positioned to provide global connectivity to the world-leading research institutions and technology/life sciences businesses located in the London-Stansted-Cambridge corridor as well as the burgeoning tech clusters in East London. These sectors are amongst the UK's strongest industrial assets, and they depend on quick and easy access to international markets to compete effectively. A wider network of long haul services from Stansted would provide a huge boost to these businesses and help drive growth for an emerging global knowledge region.

Stansted can also help drive economic growth and regeneration across its catchment. For example, Stansted's growth will be of significant benefit to areas of north and east London and communities around the airport, both directly in terms of the employment opportunities, and indirectly by attracting companies and other organisations to invest in the wider region.

For these reasons we believe a primary objective of the Aviation Strategy should be to maximise the economic benefits of making full use of Stansted's remaining capacity, boosting the

development of long haul connectivity and providing high quality, competitive connections to its principal catchments in London and the East of England.

## MAG's commitment to maximising the value of Stansted's connectivity

We are committed to playing our part in maximising Stansted's contribution to growing connectivity and driving economic growth over the course of the next decade.

Passenger throughput at Stansted is currently capped at 35 mppa, and we will soon be applying to lift the level of the cap to enable better use of the existing runway. The Government's proposal to support airports like Stansted in raising their planning caps is strongly welcomed for the unambiguous statement it provides on the importance of making best use of capacity, and for the clear backing for Stansted's forthcoming planning application.

In support of this, we will be investing around £600 million in a transformation programme at Stansted over the coming years to develop new facilities and infrastructure that will significantly enhance customer service and provide additional capacity. The transformation will include the construction of a new standalone arrivals building and the reconfiguration of the existing terminal to become a dedicated departures facility. When complete, the investment programme will provide the terminal and airfield infrastructure to enable the airport to make full use of its runway.

We are also committed to broadening the mix of flights available from Stansted, with the objective of providing businesses in the airport's catchment with the connectivity they need to access global markets for moving people and goods. With a network of long haul services to key destinations, Stansted can help drive the development of the region by providing businesses with direct access to customers, suppliers, investors and research partners around the world. Consumers would also benefit from greater choice, competition and convenience.

We are committed to ensuring the economic benefits of a growing airport reach those who will benefit most. As part of our 'MAG Connect' programme we are working with partners to deliver a new technical college at the airport with places for 500 students. The college will provide the technical skills and education needed for students to pursue careers in STEM subjects, as well as airport engineering, business studies, logistics, supply chain management, asset management, and many other aviation specific skills, both at the airport and with other employers. At the same time, we are seeking to increase the number of people working at Stansted from areas of high unemployment, such as Tottenham and Harlow.

We will continue to work with Government, Network Rail and other stakeholders to develop and deliver urgent improvements to rail connections to between London, Stansted and other points along the West Anglia Main Line. Government support for these improvements to be delivered as soon as possible will be central to unlocking Stansted's full economic potential.

## The role for Government in unlocking Stansted's potential

The Government has a vital role to play in maximising the economic benefits from Stansted's remaining capacity, particularly in light of the airport's strategic role in meeting connectivity needs over this period.

Through the Aviation Strategy it will be important for the Government to identify the specific policy support needed to ensure Stansted's development generates the greatest economic benefit. To achieve this objective, the Government should identify the key constraints on Stansted's development and identify its role in addressing each of these issues.

In doing so, the Government should take the same active approach to ensuring Stansted's capacity is used to its full potential over the next decade, as it is to promoting proposals in support of new capacity at Heathrow.  By adopting this approach, Government would acknowledge the powerful influence that its decisions have had, and will continue to have, on the functioning of the London airports market.  In particular, through the decisions it makes concerning investment in rail and road infrastructure, the Government has a pivotal role in determining the competitive position of different airports.

The Government also has an important role to play in overseeing the development of aviation markets to ensure they serve consumers' interests, including the promotion of policies designed to enhance competition and choice.   Adopting a consumer-led approach to the strategy, the Government should assess the extent to which the structure and operation of the London airports market (both now and with new capacity at Heathrow) will serve consumer interests, and identify the steps needed to promote competition.

For example, the introduction of new long haul services at Stansted would provide a huge boost to the businesses and research institutions that are clustering in the London-Stansted-Cambridge corridor.  Providing more convenient, direct access to customers, suppliers, investors and their international research partners would encourage further agglomeration and investment in this emerging global knowledge region.

**The Government should use the Aviation Strategy process to develop a clear understanding of the current market for long haul services, and the features of the market that are restricting or distorting competition.  In particular, the Government should quantify the value of wider economic benefits from improved and more diverse long haul connectivity using recent evidence and Airports Commission data, and evaluate a range of policy measures for driving growth and improvements in long haul connectivity across the country.**

## Delivering Stansted rail improvements

To make the most effective use of Stansted's existing capacity over the next decade the Government will need to take a leadership role in delivering short-term improvements in the quality of rail connections between London and the airport.

Improving Stansted's rail services has been a key priority for MAG since we acquired the airport in 2013.  Better rail connections would enhance Stansted's competitive position by extending its catchment and strengthening its ability to compete for passengers across London and the wider South East.  Reducing rail journey time to London to 40 minutes would dramatically increase the number of people living within two hours of Stansted by rail.

Faster journey times would also make Stansted more attractive to long haul and full service airlines, given the particularly time-sensitive nature of the business market.  New long haul services would provide more choice and competition for a much wider group of consumers, which will be particularly important over the next decade as capacity constraints drive up prices.  New services would also bring significant productivity benefits for businesses in Stansted's catchment by improving access to global markets.

Our strong desire to see Stansted's rail services improved was echoed by the Airports Commission in its Interim Report to Government in December 2013. It recommended that Government should carry out a 'detailed' and 'urgent' study of the line between London and Stansted. It also advised

Network Rail to attach greater weight to the specific needs of air passengers when developing its investment plans – a market that it felt had been overlooked historically.

The Commission's Interim Report was followed by a letter from Sir Howard Davies to Network Rail in December 2014 in which he expressed strong concerns at the lack of progress in addressing the interim recommendations and specifically called for Network Rail to:

- articulate more clearly the needs for airport users and the role that Stansted Airport plays in maintaining and enhancing the UK's aviation connectivity; and
- set out at least the early stages of a longer term strategy for a more ambitious upgrade of the line serving the airport, reflecting the needs of both airport users and other passengers, as per the recommendations in the Commission's interim report.

Nearly four years on from the Commission's original recommendation, there has been no substantive progress in delivering the 'urgent' improvements to Stansted's rail connections. Despite a number of detailed studies that have highlighted the scope and compelling business case for reducing journey times to less than 40 minutes, Network Rail currently has no committed investment plans to improve journey times to Stansted, either in CP5 or CP6.   The recent Greater Anglia franchise process was a further missed opportunity for Government to secure meaningful journey time improvements to Stansted.

We are encouraged that, within the last year, both the Secretary of State and the Rail Minister have committed the Government to delivering improvements to Stansted's rail services.  In particular, the Secretary of State set out his wish to "*see everything done as soon as we practically can to make sure the links to Stansted are as good as they are to London's other airports*".[4]

We welcome these commitments, particularly the Government's emphasis on delivering rail improvements as quickly as possible.  This mirrors the urgency of the Airports Commission's original recommendations to Government, and recognises that the earlier the improvements are delivered, the greater Stansted's contribution will be to meeting aviation needs over the course of the next decade.  The fact that four years have passed since these recommendations were made makes it all the more important to press ahead quickly to deliver the required investment.

The Aviation Strategy process is the opportunity for the Government to set out clear policy support for improving Stansted's rail links as a means to delivering its objectives.  In particular, the process should encourage Government to achieve a joined-up position on rail investment priorities, based on a clear and common understanding between departments (and also within departments) of the specific priority that should be attached to delivering Stansted rail improvements.

Our experience over the last four years would suggest that the absence of a joined-up position on these issues is one of the main reasons for the lack of progress, and that it will be vital to ensure that Network Rail's investment priorities properly reflect the strategic and economic importance of improving rail links to Stansted.

**With planning for CP6 under way, this is not an issue that can wait for the publication of the Aviation Strategy in late 2018.  Given the urgency, Government should be clear about its priorities at an early stage so it can direct Network Rail to press ahead with planning and preliminary works for Stansted improvements to be delivered as soon as possible during the next**

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[4] Rt Hon Chris Grayling MP, Secretary of State for Transport, House of Commons debate on Airport Capacity, 25 October 2016

control period. These short term enhancements can then to be integrated with longer term investment on the West Anglia Main Line.

# East Midlands Airport – connecting UK business to the world

### Fuelling the Midlands Engine

Air freight plays a vitally important role in the functioning of the UK economy with a particularly important role in supporting trade with countries outside the EU.  Aviation supports British manufacturing, for example, carrying high value exports particularly to emerging markets and helps secure the position of UK based manufacturers in complex global supply chains. Today around 40% of the UK's trade with economies outside the EU by value is transported by air. In 2014, the total value of tradable goods carried through UK airports exceeded £140 billion.

By 2030, advanced manufacturing industries such as pharmaceuticals or chemicals, whose components and products are predominately moved by air, are expected to be among the top 5 UK export markets by their share of value. The ability to send and receive goods quickly, therefore, is a key 'capability' for a prosperous and outward facing Britain.

East Midlands Airport is the largest pure freight hub in the UK and second only to Heathrow in the total tonnage (330,000) and value of exports.  Contributing around £870 million last year in GVA to UK economy, East Midlands helps UK businesses export to more than 150 countries around the world, including in Latin America, North America, the Middle East and Asia.  Ongoing investment by DHL at the airport will make East Midlands its second largest cargo hub in the world, underlining the strategic importance of the airport's pure freight operation and role in the government's aspirations for a truly global Britain. UPS and Royal Mail also continue to deliver significant operations from the airport.

Alongside a passenger operation of around 5 million passengers per annum (mppa), comparable to that of Newcastle and London City, for example, it is easy to see why the Midlands Engine has placed connectivity to and through East Midlands as a priority for the region. The airport is identified as a dedicated 'growth hub' in the D2N2 Local Enterprise Partnership Strategic Economic Plan and is at the heart of the East Midlands Enterprise Gateway (EMEG), where up to 6,000,000sqft of logistics accommodation will be provided alongside the development of a Strategic Rail Freight Interchange (SRFI) by Roxhill

Over the coming decades, our vision is to double passenger numbers (to 10mppa), triple annual cargo tonnage (to one million tonnes) and double employment (to 12,000) at the airport. As such, East Midlands performs an important function both for the national and regional economy, supporting the sustained growth and of technology, aerospace and advanced manufacturing clusters in the Midlands, key sectors for the Government's Industrial Strategy.

### Supporting the region's growth

In the long term, to support the region and the airport's growth aspirations, surface infrastructure surrounding the airport will need to be expanded to provide the capacity to deal with such growth. In the absence of this, road access could become a constraint on growth because quick access is essential in enabling services to run 'on time' to meet international deadlines.

The rail services and timetable to East Midlands Parkway is inadequate for the needs of most airport passengers (reflected in low mode share) and is not supported by adequate onward

connections to the airport itself.  Working with Midlands Connect and the Midlands Engine, we are looking to secure improvements to rail provision and connections to East Midlands Parkway station through the upcoming East Midlands franchise process – specifically to increase to four trains per hour in each direction from the current three.

However, in the long term we believe the most effective solution to meeting demand and increasing capacity at the airport is likely to be a fixed light rail link that connects Parkway to the airport terminal, East Midlands Gateway (a new rail freight hub), businesses at the nearby Pegasus Business Park and key freight businesses at the airport (such as DHL and UPS).

The arrival of HS2 to nearby Toton, while not a direct link, should include provision for significantly improved services to Parkway station, which will further drive the Midlands' Engine's case for a fixed light rail link from Toton to the airport in the future.

## How the Aviation Strategy can support East Midlands' growth

We welcome the Government's recognition of the economic significance of the air freight sector, and its commitment to exploring whether there are specific barriers to growth and how the Government might address those constraints.

As the consultation document identifies, air freight issues were a key consideration for the Government in supporting Heathrow expansion.  By the same token, the Aviation Strategy should include a detailed assessment of the UK's air freight needs and the role of key airports in meeting those needs.

Over the next 10-15 years, with Heathrow operating at capacity, East Midlands' freight operations provide one of the most important growth opportunities in the immediate post-Brexit period. The Aviation Strategy should also consider how it will prioritise and effectively co-ordinate a programme of potential investments to facilitate expected growth at East Midlands and to crystalise the economic contribution made by both cargo and passenger operations at the airport.

In addition, the strategy should pay particular attention to the role that East Midlands can play in driving the Midlands Engine by providing connectivity for businesses in the region to key destinations, and the important contribution it can make to meeting passenger demand both regionally and nationally.

## Long term capacity for growth

Aviation will be a cornerstone of Britain's global competitiveness, providing the connectivity that the UK's main economic 'engines' need to access global markets. The Government's Aviation Strategy should set out an ambitious and long term vision for sustainable growth, and take the opportunity to establish a framework that will support airports, investors and other stakeholders in planning for the future.

While much attention has been paid to the Airports Commission process, its assessment of need and recommendations were focused on a 2030 time horizon. The Commission recognised that even with a new runway at Heathrow, a second new runway was likely to be needed after 2030 to meet long term growth in UK demand. Strong growth over recent years is likely to mean that London's main airports will have reached the full capacity of their existing runways by 2030, and even with new runway capacity at Heathrow further capacity is likely to be needed before 2040.

The Commission's final report was clear that further work would be required to understand how best to meet demand after 2030. The Commission recommended that another body should assess the need for further new capacity in the future, and that the process for evaluating the potential options for further capacity should begin 'earlier rather than later'.

We agree with the Commission's view that it would be premature to carry out an assessment of the options until there has been an opportunity to consider a range of other issues, including the development of the airline industry's business models, the UK's infrastructure and connectivity needs, and the broader policy context.

We also agree with the Commission that any future process should consider a wide range of options for capacity expansion, including full evaluation of airports across the country, their potential to play a greater role in meeting UK aviation demand than they do today and the government's primary economic objectives.

In particular, the potential of HS2 and Northern Powerhouse Rail, for example, will dramatically increase the share of UK demand that Manchester Airport would be able to meet. Not only would this make a significant contribution to rebalancing the economy, it would also reduce pressure on capacity at South East airports in the long term.

**The timescales involved in planning and delivering new infrastructure mean that it is important for the Government to begin to address these long term issues in the Aviation Strategy, and lay down the foundations for further runway capacity to be delivered at the right time, not decades after it is needed.**

The UK cannot afford to take the time that it has over such important issues, and the Government should establish a more robust and efficient process to support the delivery of strategic infrastructure. In terms of airport capacity, this process should start with the Aviation Strategy establishing a long-term framework for sustainable growth.

The National Infrastructure Commission (NIC) is the logical and appropriate body to take responsibility for assessing the need for further capacity. As a first step, the question of 'when' further runway capacity is likely to be required should be addressed through the NIC's forthcoming National Infrastructure Assessment. This will provide a preliminary view on when an independent, open and competitive process should start to identify 'how' that need should be met.

The NIC also has an important role to play in ensuring that wider infrastructure developments, including rail and road investments, are properly integrated to achieve the maximum economic benefit.  For example, the NIC's 'High Speed North' report recommended that Northern Powerhouse Rail should serve Manchester Airport and that improvements to the motorway infrastructure around the airport should be prioritised in future investment plans.

# A national policy framework

The Aviation Strategy should strike an appropriate balance between setting out the specific steps the Government will take to support the development of connectivity across the UK, and ensuring the general policy framework for UK aviation promotes growth and competition. Below we set out our views on a number of policy issues that we believe require particular attention as part of the Aviation Strategy process.

## Managing growth sustainably

We welcome the Government's continued recognition of the important balance between aviation growth and environmental and social impacts. Maximising the positive economic and social contribution that aviation brings within a framework that challenges the industry to do so within acceptable environmental limits must be a critical component of the new aviation strategy. In developing the new strategy, the Government is right to consult widely on these issues.

Through the work undertaken across the aviation and aerospace sectors, including through Sustainable Aviation, substantial and demonstrable progress has been made towards a cleaner, quieter and greener future. With the right policy framework in place, there should no longer be a choice between growth and the environment and we support the Government's approach to creating a flexible, balanced approach.

*Noise*
The management of aircraft noise has benefited from the framework provided by the ICAO 'balanced approach', which systematically addresses each element of the process, from aircraft technology to land use planning.  We welcome the Government's support for the balanced approach.

The combined noise footprint around UK airports is now 14% smaller than in 2005. Aircraft technology continues to improve and the next generation of aircraft (B737-MAX, A320-NEO) are significantly quieter again.

Along with sensitive design of operational procedures and use of new technology, this offers the opportunity to facilitate growth without a corresponding increase in noise. It will be particularly important that the Aviation Strategy considers how the Government can continue to partner with the industry, to support innovation in an industry where the UK is a genuine world leader.

**Noise is by its nature a local impact so where possible, we believe noise is an issue best managed locally and flexibly as the various factors involved in the impact of noise change over time.**

*Airspace*
Modernised airspace arrangements that capitalise on improvements in technology and techniques are a critical enabler for the growth of the aviation industry and are therefore a pre-requisite for the industry to fulfil its potential.  We welcome the Government's increased focus on this issue, its own assessment of the serious resilience implications that would result from a failure to modernise and the separate policy consultation that seeks to update policy in this area.

We support the broad direction of this emerging policy, specifically that changes to airspace should be made in a transparent way with the direct engagement of those communities who might be affected.

However, whilst we welcome much of the recent work that has been done in this area both by Government and by the CAA, we are concerned that both the Government and the CAA intend to distance themselves from the solution.  We note that Government intends to leave the *'...industry to propose their own modernisation schemes and progress airspace changes, which are independently assessed by the CAA'.*[5] There are numerous complex interactions between the airspace requirements of different airports and the optimal approach for UK aviation may require compromise from some airspace users.

As currently proposed, a system where the CAA receives discrete proposals in isolation, which are considered on their individual merits, could lead to a piecemeal set of changes leading to an inefficient and sub-optimal outcome.

**For airspace to serve the needs of all users, we believe that a stronger degree of independent central co-ordination and control of the design process, including a mechanism to arbitrate in the event of dispute, is required.   In bringing forward the new Aviation Policy, we believe therefore that Government should consider the range of options for providing greater central co-ordination.**

*Air quality*
We understand and acknowledge that air quality is an increasingly important issue, with a growing consensus that poor air quality in some of our busy urban environments is leading to significant health impacts.  The recent report from the Sustainable Aviation coalition provides a contemporary overview of the impact of UK aviation on local air quality.  This report confirms that aviation's contribution to local air quality emissions is very modest (accounting for 1% of $NO_2$ and 0.1% of $PM_{10}$) and that the most important factor influencing air quality around airports is road traffic.

It is important therefore that passengers, employees and businesses accessing airports increasingly make use of more sustainable transport modes, particularly public transport.  In this regard our comments on surface access are pertinent.

We are particularly concerned to ensure that vehicles operating at airports contribute to reducing emissions and with demonstration projects such as the 'all electric turnaround' at Manchester Airport we have shown the potential for alternative zero/low emission vehicles.  Airports can be an ideal environment to deploy technologies such as electric and hydrogen (fuel cell) vehicles.  However, at present the cost differential is often hugely prohibitive. **We would ask that in formulating the new Aviation Policy, the Government considers how the introduction of low/zero emission vehicles on airports could be supported.  This work could usefully consider the parallel system of subsidies offered by Government to road vehicles.**

*Carbon emissions*
Working in partnership in the Sustainable Aviation Coalition the aviation industry first produced a roadmap for carbon emissions in 2009.  Now on its third iteration, the roadmap provides a comprehensive view of the anticipated trajectory for carbon emissions from UK aviation up to 2050.  Drawing upon the best available expertise and knowledge from across the industry, the roadmap provides an authoritative and evidence based view.  In the last 10 years Sustainable Aviation (SA) Members have avoided 20 million tonnes of emissions and all MAG airports are now carbon neutral.

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[5] Beyond the horizon: The future of UK aviation, paragraph 7.7

In developing an appropriate policy response to the challenge of aviation's carbon emissions we believe that as a fundamental first step it is essential that the Government establishes its own view of the likely trajectory for the emissions of the industry.

In doing so, we suggest that such a framework should also take into account wider international context to ensure the policy response is commensurate with the scale of the opportunity. Carbon emissions from international aviation are a global issue and we believe it is essential that the new strategy takes full account of the international context.

We welcome the introduction of the Carbon Off-Setting and Reduction Scheme for International Aviation (CORSIA) as the first step towards a comprehensive market based mechanism to tackle residual emissions. Given the international nature of aviation, it is appropriate to apply a global market based measure rather than adopting a UK-only approach, which would impact on the competitiveness of the UK aviation industry and economy.

## Funding and delivery of rail improvements

Integration of road, rail and air connectivity is one of the critical components of a sustainable, growing aviation market. The Aviation Strategy has an important role to play in setting out the infrastructure improvements that Government will support over the coming decades to improve connectivity to airports.

A clear statement of the priority that Government attaches to such schemes will ensure Network Rail and other delivery bodies are clear about the strategic significance of the relevant enhancements, and the weight to be attached to these in developing wider investment programmes.

We recognise that significant investment will be required to deliver rail improvements to MAG airports. However, the benefits in terms of improved international connectivity, consumer choice and competition, as well as the wider economic benefits associated with improved transport infrastructure means that the strategic and economic case for these projects is likely to be particularly strong. The scale of the resulting economic benefits also makes it essential that the Government establishes a clear framework for the funding of such investments so that they are delivered in a timely way.

Historically, many of the improvements in surface access to airports have come as a result of public investment in core transport networks, consistent with the principle that 'where the scheme has a wider range of beneficiaries' the Government will provide public funding. Airport operators have also invested heavily in transport infrastructure and to the cost of some of these wider road and rail projects, particularly where they are the sole or principal beneficiary.

We are keen to work with Government to deliver major rail improvements to our airports, and in principle, we are willing to contribute to the funding arrangements for these projects where appropriate. However, there is currently no clear or consistent framework for Government and other stakeholders to refer to when considering the funding of rail projects that have a range of beneficiaries. The lack of a clear framework poses a risk to the delivery of these improvements and to competition between airports and airlines.

For example, Network Rail's position on funding has already caused significant delays to the delivery of Stansted improvements at the same time that Gatwick and Heathrow are benefitting from substantial investment in Thameslink and Crossrail. It will also be important for Government

to adopt a consistent approach to developing funding arrangements for HS2 stations at Birmingham Airport and Manchester Airport.

Airport rail services are generally highly profitable and generate large premium payments for Government through franchise agreements. This means airport-related rail investments could be funded to a large extent by the extra revenues that air passengers will contribute through the fare-box as a result of the enhancements. These incremental revenues should be the first tranche of any funding package for such projects.

From work we have undertaken on Stansted rail improvements and the development of a funding proposal for Manchester Airport HS2 station, we are confident that these projects can be funded to a significant degree.

Following the Shaw Commission and the Hansford Review, Government is carrying out further work with Network Rail to develop a framework that facilitates third-party investment in the delivery of rail infrastructure enhancements on a commercial basis. The solutions the Government develops ought to enable private investors to take the lead in delivering airport-related rail improvements if they provide clear templates for investing in infrastructure enhancements. This would have the potential to unlock significant third-party investment in the rail network, accelerating the delivery of enhancements that will be of substantial long term benefit both to rail users and the wider economy.

## Competition and choice in long haul markets

The Government should use the Aviation Strategy process to develop a clear understanding of the current market for long haul services, and the features of the market that are restricting or distorting competition. In particular, the Government should quantify the value of wider economic benefits that would result from improved long haul connectivity using recent evidence and Airports Commission data, and evaluate a range of policy measures for driving growth and improvements in long haul connectivity across the country.

The development of new long haul connectivity from a network of UK airports will provide strong support for the Government's objective of achieving a better balance of economic growth across the country. In particular, direct connections to key global markets will help drive the development of around 30 business clusters as part of the Industrial Strategy, as well as supporting the UK's development as a prosperous and outward facing economy outside the EU.

From recent experience at Manchester Airport we know that the introduction of new direct long haul flights provides a significant boost to investment, trade and employment. For example, the new route to Beijing have, in a relatively short time, significantly increased demand for travel to/from China by around 15%, while driving greater trade and investment flows between China and the North. In particular, our research shows inward investment inquiries from China to Manchester over the last four years, increasing from 10 in 2015/16 to 20 in 2016/17, following the launch of the route. The 18 enquiries the Manchester Inward Investment Agency (MIDAS) has handled since the introduction of the route represent 43% of all Chinese FDI investment enquiries since 2013/14.

The introduction of new long haul services at Stansted would provide a similar boost to the businesses and research institutions that are clustering in the London-Stansted-Cambridge corridor as well as the burgeoning tech clusters in East London. Improved access to customers, suppliers,

investors and their international research partners would encourage further agglomeration and investment in this emerging global knowledge region.

The economic benefits of more direct, long-haul connectivity underpinned the Airports Commission recommendation for Heathrow expansion:

> *To ensure British businesses can compete effectively in the global market place, a dense network of long-haul routes will be crucial, including links to new and emerging markets. On the basis of the Commission's analysis, that enhanced long-haul connectivity is most likely to be provided by expansion at Heathrow [compared to Gatwick].*[6]

**The Government's ambition to increase the UK's long-haul connectivity, therefore, should not and cannot be limited to building a new runway at Heathrow. Instead, Government should target significant growth in long haul connectivity from a range of UK airports, including Stansted and Manchester, and identify the policy measures that would support this.**

Promoting competition – both between airlines and between airports – is one of the Government's primary objectives for the UK aviation market, and we support its emphasis on competition as the best way of meeting demand. In 2009, the Competition Commission's BAA Market Investigation found that Heathrow's position as the only significant hub airport in the South-East (and the UK) was a feature of the market that restricts competition between airports.[7] The Commission also identified certain aspects of government policy were restricting or distorting airport competition. Since the Competition Commission's investigation, Heathrow's share of long haul passengers from London airports has increased from 78 per cent in 2008 to around 87 per cent in 2016, further strengthening its dominant position in the London market.

While Heathrow's position as a leading global hub brings significant benefits in terms of access to global markets, the high concentration of long haul connectivity has significant adverse consequences for many consumers and businesses by limiting choice, restricting competition and making it much more difficult to access global markets. From a business perspective, the time and cost associated with travelling long distances to Heathrow undermines efforts to develop economic clusters and boost growth in other parts of the country.

There is a risk that the development of additional capacity at Heathrow will serve to reinforce its dominant market position and exacerbate the current lack of competition in long haul markets. To address this, and to ensure Heathrow expansion does not harm the economic prospects of other UK regions, the Government should commit as part of the Aviation Strategy to supporting the development of new long haul services at other UK airports.

To be clear, we are not proposing that the Government should consider ways to supress the growth of long haul connectivity from Heathrow or divert demand to encourage the development of new routes from other airports. Instead, we would encourage the Government to use the Aviation Strategy process to explore ways to drive growth of long haul connectivity from a network of UK airports, alongside growth at Heathrow.

In our view, this approach would deliver the biggest economic benefit for the UK as a whole, and provide strong support for regional economic development. By committing to this approach, the

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[6] Government Heathrow Airport announcement, 25 October 2016
[7] Competition Commission Final Report (2009), page 14

Government will also be in a position to introduce policy measures well in advance of a new Heathrow runway, and to provide the short-term boost to long haul connectivity that is needed as the UK leaves the EU.

As part of the Aviation Strategy process, the Government should:
- explore the extent to which the current level and structure of APD for long haul passengers is constraining the development of new connections from UK airports;
- assess the comparative growth of long haul at UK airports against European competitors of similar size over the last 20 years;
- assess the possibility that APD may be distorting or restricting competition in long haul markets, and playing a role in reinforcing Heathrow's dominant position;
- examine ways in which Government could take an active role in incentivising airlines to introduce new long haul routes in view of the economic benefits and the urgent need to improve global connectivity as we leave the EU;
- understand how major rail enhancements (such as Crossrail and Thameslink) have impacted the competitive position of different airports, and identify how these impacts could be mitigated by corresponding rail investment for other airports;
- explore how changes to slot allocation rules or the market for slots could support the development of new long haul connections.

## Resourcing the UK Border to support growth

We welcome the Government's intention to explore how it can identify and alleviate pinch points in the passenger journey as part of the Strategy, including queues at border control points. However, we would urge the Government to take a more strategic approach to understanding the role that the UK border will play in supporting trade and welcoming visitors to Britain, particularly in the next five years as the country leaves the EU.  A welcoming UK Border will be vital to convey the message that Britain really is 'open for business' and to support the UK's transition to a truly global economy.

Our view, and the view of most UK airports and airlines, is that current service levels at UK border do not meet customer expectations.  In most cases, queueing times at the border are significantly longer than during other parts of the customer journey, and there are too many instances of very long queues to enter the UK. Customer satisfaction scores for UK airport immigration regularly feature as the lowest ranked part of the passenger journey, as measured by ACI International's Airport Service Quality scores.

While the future immigration and visa regimes for Britain outside the EU are being agreed, it is vital that any changes to these requirements must be accompanied by an adequate level of additional resources. Further, any changes must be implemented over sufficient time to plan and provide the appropriate airport infrastructure.

As part of the Aviation Strategy, the Government should review the case for substantial improvements to service levels at the UK Border, in particular:
- the case for significantly improving the current 25 minute/45 minute service levels in place at UK airports;
- the need to close the significant gaps between the resources and quality of service delivered at different airports;
- the processes in place to ensure a consistent base level of customer service between different airports;

- the need to introduce additional performance measures to identify differences in service levels between airports;
- the need to align universal UKBF service level agreements with airport service quality objectives and measurement;
- the need for a rolling five-year resource plan to be agreed between DfT, airports and UKBF;
- the need to create a framework to ensure there is a consistent approach to negotiating higher service levels on an airport-by-airport basis.

Growth in passenger demand over the next decade will create significant additional resource requirements for UK Border Force.  We are concerned that further growth in demand will not be met with the necessary additional resources and that service levels will decline as a result.  The impact of this would be likely to be felt most acutely at airports experiencing the strongest growth in absolute terms, including Manchester and Stansted.

The need for additional UKBF resources should be considered as part of a strategic review, taking into account the projected level of growth both at a national level and for individual airports.  The review should be conducted on an open and transparent basis to provide a clear and up-to-date view of the future demands on UKBF, and enable it to set out its proposed approach to meeting this growth.    This more strategic approach would provide a clear view within Government of UKBF's long-term resource requirements and provide airports with much-needed visibility of (and confidence in) UKBF's long term resource plans.

It would also enable UKBF's engagement with airports to move away from addressing border service issues on a tactical basis, and put its approach to long term resource planning on the same footing as other delivery agencies, such Highways England and Network Rail who conduct extensive consultation with industry stakeholders on similar issues.

We were encouraged by the UKBF Director General's recent commitment to preparing such an assessment at a roundtable meeting with UK airports and the Immigration Minister in April 2017.  However, following the meeting there has been no further progress with UKBF in setting out a process or timetable for taking forward the strategic review.

**Through the Aviation Strategy, we would urge the Government to commit to a cross-departmental strategic review of UKBF performance and resourcing.  This will provide Government with a clear view of the resources needed to meet demand over the next decade, and the strategic case for improving service levels to support the achievement of its wider policy objectives.**

# Next Steps

The Government's proposed timetable for developing the Aviation Strategy appears reasonable.  However, following this consultation, the Government should take time to analyse feedback and carefully examine the arguments and evidence before publishing proposals for further consultation.  For the proposed phases of consultation to be effective, they should put forward a set of policy proposals for consideration, alongside the evidence used to develop them.

To shape those proposals and gather the relevant insights and information, MAG would welcome the opportunity to contribute further analysis over the coming months. We want to work constructively with the Department and across Government to deliver an ambitious new Aviation Strategy that delivers for the UK economy.

## Aviation Strategy Call for Evidence

### Objective: Help the aviation industry work for its customers (Chapter 3)

| Help the aviation industry work for its customers |
| Question | Ref | MAG response | Issues for the Aviation Strategy |
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| How to ensure that aviation is accessible to all and meets the needs of passengers with disabilities | 3.8-3.9, 3.16 | - The Government is right to consider this an area of priority.<br><br>- The CAA already has powers to examine, name and discipline companies within industry when standards are not met. We believe these powers are already effective, and as with many operators we have a good working relationship with the CAA in this area.<br><br>- We will comment in greater detail when the Government releases its 'Draft Accessibility Action Plan (AAP)'. | On the issue of accessibility, the Aviation Strategy should consider the following issues:<br><br>- **Existing powers**: The Aviation Strategy should assess the effectiveness of the CAA's existing powers.<br>- **Scale and PRMs:** Examine whether and how changes in population demographics might impact airport border and security operations.<br>- **Cost of changes to businesses**: Examine the physical and financial consequences of future changes at airports, as well as potential mechanisms for effective cost sharing.<br>- **Collaboration**: Examine the potential for greater co-ordination and collaboration between airports, airlines and surface transport providers in improving customer experience for PRMs. |
| How to manage problems caused by disruptive passengers | 3.21 | - We welcome a reiteration of the Government's support for an industry-led Code of Practice. All signatories are committed to the Code and to undertaking regular evaluation of its effectiveness.<br><br>- Incidents of disruptive behaviour are serious and industry is working collaboratively to prevent and mitigate the impact of disruptive passengers to our | On the issue of disruptive passengers, the Aviation Strategy should consider:<br><br>- **Common reporting tools**: Consider how the Government can work with industry to develop a standardised mechanism for the reporting, collation and investigation of incidents of disruptive behaviour. |

| | | operations. Those that break the law or cause disruption should be dealt with by the appropriate authorities. | |
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| How can we identify and alleviate pinch points in the consumer experience | 3.3, 3.22-3.24 | - We welcome the acknowledgement that areas such as passport control, rail and security act as pinch points within airports, and that these areas have an impact on customer's perception of the UK, as well as airports themselves.<br><br>- It is important that as well as meeting Government security standards, Government services operating within airports should also strive to meet customer service quality standards, where possible.<br><br>- Government should also create a flexible policy to enable developments in technology, security threats or the border regime to occur with minimum disruption or cost either to the industry or passenger.<br><br>- Greater collaboration at a national level with airports would help to develop an understanding of future passenger growth projections, support a long term planning framework and support an improved customer experience at UK airports. | The Government should review the case for substantial improvements to service levels at the UK Border, in particular:<br><br>- the case for significantly improving the current 25 minute/45 minute service levels in place at UK airports;<br>- the need to close the significant gaps between the resources and quality of service delivered at different airports;<br>- the processes in place to ensure a consistent base level of customer service between different airports;<br>- the need to introduce additional performance measures to identify differences in service levels between airports;<br>- the need to align universal UKBF service level agreements with airport service quality objectives and measurement;<br>- the need for a rolling five-year resource plan to be agreed between DfT, airports and UKBF; and<br>- the need to create a framework to ensure there is a consistent approach to negotiating higher service levels on an airport-by-airport basis.<br><br>- **Rail**: see sections 6 and 7. |
| Opportunities for businesses, consumers and government to | | - We welcome the opportunity to consider ways in which not just the aviation industry but partners from across the tourism, leisure and transport sectors can work together more effectively to | On the issue of innovative use of data, the Aviation Strategy should consider:<br><br>- How Government can encourage more |

| make more innovative use of data | | provide services for passengers.<br><br>- Sharing passenger data is a key component of collaboration and there are already good examples of this in airport operations with Collaborative Decision Making. | collaboration and sharing of passenger data between airports, airlines and other partners to deliver innovative products for passengers. |

## Objective: Ensure a safe and secure way to travel (Chapter 4)

| Ensure a safe and secure way to travel | | | |
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| Question | Ref | MAG response | Issues for the Aviation Strategy |
| Innovations that should be introduced at UK airports over the next 5-10 years in order to enhance security and improve the passenger experience | 4.9, 4.14-4.17 | - Security changes over the last 10 years have made huge leaps in the way airports are able to protect aircraft, passengers and borders. Body scanners and e-gates, in security and border halls respectively, are some of the most notable changes to have taken place.<br><br>- However, it is important that when introducing innovations like these, which often represent significant investment for airports, that the Government supports the sector with staff where required.<br><br>- Further basic innovation, such as long term resource planning, would make a real difference to how airports invest, and would allow businesses to plan resource in advance to staff new investments.<br><br>- How this issue is approached during the Brexit process is crucial and airports will require time to plan for large scale changes. | On the issue of security, the Aviation Strategy should consider the following issues:<br><br>- **UKBF staffing**: Whether resource planning and sharing is adequate to allow businesses to plan and invest with confidence in new security measures.<br>- **Risk-based security and borders:** How further use of risk-based assessments can simplify and improve the passenger journey.<br>- **Border of the future:** evaluate the potential changes (and their consequential impact) that may arise from future immigration or visa controls at the border, including the introduction of electronic travel authorities. |

Objective: Build a global and connected Britain (Chapter 5)

| Build a global and connected Britain | | | |
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| Question | Ref | MAG Response | Issues the Aviation Strategy needs to consider |
| Identifying priorities for future Air Service Agreements and how Government can support the connectivity needed by UK businesses. | 5.3, 5.4, 5.6 – 5.8, 5.10 – 5.12, 5.14 | - The Government is right to identify the importance of aviation connectivity for businesses and the need for air service agreements as a means to facilitate improved connectivity.<br><br>- Given the vital role connections to and from Europe play for UK trade and tourism the Brexit negotiations must prioritise the security of liberal air access both through an interim transitional agreement and a new long term UK-EU Open Skies agreement.<br><br>- It is important that the Aviation Strategy commits to create more liberal air services agreements in order to expand the frequency and number of destinations served from airports across the UK.<br><br>- Where Government seeks to negotiate new or revised air service agreements, representatives from regional airports should play an equal part in the negotiations to London airports. Access to the widest range of airports for international airlines should be encouraged to ensure the UK benefits from the widest possible network of connections possible.<br><br>- Where airports are seeking to work with international partners, we are keen to work with government to co-ordinate with its trade delegations or overseas visits to help build relationships and secure future connectivity growth. | On the issue of connectivity, the Aviation Strategy should consider the following issues:<br><br>- **Air Service Agreements and trade deals**: Explore whether current ASA's are sufficient to provide the connectivity across the UK that we need to increase trade with new or existing markets.<br>- **Competition and encouraging growth in long haul**: Consider how Government will promote the use of existing capacity as part of future ASA negotiations.<br>- **Trade agreements**: Consider whether ASAs should be included in future trade agreements to support further market liberalisation and access. |

| Air Freight | | - We welcome the Government's recognition of the economic significance of the air freight sector, and its commitment to exploring whether there are specific barriers to growth and how the Government might address those constraints.<br><br>- As the consultation document identifies, air freight issues were a key consideration for the Government in supporting Heathrow expansion. However, over the next 10-15 years, with Heathrow operating at capacity, East Midlands' freight operations provide one of the most important growth opportunities in the immediate post-Brexit period. | On the issue of air freight, the Aviation Strategy should include:<br><br>- **Freight needs assessment:** a detailed assessment of the UK's air freight needs and the role of key airports in meeting those needs. This should include the role both Manchester and East Midlands Airport can play in providing connectivity for businesses in their regions to key destinations. |
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## Objective: Encourage competitive markets (Chapter 6)

| Encourage competitive markets | | | |
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| Question | Ref | MAG response | Issues for the Aviation Strategy |
| Whether existing slot regulation produces the best outcome for the consumer in terms of competition, routes and prices | 6.6, 6.14 | - We agree it is important to review the operation of slot regulation, as its rules can have a wide ranging impact on the operation of the market.<br><br>- Slot allocation is not just about new capacity. It is important to ensure that any mechanism operates effectively at all airports, and serves the needs of all airports. | On the issue of competitive markets, the Aviation Strategy should consider following issues:<br><br>- **Grandfather rights**: Examine whether changes to slot regulation and grandfather rights to favour incumbents would distort or restrict competition.<br>- **Market operation/capacity**: Examine whether changes to slot rules would improve market operation, lead to the most effective use of current capacity and whether changes to slot rules would create a better use of capacity. |
| The potential impact of Air Passenger Duty (APD) on competitiveness and the ability of airlines to start new routes | 6.11 6.13, | - We strongly welcome the Government's intention through the strategy to look at the impact of taxation within the sector. We believe that a review of its impact on competitiveness and the ability to encourage new route development across the UK should be an integral part of the policy review.<br><br>- The need for long-haul growth has been a key factor in the Government's decision to support a new runway at Heathrow, and should wish to support growth in long-haul aviation elsewhere in the UK.<br><br>- The Government's ambition to increase the UK's long-haul connectivity should not and cannot be limited to building a new runway at Heathrow. Government should target significant growth in long haul connectivity from a range of UK airports, including Stansted and Manchester, and identify the policy measures that would support this. | On the issue of APD, the Aviation Strategy should:<br><br>- explore the extent to which the current level and structure of APD for long haul passengers is constraining the development of new connections from UK airports;<br>- assess the comparative growth of long haul at UK airports against European competitors of similar size over the last 20 years;<br>- assess the possibility that APD may be distorting or restricting competition in long haul markets, and playing a role in reinforcing Heathrow's dominant position;<br>- examine ways in which Government could take an active role in incentivising airlines to introduce new long haul routes. |

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| Competitive airports market | 6.4-6.7, 6.10 | - It is appropriate for Government to consider the effectiveness of the regulatory framework for airports as part of the aviation strategy process.<br><br>- Important too that it assures itself that the market works for consumers in terms of competition and choice for services, given the economic importance of airports and aviation. To do this it should undertake a full evaluation of the market itself.<br><br>- The aviation market is not limited to competition within the UK. UK airports are competing also with comparable airports in Europe for new routes, where levels of aviation tax are comparably low. To be competitive, UK airports must remain an attractive proposition for airlines against airports in Europe as well as operating with as close to a level playing field at home. | On the issue of competitive airport markets, the Aviation Strategy should consider following issues:<br><br>- **Recent changes**: Examine existing competition for all service types within the aviation market since the breakup of BAA and its benefits for the consumer.<br>- **Performance**: Consider the competitiveness and performance of non-regulated airports, evidence of investment (record and planned) and the success of the CAA's decision to de-regulate Stansted and loosen LGW regulation on competition.<br>- **APD**: Analyse the impact of APD on the ability of UK airports to compete with UK and European counterparts.<br>- **Impact of rail investment:** assess the impact of major rail enhancements (such as Crossrail and Thameslink) on the competitive position of different airports, and identify how these impacts could be mitigated by corresponding rail investment for other airports.<br>- **Slot allocation:** explore how changes to slot allocation rules or the market for slots could support the development of new long haul connections. |
| Airline competition | 6.7, 6.11-6.15 | - We agree it is important to test if the airline market is competitive. | On the issue of competitive airline markets, the Aviation Strategy should consider the following issues:<br><br>- **Geography:** consider the market geography, the regions served and to where.<br>- **Cost and service**: Consider evidence on airfares and service quality. |

| | | | - **Market entry**: Explore whether there are additional measures that would encourage market entry by foreign airlines to increase competition further. |
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| Regional connectivity | 6.4, 6.7, 6.13 | - We agree it is important to consider the value of securing better regional connectivity, both direct and indirect and we welcome the recognition of the vital contribution regional connectivity makes to the UK economy.<br><br>- The future Aviation Strategy should seek to understand the different contributions airports across the country make to their regional and the national economy. Regional connectivity should not be confined to their relationship to London/Heathrow and potential onward connections. The new strategy should be ambitious about the opportunity for more direct, global connectivity from across the UK.<br><br>- Evidence suggests that the economic value of Manchester Airport's growth will be significantly greater to the Northern economy than LHR's new runway due to the value of its direct connectivity for northern cities and that growth can happen immediately. | On the issue of regional connectivity, the Aviation Strategy should consider following issues:<br><br>- **Differential contribution of 'regional' airports**: evaluate the economic contribution of connectivity from each UK airport<br>- **Impact of rail**: Examine the potential impact of investment in rail connectivity to strategically important airports – of Northern Powerhouse Rail to Manchester Airport; of journey time improvements to Stansted; and new connections to East Midlands<br>- **PSOs**: Review whether PSOs for Heathrow will distort the London market<br>- **LHR pricing**: Review evidence on how LHR tariff structure could have the distortive effect on the market<br>- **Choice**: Consider how to broaden choice and competition in UK regions, as well as mechanisms to support airlines looking to serve regions with direct services<br>- **Alternatives**: What potential exists for the development of regional feeder traffic to MAN or the potential to create a hub (Schiphol model) in MAN. |

## Objective: Support growth while tackling environmental impacts (Chapter 7)

| Support growth while tackling environmental impacts | | | |
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| Question | Ref | MAG response | Issues for the Aviation Strategy |
| Whether there should be a new framework to allow airports to grow sustainably, and if so what that framework should be | 7.22-7.23 | - A new framework for bringing forward proposals for new capacity is required and should be a key output in the new Aviation Strategy.<br><br>- The Airports Commission concluded further work would be required to understand how best to meet demand after 2030 and recommended that another body should assess the need for further new capacity in the future. It said that process for evaluating the potential options for further capacity should begin 'earlier rather than later'.<br><br>- We agree with the Commission's view that it would be premature to carry out an assessment of the options until there has been an opportunity to consider a range of other issues, including the development of the airline industry's business models, the UK's infrastructure and connectivity needs, and the broader policy context.<br><br>- We also agree with the Commission that any future process should consider a wide range of options for capacity expansion, including full evaluation of airports across the country, their potential to play a greater role in meeting UK aviation demand than they do today and the government's primary economic objectives. | On the issue of future airport growth, the Aviation Strategy should:<br><br>- Consider potential processes for a full evaluation of airport proposals in the future;<br>- Consider which body should undertake evaluation of when proposals for further capacity should be brought forward;<br>- Undertake a full evaluation of projected aviation growth and how investments like HS2, Northern Powerhouse Rail and other schemes may affect the shape and nature of UK aviation demand. |
| Whether the Government has | 7.19-7.21 | - We support and welcome much of the recent work that has been undertaken by the Government and the | On the issue of airspace modernisation, the |

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| the right structures in place to support airspace modernisation | | CAA to establish a better policy and regulatory framework for airspace change.<br><br>- Government should take a leadership role in the modernisation of UK airspace, which is national infrastructure that underpins the successful operation of the UK aviation sector.<br><br>- We are concerned that both Government and the CAA propose to leave the industry to design the UK's airspace arrangements in isolation. Doing so risks the overall outcome being delivered in a piecemeal and sub-optimal way and provides little public support for airports undergoing complex and often controversial airspace change. | Aviation Strategy should:<br><br>- **Co-ordination**: identify the risks surrounding an incremental, industry-only design of airspace modernisation, and the relative benefits of greater central co-ordination to successful delivery of UK airspace modernisation. |
| How Government and industry should address resilience issues both at specific airports and within the wider airport system | 7.27 | - We agree that airports, airlines and other industry players should have well developed resilience plans to understand operational risks and mitigation measures.<br><br>- Contingency planning should be a collaborative process between airports, airlines ATC providers, Government and other relevant stakeholders to ensure resources are available when incidents occur. | On the issue of resilience, the Aviation Strategy should:<br><br>- **Co-ordination**: examine best practice examples of industry-wide contingency planning and what role Government should play in supporting or co-ordinating collaboration. |
| What the Government could do to help co-ordinate planning and delivery of improved surface access to meet the needs of customers | 7.8-7.10, 7.28,7.29 | - The Government has a key role in providing transport access to airports. The speed, quality and reliability of surface transport defines an airport's effective catchment is a key component of its competitiveness.<br><br>- Integration of airports into the strategic road and rail network will increase the catchment for airlines and the likelihood of new service development. | On the issue of planning and delivery of surface access, the Aviation Strategy should consider the following issues:<br><br>- **Engagement**: Review the role of Government in supporting the aims and objectives of airport master plans early on in the process to co-ordinate delivery of strategic road and rail |

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| ------------------<br>How to encourage and improve connectivity across the regions and nations of the UK in a way that benefits the country as a whole<br>------------------<br>How to ensure all regions of the UK have suitable connectivity to a major airport | | - We support the strategy's desire to improve connectivity across the UK and believe the most economically beneficial way to do this is to encourage a greater level of direct connectivity from more airports, with a particular focus on long haul connectivity.<br><br>- There is no formal structure for government involvement in the development of an airport masterplan. Early consultation between Government and its delivery agents, such as Network Rail and Highways England, would improve the co-ordination and long term planning for large infrastructure investments.<br><br>- Government should do more to ensure that airports and their passengers are factored more fully into rail franchise agreements. The wider value of integrating rail and air connectivity should be fully understood when building a business case for investment.<br><br>- More could be done to specify the needs of aviation stakeholders and passengers in all upcoming rail franchises. We were disappointed that the Greater Anglia franchise specification failed to prioritise the importance of airport services despite clear recognition of the need for faster, more reliable journeys to Stansted.<br><br>- The Government has an immediate opportunity during the development of its CP6 investment programme to consider more fully the benefits of air/rail connectivity and should direct Network Rail to press ahead with a package of improvements for | improvements.<br>- **Franchising**: Evaluate whether the wider importance of airports and their customers is adequately factored in to rail franchise decisions.<br>- **Calculation of wider benefits**: Assess the total economic benefit of connectivity from airports when building business cases for road and rail investment. This should include the value of increased productivity, investment and trade.<br>- **Funding**: Examine whether the Government has a consistent approach to developing funding arrangements for road and rail schemes via airports.<br>- Develop and publish conditions under which it will financially support infrastructure projects via airports<br>- Develop and test potential investment mechanisms to enable airports or other third parties to finance infrastructure schemes<br>- **Improving connectivity for the regions**: consider in detail the connectivity needs of each economic region of the UK and identify how airports can deliver the maximum economic benefit to meet those needs. |

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| | | Stansted as well as committing funding for the development of Northern Powerhouse Rail.<br><br>- We welcome the recent commitment to £300 million funding to provide passive provision for the connection of HS2 with Northern Powerhouse Rail. Connecting these schemes at Manchester Airport would bring 10 million people within 2 hours of the airport by public transport, more than three times the number today. | |
| How to achieve the right balance between growing the sector, and ensuring effective action is taken to tackle carbon emissions, reduce noise and improve air quality | 7.30-7.37 | - This will clearly form an important part of the Government's deliberations in bringing together the new Aviation Strategy.  Given the substantial economic and social benefits that aviation brings, it would seem appropriate for the new Aviation Policy to support aviation growth in principle, provided it can be delivered within acceptable environmental limits.<br><br>- In the case of carbon emissions, the definition of acceptable limits can be defined objectively at a national and international level.  With regard to health outcomes, such as air quality, acceptable maximum benchmarks have already been established on the basis of independent advice.  However some impacts, such as noise, can only be meaningfully considered in a local context and present a challenge that is different in nature.<br><br>- We would suggest therefore that in considering the definition of acceptable environmental limits that Government will wish to take further evidence on the degree to which limits are best established nationally or locally and the implications that this will have for the supporting processes. | On the issue of sustainable growth the Aviation Strategy should:<br><br>- Review examples of local noise agreements and take further evidence on the merits of agreeing environmental limits on noise at either national or local level<br>- Consider the development of a framework within which a locally led dialogue can, where it is possible to do so, agree meaningful noise targets. |

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| Whether the right incentives and regulations are in place to ensure industry continues to reduce noise, including the feasibility of noise targets | 7.30-7.33 | - Noise is a local impact and noise targets are inevitably best understood and implemented in a way that is sensitive to local factors.  We believe that Government's role is to create the framework within which a locally led dialogue can, where it is possible to do so, establish meaningful noise targets.<br><br>- The current system of mandatory Noise Action plans, already provides an effective framework for Government to allow a locally led process to produce an outcome over which it can exercise scrutiny and ultimately has the power of approval.<br><br>- In recognising that the response of local communities to aircraft noise is dynamic and that other factors, including the frequency of aircraft operations appear to have become more prominent, the Government has an opportunity to improve the guidance that airports can draw upon in developing their noise action plans.  By considering and supplementing the body of research and knowledge in this area, the new Aviation Strategy can in turn ensure that enhanced guidance has clear line of sight to the best available evidence. | On the issue of noise, the Aviation Strategy should consider following issues:<br><br>- **Published guidance**: develop an appropriate mechanism for Government to update guidance on noise policy, based on the most up to date research on issues such as health impacts.<br>- **Targets**: Evaluate the effectiveness of current Noise Action Plans. |
| What the best approach and combination of policy measures are to ensure we effectively address carbon emissions from aviation | 7.35-7.37 | - The Sustainable Aviation Carbon Roadmap confirms that a combination of continued technological innovation, better operating procedures and the progressive uptake of sustainable aviation fuels offer the potential to return aviation emissions to close to 2005 levels. This is consistent with advice from the Climate Change Commission.<br><br>- Delivering on these emission reduction opportunities can only be achieved by industry and Government | On the issue of carbon, the Aviation Strategy should consider following issues:<br><br>- **Alternative fuels framework**: Review whether the existing framework to support alternative fuel take up in the UK is adequate.<br>- **Sustainable aviation**: Examine recommendations made by Sustainable Aviation and compatibility with Government assessments |

| | | working together. New innovations require support for research, better operating procedures require airspace modernisation and the required increase in supply side availability of alternative fuels requires an appropriate public policy framework.<br><br>- Even with the reduction opportunities that are available, it is likely that some of the residual emissions from aviation will, for the foreseeable future, need to be addressed with a market based mechanism and therefore we welcome the CORSIA programme and urge the Government to continue to collaborate with international partners to develop and expand upon this mechanism. | - **Market Based Measure (MBM)**: Ascertain whether there is any overlap between the UK's allocated carbon budget for aviation emissions, and the agreed need to tackle aviation's emissions at an international level. |

## Objective: Develop innovation, technology and skills (Chapter 8)

| Develop innovation, technology and skills | | | |
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| Question | Ref | MAG response | Issues for the Aviation Strategy |
| How Government and industry could work to identify which emerging technologies are likely to have a significant impact in the market | | - The Renewable Transport Fuels Obligation (RFTO) will be an important step in helping to make aviation more environmentally sustainable. Other countries already have the infrastructure in place to support the creation and use of renewable fuels within the aviation sector. The Government should ensure the same industry is able to develop here.<br>- Where technologies like this can be identified by industry, the Government should have the flexibility to support trials within the aviation sector.<br>- However, we welcome Government's approach to navigation technologies such as precision based navigation, and a similarly flexible and pioneering approach could be adopted elsewhere. | On the issue of industry and Government working together to identify emerging technologies, the Aviation Strategy should consider the following issues:<br><br>- **Current frameworks**: examine whether existing UK aviation regulation has the flexibility to support the sector when bringing in new technologies in critical areas such as aviation fuel.<br>- **Trials**: Examine whether and how Government can work with industry to develop pilot programmes for technology and innovation at UK airports. |
| Whether there are skills shortages and what the barriers to diversity are in the aviation sector | | - MAG airports, like others in the UK, have well developed programmes for skills development and training. We are also in partnership with further education providers and job centres to recruit and train people for careers at our airports.<br>- However, there remain a number of barriers to recruitment, including:<br>   o Low unemployment<br>   o Irregular or unsociable hours<br>   o Appropriate skill levels required<br>   o Access to the airport by public transport<br>   o Availability of labour from the EU<br>- The ability of staff to get to and from work, and therefore for airports to access UK labour pools is important. It is another important factor in development | On the issue of skills, the Aviation Strategy should consider following issues:<br><br>- **Existing levels of EU labour within the sector**: Assess current levels of EU labour with the aviation sector and how to maintain access to overseas labour where necessary.<br>- **Barriers to recruitment**: Assess the barriers to recruitment to airport jobs, especially for airports in areas of low unemployment, and develop measures Government to ensure airports have access to people with the right skills.<br>- **Use of the apprenticeship levy**: – Examine whether this levy be broadened to include wider |

| | | of better public transport access to airports. | skills training at all levels, such as engineering degrees or aviation security. |
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