

UK REGIONAL DOMESTIC AIR SERVICES – PRESERVATION OF SLOTS AT KEY UK AIRPORTS

What this paper is about

The aim of this paper, prepared by the Chairman of the *Aberdeen Airport Consultative Committee*, is to stimulate discussion on the perceived need within the 'peripheral regions' of the UK, for them to have safeguarded slots at the main London airports for regular reliable air services. Such services, offering connectivity to London and onwards to the rest of the world, are critical for the effective discharge of business obligations and for the creation and maintenance of high value tourism (both inbound and outbound), all of which contribute to the wider economy of the UK.

Points for Discussion

Members are asked for their views on the safeguarding of slots at the main London airports for regional domestic services. The following questions are posed in order to stimulate discussion:

- a) Is there a general view that the ACCs across the country should lobby for preservation of slots at LHR and LGW for domestic services?
- b) Is there a general view that when an operator withdraws from a regional service, it should make the slots available to a legacy operator?
- c) Is there, more specifically, a view that a specific allocation of slots at LHR should be preserved for regional UK services, at not less than the level currently required by BA and bmi for their domestic services, both in the immediate future and at such time as the capacity of LHR is increased, either through mixed mode operation or by the construction of a third runway?
- d) Or is there a divergence of opinion that what may be good for the regions may be less good for the major hub airports?

Points for Possible Action

The meeting should consider whether to lobby the UK Government and/or the European Union for the reservation or preservation of slots in favour of air services to and from the 'peripheral regions' of the UK.

Background

1. Over the past two decades the number and range of regional domestic services to London's main airports have reduced significantly. In the case of Heathrow, the number of UK regional airports served has reduced from 22 in the early 1980s to just seven today, as the DfT acknowledged in the consultation on a third runway for Heathrow¹. Some of these services were low volume (for example, East Midlands or Norwich to Heathrow, using Shorts 340 aircraft), linking with cities which enjoy fast, frequent rail services to the centre of London. Others, such as Inverness to Heathrow (the latest route to be abandoned), are from cities that have no viable alternative transport connections (rail, about 9 hours, road 12+ hours).
2. Despite a background of significant recorded growth in the number of UK regional passengers travelling to London since 1990, the wider choice of services to airports other than Heathrow (up 250% since 1990), the problems of Heathrow access, and the fact that passengers from the regions are less dependent on London airports for interlining to international services², members from the further regions of the UK will corroborate the responses made to the Heathrow consultation by local authorities, economic development authorities, chambers of commerce and others, stressing a clearly perceived need for the maintenance of regional routes to the main London airports.

Scarcity of slots

3. The CAA³ have recognised that the scarcity (and consequent value) of slots at Heathrow continues to be perceived as a threat to more marginal domestic services, although the benefits of feeder traffic to the viability of many long haul services is likely to provide some restraint on discontinuing services.
4. Over an extended period, slots released by the cessation of regional services have been reallocated to, or sold for, long haul high volume services that are understandably more lucrative to the operators. The consequence, however, is detriment to the economy of UK regions, which rely on good connectivity to the rest of the UK and the world for their business interests. Neither the introduction of longer haul services from regional airports (for example, Edinburgh or Bristol to New York, or Glasgow and Newcastle to Dubai), nor the excellent connecting services through Amsterdam, Paris and Frankfurt with non-UK airlines can fully substitute for services to and through the capital of the UK.
5. The recent open skies agreement with the USA, encouraging even more airlines to trade slots at LHR, increases further the threat to short haul services. The arguments adduced by airlines for a greater focus on long haul high yield services may be understood from the purely economic perspective of the airlines. But since LHR is operating effectively at capacity, unless concessions are made to regular mixed mode operation prior to the construction of a third runway, any further transfer of slots from regional services will exacerbate what is already seen in the regions as an intolerable situation.
6. Put simply, from a national (UK) perspective, a concentration on long haul services from Heathrow, to the detriment of regional domestic links, could be to the longer term detriment of the UK economy as a whole. Passengers departing from and arriving at LHR (and to a lesser extent LGW) are not uniquely from or heading to the London area. Many are from businesses in the regions, or inbound tourists heading to destinations other than London and the south east. From the regions, there seems to be complacency amongst the airlines and others that the regions do not really matter, when it comes to services from LHR and LGW. Yet there are few regional airports (other, perhaps, than Manchester) that are able to sustain frequent services to a reasonably full range of destinations beyond Europe.

¹ Department for Transport, 2007. *Adding Capacity to Heathrow Airport: Summary*. Part 1, page 6,

² Civil Aviation Authority, 2007. *CAP 775 Air Services at UK Regional Airport: An update on developments*, accessed via www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=detail&id=2949 on 8 April 2008

³ *op cit*

The alternatives to domestic air services

7. Some of the regional airports that have lost services to LHR are relatively close to London, have reasonably fast road and rail links, and were never served by aircraft larger than Shorts 340s. Some, such as Liverpool, which was served by DC9s, have an alternative airport (Manchester) with a direct link to LHR close by.
8. Others, such as Inverness and Aberdeen, Edinburgh and Glasgow, and Newcastle, for example, are neither relatively close to London by road or rail, nor have an airport that has a direct LHR service relatively close by.
9. To get to the centre of London by rail from Inverness takes a minimum of eight hours (once a day), from Aberdeen seven hours (three times a day) and Edinburgh and Glasgow nearly five hours. Another hour needs to be added for surface connections from central London to LHR. By road, the equivalent travel times vary from about seven hours to around 12. Such options are tenable neither for day return business trips from the regions to London, nor for making connections to global destinations.
10. Another other option is to connect to global services from the UK regions through such hubs as Amsterdam, Paris CDG, Frankfurt and Copenhagen, which of course many people do. Is it simply a coincidence that Amsterdam has connections to more than 20 UK airports (KLM alone connecting to 15), and that CDG serves more or less the same number? Or is it an indication that they actually care more about the UK regions (even if only in economic terms!) than LHR, LGW and the UK airlines that serve them? Could one imagine Air France, for example, abandoning its plethora of domestic regional services from Paris Charles de Gaulle, as BA and bmi have done within the UK?

Public Service Obligations

11. There is provision within European legislation that enables national governments to designate public service obligations (PSOs) as a means of ensuring the continuation of essential air links, although the legislation is both limited in its application and tortuous in its provisions.
12. In respect of PSOs, the Dft guidance of 2005⁴ included the following paragraphs which demonstrated how circumscribed the provisions are in respect of destination cities with more than one airport:
13. The White Paper stated that for the purposes of this policy London airports will include Heathrow, Gatwick, Stansted, London City and Luton. If a region has services to any one of these airports, it will be considered as having a service to London. This means that the withdrawal or reduction of a service to e.g. Heathrow will not be enough to trigger the consideration of a PSO as long as it is considered that there is an adequate service provided by the combined services offered to the London airport system as a whole.
14. The Government recognises the concerns of regional stakeholders about protecting services to London's main airports. However, in order to be consistent with the position adopted by the European Commission (Commission Decision 94/291/EC), when assessing whether a PSO can be imposed on a route it is necessary to consider the adequacy of the link provided between two cities or regions, not between a city or region and a specific airport. On this basis, factors such as interconnectivity opportunities or the final onward destination of passengers are not relevant to the consideration of adequacy under the Regulation.
15. The UKACCs observed in December 2006⁵, there was great regret among a number of members of the UKACC that proposed changes to this legislation on PSOs were 'so very limited in their scope'. The letter referred to the sensitivity of the issue for those regional airports that have lost their connections to LHR, for whom the withdrawal or loss of a service to LHR is not enough to trigger the consideration of a PSO, if the

⁴ Department for Transport, 2005. *Guidance on the Protection of Regional Services to London*, accessed at www.dft.gov.uk/pgr/aviation/domestic/praa/guidanceontheProtectionofreg2871, accessed 9 April 2008

⁵ Letter from Stuart Innes to DfT, 19 December 2006. *Reform of the Third Aviation Package- UK Consultation*

airport still has a connection to one or more of the other London airports, and to the fact that the legislation does not allow for the use of PSOs in the creation of new services from LHR to the regions.

Trading of slots

16. The UKACC website's summary of European issues affecting the air transport industry⁶, in the section on European airport slot trading states that the response of the UK government to an EU consultation, 'is worth noting for its support for the Commission's proposal that parties other than air carriers could participate in slot trading.' In theory, the website concludes, this proposal would allow regional bodies to buy slots to protect regional services.'
17. The theory may be correct. In practice, how many regional bodies could afford the millions for which pairs of slots are traded at LHR, or the lesser amounts at LGW, even if they could find an airline willing to provide the service?

Responses to the Heathrow consultation

18. It is of no surprise that economic development forums, regional transport authorities, local authorities and airport consultative committees in the further regions of the UK have, in responding to the Heathrow consultation, recommended to the government that a proportion of slots should be safeguarded for domestic services even before the construction of a third runway⁷. Without such slots, the argument goes, the regions will lose their dynamism in terms of business, commerce and tourism, and their ability to get access to the rest of the world through the UK's main hubs. Again, put simply, many in the regions wish to have an agreed number of slots preserved for UK domestic services to LHR.

It's not just Heathrow

Aberdeen – Gatwick as a case study

19. With the start of the summer 2008 season, BA relocated its Houston and Dallas services from LGW to LHR to coincide with the opening of T5. Consequential on these relocations, BA announced that it was withdrawing from its Aberdeen - LGW service, since a 'significant proportion' (about 10 per cent) of its Aberdeen passengers interlined to the Texas services, and therefore the LGW service would become less economic. Approaching 180,000 passengers (or 90 per cent) a year have used LGW other than for interlining to Houston and Dallas, but their interests were of little concern to BA⁸ and there was anxiety that they would be left without any service to LGW at all.
20. The slots and aircraft used for the Aberdeen services from LGW were retained by BA (since there is no requirement for them to be safeguarded), for deployment to holiday services to Spain and Portugal. These services are duplications of the services that had hitherto been BA services franchised to GB Airways, which were sold to easyJet during the latter part of 2007.
21. This business decision by BA could have left Scotland's third City, and the 'oil capital of Europe' without an LGW service, had Flybe not stepped in at short notice and managed to acquire slots from a non-UK airline that was ceasing to fly to LGW – fewer slots than BA had been using but fortunately sufficient to fly three rotations each week day and two each on Saturday and Sunday.
22. Had there been some slot safeguarding arrangement for domestic services at LGW, finding slots for an alternative airline to fly the route would have been simplified. It is not

⁶ <http://www.ukaccs.info/euro.htm#slot> Euro Roundup EU rules on airport slot allocation, accessed 1 April 2008

⁷ These include NESTRANS and HITRANS, the transport co-ordinating authorities for the North East of Scotland and Highland respectively, ACSDF, the economic development forum for Aberdeen City and Shire, the Aberdeen and Grampian Chamber of Commerce and the Aberdeen Airport Consultative Committee.

⁸ A letter from BA to the chairman of the Aberdeen Airport Consultative Committee stated 'it was always the intention of BA to withdraw this service at such time as the Texas services relocated' but added 'although we may wish at some time in the future to return to the route.' The benefit of hindsight? (author's comment)

just Aberdeen that has lost out at LGW at the hands of BA: so too have Newcastle and Inverness, of the further regions.

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