AIRPORTS COMMISSION DISCUSSION PAPER NO.6: UTILISING THE UK'S EXISTING AIRPORT CAPACITY

RESPONSE FROM THE REGIONAL AND BUSINESS AIRPORTS GROUP

1. Introduction

1.1.   The RABA Group is a collection of like-minded smaller regional and business airports in the UK, that have come together with a view to ensuring the voice of local commercial and business aviation airports, particularly those outside London, is properly represented in the current South East focused aviation debate and there is a collective body representing their interests (and those of their stakeholders) for the Commission to engage with.

1.2.   The formal aim of the Group is to:

"Represent and further the collective interests of the UK's regional and business airports in their dealings with Government and industry regulators."

1.3.   It will adopt common positions on policy and regulatory issues of mutual interest, and determine how collectively, or individually, to ensure these are effectively presented and understood to key influencers, decision-makers and as appropriate wider industry, consumer and stakeholder audiences (see Appendix A)

1.4.   The Group is open to any UK airport with less than 5mppa or 60,000 ATMs that shares the Group's interests and policy positions. These encompass securing the following objectives:

> **i.**   **To establish a coherent framework of strategic aviation policy that avoids a 'one size fits all' approach, is sensitive to the commercial challenges facing smaller regional and business airports and pro-actively supports the connectivity and economic development aspirations of the local and sub-regional catchment areas they serve.**
> **ii.**   **To ensure the role and value of smaller regional and business airports as 'gateways' to the UK's devolved areas, regions and sub regions and their associated tourism markets and inward investment opportunities, and that this is explicitly recognised in National, regional and local economic and transport strategies, regional growth and City Deals and ERDF programmes.**
> **iii.** **To guarantee a regime of air access to London and the UK's hub airport, that provides a minimum standard of accessibility to the national capital and global flight connections, from regional and business airports serving emerging growth areas and other local economies requiring access.**
> **iv.**   **To achieve a restructuring of Air Passenger Duty that is fairer, and therefore significantly less damaging to regional economic, social and aviation interests.**
> **v.**   **To reduce and make more equitable and proportionate, the regulatory and security cost burden imposed on smaller and medium sized regional and business airports.**
> **vi.**   **To encourage the development of an environment within which smaller regional and business airports can diversify their income streams and enable them over time to move towards a long term position of improved commercial viability.**
> **vii.** **To facilitate a simpler, more flexible and therefore appropriate land use and transport planning environment, in which smaller regional and business airports can develop and in so doing help to sustain local communities, anchor business and technology clusters and contribute to the growth plans of the towns, cities and rural hinterlands they serve.**

> **viii. To place smaller regional and business airports at the forefront of environmental sustainability initiatives in the industry, by enabling them to contribute to the development of new environmental technologies, encouraging collaborative decision making systems and incentivising movement towards carbon neutrality by hosting, or being customers for, renewable energy schemes.**
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> **ix. To lobby for tax incentives and grants that will allow old and inefficient buildings and infrastructure to be replaced by new efficient and carbon sensitive aviation related and non-aviation commercial developments at existing smaller regional and business airports.**

1.5.   In our response, we have adopted a structure which opens with a commentary on the tone and factual content of the paper, followed by a more in-depth treatment of what we consider to be the key issues it raises, namely:

- Are there too many regional airports?
- The Importance of regional air access to:
    - London and the South East
    - International hub airports
- Potential intervention mechanisms
- The financial plight of smaller regional and business airports
- The relationship between city development, economic growth and regional airports
- Conclusions

1.6.   To assist your review process, we have tried as far as possible, to answer the questions posed in the Discussion Paper within this structure, and with this in mind have highlighted what we consider to be the relevant questions at the beginning of each section of the response.

2. Preconceptions and Misinterpretation of Data

> - Is the Commission's analysis of the multiple factors influencing domestic air connectivity between London and the UK regions accurate? Of the factors outlined, which are the most significant or important for explaining how the market has developed?
> - What additional factors, if any, should the Commission be mindful of?
> - Is overall transport connectivity between London and the regions at an appropriate level? What are the social or economic consequences of changes to air connectivity? Can respondents provide any comparisons or other evidence to support their response?
> - What future trends do respondents envisage in domestic air connectivity excluding routes into London? How relevant are the factors explored in relation to London and the regions for these other domestic routes?
> - Is the Commission correct in its analysis of changing purposes of travel and routes types at non-London airports? What are the drivers and ramifications of this trend?

2.1.   Collectively the RABA Group is clear that Discussion Paper No. 6 covers important ground not previously covered by Calls for Evidence and Discussion Papers or the Commission's December Interim Report. As such the RABA Group welcomes its publication and the greater 'regional' - by which we mean those parts of the UK outside of London and the South East - scope it offers. Notwithstanding this we do still have serious concerns that the issues faced by smaller regional airports are not being fully recognized.

2.2.   For example, there appears to be an absence of any real understanding of:

- The underlying economics of operating smaller regional aircraft on thin cross-country domestic and near European routes and the important accessibility they provide;
- The effects of fixed regulated costs and the absence of scale economies on the commercial viability of smaller non-London airports;
- The important catalytic economic and social cohesion functions that smaller airports play in more remote and peripheral areas of the UK and the resultant damage that would be caused to the local economies and communities they serve if they were to close.
- The greater damage caused to this segment of the aviation sector in the UK as a result of market distortions associated solely with Government actions (e.g. the failure to provide approvals that would allow the supply of runway capacity in London and the South East to remain in line with demand and the 'double whammy' impact of APD while inter-urban rail infrastructure and some cross-country rail services are heavily subsidized).
- The day-to-day inequity faced by the small and medium-sized regional airport sector in the UK because of the 'one size fits all' approach to policy and regulation that has been adopted successive by the Governments and the CAA.

2.3.   We expand upon each of these points further later in this submission, but by way of context we also want to offer an up-front dialectic, in the form of an alternative prism through which to view the small and medium sized airport's sector, rather than the rather suspect performance driven metrics used in the Discussion Paper. We have chosen not to indulge here in an in-depth critique of the selective scope and use of data it contains or the rather dubious interpolations and conclusions it draws from them, although we would be happy to provide these separately if the Commission is interested. Instead we have focused on setting out a pro-active agenda that the Commission could support, which we believe would have a material and positive impact on the sector and the wider airport capacity and long term connectivity issues which Government has asked it to find consensus solutions to.

2.4.   Our starting point in this regard, therefore, is to emphasize to the Commission the importance of understanding the accessibility, connectivity and economic needs of different parts of the UK, whilst having regard to equally important geographical, social, equity and political considerations. This means for example, not inferring that it is acceptable for those living in outlying regions and nations of the UK to have a 2-3 hour surface journey to a range of air services in outlying regions and nations, whilst placing great emphasis on ensuring residents of London and the South East can access any new runway capacity within 45 minutes. But instead identifying how their needs can be met equitably and efficiently, within reasonable resource constraints, in the form of policy that dovetails seamlessly with the Government's overarching economic re-balancing and sustainable growth objectives. In other words a coherent and multi-facted, gap-led, supply-side analysis, rather than a far more limited demand led assessment where short-run historic trends and highly uncertain modelled forecast projections are used to define options and pre-determine outcomes.

3. Are There Too Many Regional Airports?

- Questions on how the business models of these airports are changing, and how they can be expected to change further in time:
- Is the Commission accurate in its analysis of the market dynamics affecting the non-London airports sector? Is the Commission correct to identify a broad trend, especially since 2007, in larger regional airports retaining or building their route networks, whilst smaller regional airports' route networks shrink? What explanations can respondents provide for this trend?
- Can respondents provide any evidence to counter or support the Commission's analysis of the UK population having quick access to relatively high numbers of airports, or to build on the Commission's comparison between the UK and other countries' airport networks?

- What analysis ought the national or local Government undertake when faced with a potential airport closure?
- In the longer term, what is an appropriate, adequate or ideal shape for the UK's airport system? Is consolidation of the airport network desirable, inevitable, both or neither?

The Importance of Maintaining Competition

3.1.   Of course the kind of regional needs focused aviation policy our dialectic envisages would represent a radical departure from the one Discussion Paper 6 appears to come close to advocating, namely that because not all current UK regional airports in the UK are likely to be commercially self-sustaining some should be allowed to close, or possibly even encouraged to do so, especially if there is significant alternative use value to be had. The apparent justification for such 'Beeching' like ruminations is the opportunity to create scale and therefore efficiency in the regional airport system. However, such considerations ignore other desirable policy goals such as ensuring competition and the need to avoid inadvertently creating large regional monopolies that will then need to be regulated (frequently unsuccessfully), as has happened with few positive benefits in the banking and utility sectors

3.2.   Only a few short years ago the Competition Commission, while investigating BAA's ownership of Glasgow and Edinburgh in 2009, observed:

"*The behaviour of volume and prices also demonstrates that introducing rivalry between airports can have a real impact on market outcomes. ….. since BAA sold Prestwick, its passenger volume has increased rapidly from a negligible amount to reach over 25 per cent of Glasgow's volume. During the same period, there has been a decline in Glasgow's prices relative to those of Edinburgh (which experiences competition from Prestwick much less directly). Moreover, …. Glasgow's prices have fallen much more sharply compared with those of BAA's other Scottish airport, Aberdeen, which is unaffected by competition from Prestwick.*"

3.3.   The moral is, the Commission should not jump to the conclusion that big is better – even in the aviation industry it frequently is not and perhaps even more importantly that it should not allow itself to be unduly influenced by the larger regional and national airport groups, who stand to gain materially by the pursuit of such a policy. The Commission's role should be to serve the best interests of UK consumers and taxpayers, and help design the best solution for UK citizens, not powerful interest groups that inevitably work in their own narrow commercial self-interest. As a key desk officer in DG-COMP recently observed to us *"… our goal is to protect competition, not competitors*". We hope the Airports Commission will share that ethos.

3.4.   In the same way, we hope it will also prove unpalatable to the Commission to put themselves in a position where their recommendations to Government enshrine or exaggerate the kind of situation that currently appertains, where one part of the UK has substantially better access to the enhanced connectivity offered than another. Such inequities would be severely frowned upon if they existed in respect of Government policy relating to postal services, telecommunications, broadband or other forms of public infrastructure or service. So in an increasingly global economy why not also air travel? We are not sure how the Commission's Appraisal Framework factors in such equity considerations in relation to the consideration of new runway capacity, but if it does not, then it should.

Density of Airports

3.5.   With this working premise in mind, we turn our attention to the Commission's interest in understanding more about how the UK's regional airport network compares with that of other

nations, including how the relationship between population density and airport infrastructure affects the market dynamics for airport operators. Our starting point is the headline providing the lead in to Figure 2.4 in Discussion Paper 6, notably that:

"The UK has more >100,000mppa airports than other European countries, despite a smaller population than some comparator nations".

3.6.   It would be easy to look superficially at the high density of airports in the UK in the table overleaf and come to the conclusion that there are too many and that consequently some could be closed without significant negative impact. The comparison the Discussion Paper makes with Germany and Turkey ignores the long thin geography of the UK and its island status requiring over water connections. The more appropriate benchmarks are countries like Spain, France and Portugal where there are similar numbers of airports per head of population. This is because like the UK, links to archipelagos (Spain - the Canaries and Balearics, Portugal, the Azores and Madeira, France, Corsica and the UK, Scottish Islands, Isles of Scilly and N. Ireland) and urban centres at either end of rectangular-shaped countries are required; but also because, unlike Germany, the UK does not have the topography or the wherewithal to put in place sophisticated, but expensive surface travel alternatives such as a dense high-speed network and speed de-limited autobahns.

Country incl. islands	Main Airports > 50,000 ppa	Area thousands of sq kilometres	Population Millions (2012) (PT-2011)	Airports per thousand sq kilometre	Airports per million people
UK	40	243	63.2	6.1	1.6
UK (excl. islands)	31	243	63.2	7.8	2.0
Germany	28	355	80.5	12.7	2.9
France	44	552	63.5	12.5	1.4
Spain	35	505	46.7	14.4	1.3
Portugal	7	91	10.5	13.0	1.5
Norway	33	383	5.1	11.6	0.2
Sweden	33	448	9.6	13.6	0.3
Finland	16	337	5.4	21.1	0.3

Source: Consultants Calculations

London Heathrow
Belfast International
George Best Belfast City
Jersey
Guernsey
Isle of Man
City of Derry
Scatsta
Sumburgh
Kirkwall
Stornoway
St Mary's
Alderney
Inverness
Cardiff
Bristol
Birmingham
Norwich International
East Midlands Internal
London Gatwick
London Stansted
London Luton
London City
Southampton
Bournemouth
London Southend

Aberdeen
Glasgow Prestwick
Edinburgh
Glasgow International
Newcastle
Newquay
Durham Tees Valley
Blackpool
Liverpool John Lennon
Exeter International
Manchester
Leeds Bradford Internationa
Humberside
Doncaster Sheffield

40 UK airports with more than 50,000ppa

3.7.   Moreover, of the 40 UK airports considered in the table, 12 are over water destinations (3 in Northern Ireland), and hence if we exclude the island destinations, but not Northern Ireland, the picture changes somewhat as is demonstrated in the second UK line in the table.

3.8.   The Commission should stop, therefore, concerning itself with questions of oversupply and the need for significant numbers of small airports (which is not within the Commission's remit) and focus on how the airports which are active can be helped to serve their local catchment areas and economies better and in so doing contribute to relieving pressure on more congested airports in the South East by:

*   reducing catchment leakage for commercial services, and
*   providing locations for the displacement of aviation activities that currently use them (e.g. heavy maintenance, dedicated cargo flights, General Aviation – including military movements, flight testing and training and diversions) but which could be re-located elsewhere.

3.9.   These regional airports also play a key and valued role in their communities. Indeed the government's localism agenda as evidenced in the recent Growth Deals announcement where the prime minister recently said:

"*For too long our economy has been too London-focused and too centralised. Growth Deals will help change all that. They are about firing up our great cities, towns and counties so they can become powerhouses. By trusting local people, backing business and investing in infrastructure, skills and housing, we can create thousands of new jobs*."

3.10.   In this regard, it is noteworthy that a number of the recently announced 39 LEP growth deals have consciously included an airport component as LEPs begin to explicitly recognize the role local airports play as drivers of economic growth. Some of the most progressive deals (for example with Dorset, Sheffield City Region, Teesside Unlimited and Cornwall and the Isles of Scilly LEPs), have all sought to embed regional airports as a structural component of infrastructure needed to support growth and spatially as focal point for urban development and business clusters. This is long overdue and there should be both recognition and encouragement of this valuable role played by regional airports by the Airports Commission in its report to Government as many other LEP's have not yet taken advantage of the opportunities airports offer.

Access Times to Airports

3.11.   DP6 speculates that a high percentage of UK passengers may not necessarily loose substantial connectivity in the event of an airport's closure, given the close proximity of alternative airports and supports this assertion with a graph showing high percentages of UK citizens within 1-2 hrs of a 1-5 mppa airport. We would like to offer a number of observations on this analysis.

3.12.   It is accepted that many outgoing leisure passengers are prepared to travel further to secure their ideal holiday or short break flight as for them travel is relatively uncommon and consequently cost or access to the right destination trumps other considerations. Some tour operators have secured a niche providing charter flights from smaller local airports where users appreciate the shorter surface journey, the often less expensive parking and the avoidance of over-nighting costs for early or late flight at a larger more distant airport. Elderly travelers in particular will often hesitate to negotiate longer more complex journeys to busy metropolitan centres.   Channel Isles Travel are a company who arrange holidays to Jersey from a range of regional airports and there are a number of other specialists who are active in the sector (eg Newmarket Holidays which operates from many RABA Group airports), and even the large tour companies will arrange regional flights to the most popular sun destinations from smaller airports during the peak seasons.

3.13.   The same pattern of behaviour does not apply to incoming leisure passengers. The fact that 80% of tourists do not travel more than two hours from their arrival airport[1] ensures that local tourism interests want guests to arrive as near to their ultimate destination as possible. And for dynamic business sectors that have high propensities to travel and requiring regular short trips to secure or service clients then long access journeys are usually frowned upon for cost and working hours reasons.

3.14.   Additionally if the aim is to is travel there and back within one day then it is inevitable that some travel will be made at peak congestion times, and the actual commute time and uncertainties about road conditions could easily turn a theoretical one hour road journey into a two and a half hour precautionary early morning commute to catch a flight. To give an example Dundee business reported that the uncertainties around traffic onto the Forth Road Bridge and congestion before

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[1] This statistic is commonly quoted by regional tourism organizations

and after the bridge in the morning peak mean that, although Edinburgh Airport was estimated (by Dundonians) to be usually 1.25-1.5 hrs away, if they were travelling at peak times over the Forth many travellers reported allowing an extra hour to ensure catching an early morning flight. Users in the Durham Tees Valley Airport catchment express similar reticence about using Newcastle.

> - **Questions on how the business models of these airports are changing, and how they can be expected to change further in time:**
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> - **Can respondents provide any evidence to counter or support the Commission's analysis of the UK population having quick access to relatively high numbers of airports, or to build on the Commission's comparison between the UK and other countries' airport networks?**
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<u>Carbon Footprint Implications of Extended Access Times</u>

3.15.   The carbon footprint of longer commutes to larger airports has also not been factored into the pro large regional airport thesis Discussion Paper 6 appears to be advocating. An assumed 2.3 kilos of CO_2 are produced per litre of petrol consumed by a car. A two-hour 100-mile car journey (at 8.7 miles per litre) can therefore approximate to 26.5 kilos of CO_2, which can be doubled for a return journey to 53 kilos of CO_2. To provide a rough order of magnitude orientation, if say 5 million car journeys are forced to undertake such longer road journeys owing to the closure of several smaller airports then the effect would be 26,240 metric tonnes of CO_2 generated to catch a similar flight with similar aviation emissions. Is this sensible or sustainable, especially as outside the larger cities public transport rarely represents a viable option?

3.16.   Moreover, lack of access to Heathrow for ten out of the 17 airports that had linked with it in 1991 ensures that many less connected regions already have large CO_2 additions associated with travellers making surface journey out of their immediate catchments areas. A recent study looking at Inverness airport[2], estimated for example that in 2013 around 565,000 passengers travelled out of the Highland region annually, to catch flights from Aberdeen, Edinburgh and Glasgow airports. Each represents an approximately 3hr road journey and with public transport alternatives relatively weak in the Highlands, many used cars. It seems to us, therefore, that the Commission should also factor the environmental cost of the longer commute times that would result from a scenario in which smaller regional airports were allowed to fail.

3.17.   The Commission should also factor in the disincentives to business in locating, or being located, at the edge of catchments for large airports rather than more local ones. The European Commission's High Level Group on Aviation Research has published a vision for aviation in 2050 entitled "Flightpath 2050". There are long-term goals for Europe that the UK should be mindful of.   One goal is to ensure 90% of travellers within Europe are able to complete their journey, door-to-door within 4 hours. Having two or three hour commutes to the nearest airport will make this impossible, even between two destinations in the UK!

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[2] HiTrans and Nestrans - Update to North of Scotland Air Access Evidence Note (2013)

4. The Importance of Access to Regional Air Services

Accessibility Measures

4.1.   An important role of aviation is that it enables UK businesses to participate in the EU single market and access other opportunities to sell good and services across the rest of the world. Without it, such market penetration would be difficult if not impossible. However the first and best market for many UK businesses is their own UK domestic market. Similar currency and legal systems, no language issues and shorter distances ensure that for UK businesses their own domestic market is often a focal point for their growth strategies.
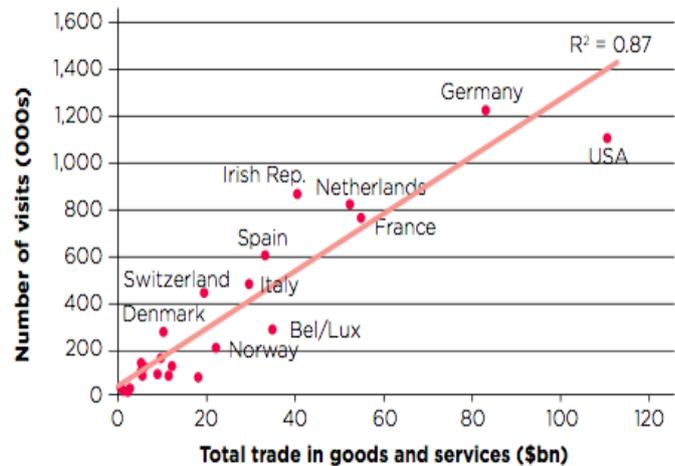
(Source: CAA/ONS)

4.2.   A key measure of business connectivity is the ability to complete a business trip there and back within a day. It should not be forgotten that a curtailed domestic aviation scene makes it harder for a Londoner to do business in the rest of the country, just as it does for the regions. Indeed as many of the visiting road-shows connected with the new runway have discovered when trying to visit Inverness, accomplishing a day trip from London is well nigh impossible unless one can be satisfied with a two hour meeting at Inverness Airport itself and a morning departure from Luton and arrival back at Gatwick.

4.3.   DP6 attempts to portray an apparent reduction in the proportion of business travelers in domestic aviation as indicative of reduced need. Whilst we consider the analysis to be flawed for a variety of reasons, if the relationship between interactive intensity and trade holds true (see inset chart) then within the domestic market there can also be expected to be a correlation between the volume of business trips that are possible and the amount of business secured.

Operating Costs

Is the Commission right to identify particular financial challenges for smaller airports? Can respondents corroborate or refute any of the Commission's evidence on financial pressures at regional airports?

4.4.   Government Policy militates against small airports – we intend to ask the CAA to investigate the in-built anti competitive bias favouring large over small airports, which may well require intervention to rectify. The CAA estimate that 82.5% of airport costs are fixed – apart from capital costs the biggest component is regulatory compliance related[3]. With ACI reporting that 60% of airports worldwide handle less than 1mppa and that it is rare for them to make money, because it is more difficult for them to attract other commercial revenue streams, keeping operational costs in proportion to the scale of operation is clearly a vital issue that the Government has chosen to ignore. UAG's fourth submission showed the impact this has had on smaller airport bottom lines, are being held back from making the contribution they would otherwise be able to make as a result cost burdens, act as a disincentive to airlines. The higher security costs per passenger at smaller

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[3] Graham Newton (2013): Airport profitability; Airport World (Vol 8, Issue 3).

airports is another example of this disproportionate burden that places them at a disadvantage that the DP6 document portrayed all too vividly.

4.5. This anti-competitive cost environment created by the absence of tailored approach to regulatory and security costs at small and medium-sized regional/business airports needs to be addressed. RABA Group would encourage the Commission to consider lessons on aviation policy from Scandinavia where their large territories and sparse populations forces them to develop regional access policies that are more responsive than the UK's (see Appendix B).

Role of Air Travel in UK Tourism

4.6. RABA Group is also keen to draw a critical eye to the observations offered regarding figures 1.6 and 1.7 in DP6 because this fundamentally ignores the simple axiom that one man's leisure is another person's business. Both the South West and Scotland are popular UK domestic leisure destinations, and increases in percentages of leisure passengers is success for them, and not setback as implied by the paper! Indeed, many commentators now anticipate a surge in domestic tourism and improved air services will be required to service this – especially the high value short break component which is of greatest economic value locally. The evidence from Cornwall is that 25% of visitors who arrive by air would not have made their journey if they were not able to fly.

4.7. We were also surprised by the comment in 1.51:

"*where the exact value and overall impact of these effects can be debated. For example, aviation connectivity also facilitates outbound tourism, as well as inbound, so the net impact is unclear*."

4.8. This seems to imply that outbound tourism, which is a particularly popular niche for many smaller regional airports, is somehow a net loss to UK PLC, and should be balanced against incoming tourism. Our strongly held view is that this is a factoid put about by the environmental lobby that does not bear close scrutiny. We direct the Commission to ABTA's report of 2012[4] that dispels some of the myths that foreign travel by UK citizens negatively impacts the UK economy. The findings are significant, showing that the outbound sector directly accounts for 1.6% of UK GDP, with a total economic impact of 3.8% of GDP. It creates 50 per cent more jobs than the real estate sector and more than two times as many jobs as in the energy and utility sectors combined, bringing in over £6 billion in taxes to HM Treasury. While much of this value is generated to UK based tour operators, transport providers and travel agents, crucially the report underlines the direct contribution of the outbound sector to industries such as retail and financial services and the indirect contribution to others, such as construction.

Impact of Tighter Carbon Constraints

4.9. In para 1.35 DP6 asks if additional factors, such as tighter carbon constraints, further diminish the commercial viability of domestic air links? Implicit in this question, we assume, is the notion that carbon prices will rise to reflect tighter carbon constraints, pricing off more marginal routes.

4.10. In our view this will only happen if APD on domestic services is retained at its current disproportionate levels, and if other less efficient modes such as rail continue to be heavily subsidized by the public sector despite the fact on less heavily used long distance inter city journey's (e.g. from Inverness or Cornwall to London where diesel trains still predominate) traveling by rail generates just as much carbon emissions as flying in modern fuel efficient aircraft.

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[4] Driving Growth, The Economic Value of Outbound Travel

4.11. RABA Group submits that if there is true an equivalency of treatment of rail and air in terms of tax, funding and carbon pricing, regional air services will continue to compete very effectively, and with little or no additional detriment to the environment, because it is a fundamentally more efficient, cost effective and market responsive form of travel.

5. Intervention Mechanisms

- **Questions on how the connectivity provided by these airports can be enhanced, and on the options to intervene in this sector.**
- **Has the Commission correctly identified the major options to support or bolster the regional airports sector? Of the options here explored, which have the potential to be most beneficial?**
Planning Constraints
- **Are there particular pros and cons to airport developments moving through the NSIP or Town and Country Planning process for a) developers or b) communities?**
- **Could either the NSIP or Town and Country planning process be improved, either the process itself or development of supporting policy, to support developers and meet the needs of local communities?**
- **Is there a current case for lifting planning caps for any airports in London or the South East? If not now, when should these caps be reviewed?**
Commercial Constraints
- **Are there any actions stakeholders could take to support airports in mitigating their commercial constraints?**
- **Are there any examples of best practice in this area?**
Airspace constraints
- **Are there any medium term airspace developments that could support making best use of capacity, beyond those set out in the Interim Report?**
- **Are there any innovative long-term airspace developments that could provide support beyond those set out in the Interim Report?**
Regulatory, Tax or Legal Constraints
- **Are there any new data available that the Commission should review in reference to its conclusions on regulatory tax or legal changes that could alter our assessment of their usefulness in making best use of capacity?**
- **Are there any areas of legal, tax or regulatory constraint, not considered by the Commission in its Interim Report, which merit further review?**

PSOs and Local UK Rules

5.1. Paragraph 3.2 of DP6 suggests *"… PSOs are used to safeguard links between regions, and therefore may establish routes to any airport that serves that region – thus any PSOs established to London and the South East are very unlikely to be established at Heathrow"*. We need to take time to examine DfT interpretations and practice with regard to PSOs to refute this certainty.

5.2. In essence RABA Group airports have concluded that local UK interpretations of EU regulations have been consciously, or unconsciously, unhelpful to UK regions; the problem we conclude does not lie at an EU regulation level, but at a UK level, even as the DfT assert they are only following EU regulations, and that their hands are tied.

5.3. UK interpretations it should be remembered are only that – interpretations. The UK PSO guidelines are not Regulation, and have no formal legal force and have not been subject to any kind of consultation. The guidelines are a statement of how DfT prefers to consider a proposition - this does not preclude other proposals. The document is simply a set of "current" policy guidelines that can be changed at any time or for good reason; a framework against which to consider a specific case. These guidelines will be challenged by various regional interests groups and the RABA Group may be lead this.

5.4.   The main contentious PSO issues are

- Defining London, rather than a specific airport as being the destination. This interpretation is unique to the UK and was transparently developed to protect LHR and LGW from sub optimal regional slot interference. However if there was additional runway provision, the prize is to ensure ring fenced slots, affordable to smaller aircraft, are secured. (DP6 repeats this interpretation as an unequivocal truth – yet different approaches already exist in Scandinavia)
- Not permitting inter-connectivity, as being a legitimate justification or part justification for a PSO. Once again this is an anti commonsense UK interpretation that even Commission officials who have been conferred with are surprised at.
- Leaving the funding of a PSO exclusively to the region concerned, including the acquisition of any slot; this has recently been ameliorated by the RACF, but as a concession, not a right. This viewing of regional access as a regional rather than a national problem seems to be the London mindset, and hence the region, not the nation, must solve any such problem. As was pointed out previously in a regional submission to the APF consultation, this is like considering a limp as a problem for the foot rather than the whole body.

5.5.   The three main criteria under which PSOs may be considered are:

i.   A 'thin route'
ii.   Vital for the economic and social development of the region
iii. Necessary to ensure the "minimum" provision of scheduled air services are the others, invariably interpreted to mean accomplishing a full day's work at either end of the route.

5.6.   Efforts to gain more regional friendly interpretation and application of EU State Aid regulations need to be made. The regions are impatient to by-pass what they see as London obstructionism. In the interim International PSOs may be a way of dealing with European slot capacity crunches, such as London's. There are, and have been, international PSOs, so what is here suggested is not unprecedented. We can now expect PSO draft applications to international hubs such as Amsterdam and Dublin to begin to be prepared.

International PSOs

5.7.   There already are instances of intra EU International PSOs, and their motivation is diverse. Even the UK has had one, albeit it was generated by a neighbouring state. The City of Derry to Dublin PSO was one recent example, financed by the Irish government but cancelled in 2010 largely because of Irish austerity pressures. Mariehamm in the Åland Islands (Finland) runs a PSO to Stockholm in Sweden (historically the islands have a Swedish speaking majority). There are other examples such as PSOs, linking Strasbourg with European capitals largely to facilitate EU business. The Czech Republic had approved PSO links between Ostravia and London, Brussels and Amsterdam, but these have not been taken up, as the tender process was unsuccessful. We understand that small countries, such as the Baltic States, are agitating to have international PSOs to suitable international hubs, and this impulse is analogous to the abandoned UK orphan regions being unable to access their national hub.

Slot Regulation Reform

5.8.   The prospective changes to the Slot Regulation recommended by the EU Parliament, which will give regional air access to hubs greater priority and ensure that slot allocation committees (who devise local slot allocation rules) are not so dominated by vested interests.

5.9.   Indeed the EU Parliament recently adopted a resolution on the proposal for a regulation of the European Parliament and of the Council on common rules for the allocation of slots at EU airports (recast) that reminds that "*airport slots are non-material assets of public utility whose use is subject to the conditions laid down in this Regulation. They are therefore assigned by airport coordinators so as to ensure maximum transparency, in the interests of <u>Member States</u>, passengers, airport managers and air carriers.*"

5.10.   They also recommend that "*the Commission shall monitor the secondary markets for slots based on the data received from co-ordinators and shall report on relevant trends, including those relating to regional and intra-Union connectivity, in its Annual Analysis of Air Transport Markets*", which strongly indicates the regional welfare spirit the EU parliament wants embedded in the slot regulation reform.

<u>Slot allocations and rules</u>

5.11.   There are similar problems with ACL. Slot Allocation Committees it is intended by new legislation currently going through the EU parliament, should not be the controlled, as currently in the UK, by vested interest groups. We suggest that UK regional interests are adequately represented in ACL in future. We have been surprised to discover that the EU regulations permit (and in the forthcoming revisions, even encourage) regional slots to be ring fenced without the need for AOCs and grandfather rights issues (as long as they are continuously used for regional purposes), and the UK, it appears to us, must develop helpful local rules, when there is a surfeit of new slots with an additional runway, to allow this.

5.12.   Basically the UK has developed local interpretations and rules that do not look after the regions and this needs changed – the Commission could help in this process.

<u>Route Development Funds</u>

5.13.   Several points of detail are to be made about RDFs in reference to DP6.   RDFs are not in fact permitted on non-EU destinations unless there is an open sky agreement with the EU.   RDFs can only address exceptional start up costs and not variable costs such as landing fees. DP6 attempts to quantify an intervention in para 3.15 becomes contorted because the idea is to reduce risk for an operator and make the difference by any intervention in minimising the entry costs for what will quickly become a viable route.

5.14.   Although the Regional Air Connectivity Fund has earmarked funds of £20m spread over the period of 2013-15 the DfT is only now starting a consultation on the matter and it is very likely that timetables will slip beyond what was originally intended. Indeed RABA Group's position is that this DfT fund should not be a temporary state intervention, but should be available to help the sector between now and when any new runway is built.

5.15.   In fact, whilst we are addressing RDFs, it is noted that *the Commission would like to understand the extent to which this level of financial aid could act as a serious incentive to the development of new routes, and therefore how far the Government's Regional Air Connectivity Fund could be expected to bring about a positive change in regional connectivity.*

5.16.   RABA would like to draw the Commissions' attention to two studies that did attempt to quantify and gauge the success of Scottish efforts in the early noughties[5][6].

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[5] Appraising the Economic Benefits of New Air Routes: Technical Report for Scottish Enterprise March 2012 – York Aviation

<u>Air Passenger Duty</u>

5.17.   One of the things we are most disappointed with in DP6 is the attempt made to downplay the effect of APD in the analysis of recent regional aviation trends. The graph below seems to us to show a pretty strong correlation between rising APD and falling passengers. The World Travel and Tourism Council indicated in March 2012[7] that the UK is currently 134th out of 138 countries in terms of its competitiveness of travel related taxation. Quite frankly the extent of the interpolation placed on marginally relevant data in DP6 does not wash, nor will it with our colleagues in other airports or affected airlines.
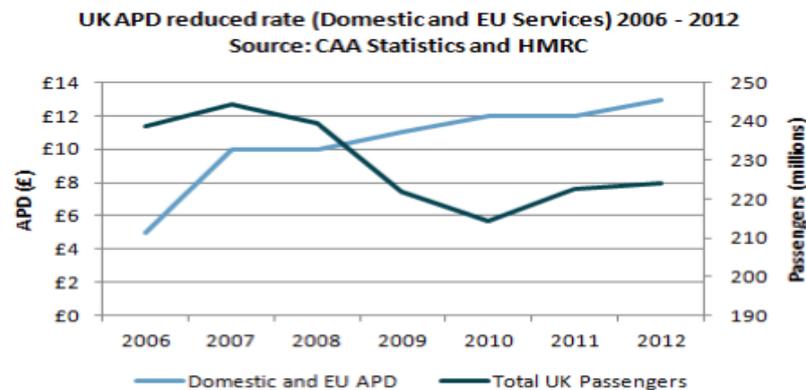
5.18.   One of the key offerings of the DP6 analysis is that APD has been a less significant factor explaining decline that its domestic regional critics assert. "*Figure 1.2 shows the shrinkage of domestic traffic significantly pre-dates the increase in APD, so it cannot be seen as a primary cause*."

5.19.   So what then explains the pre-2007 APD increase drop?

- The loss of routes to London; airline failure/consolidation could well also be part of the picture (supply rather than demand) and this is not really explored.
- The West Coast Main Line modernisation between 2004 and 2008 was delivering faster journey times and may have influenced reductions in demand on that segment of GB

5.20.   It is important to view demand, where these other factors were not at play, to gauge the impact of APD. Any attempt to dismiss its significance as a key factor affecting regional demand is wholly inappropriate. It is often forgotten by those who look at the aviation from 'outside the fence' rather than within it, that the vast majority of the sector runs on high turnover and costs and very small margins, and that is especially the case at smaller regional airports. Consequently, it is not the fact that £13 is only 10-15% of the cost of a typical domestic sector that is important, if is the fact that even half of that amount could double the yield per passenger on most routes or make other viable which would otherwise have incurred losses. The returns made at London airports like Heathrow and Gatwick are a world away from what is achievable at any airport of less than 3mppa. It is for that reason, that rather than ignoring a significant fiscal intervention tool which has proven in Ireland and the Netherlands (see Appendix C) to be extremely effective, the Commission should be embracing changes as a means that will help optimize use of local airports and reduce pressures on larger London ones until new capacity can be put in place.

5.21.   It can be appreciated that the short haul market is more negatively affected by price changes than all other markets, even before the double whammy effect. This table from a Welsh Government

[6] Evaluation of the Scottish Air Route Development Fund - Study Report - November 2009 Scott Wilson
[7] World Travel and Tourism Council: The Economic case for Abolishing APD in the UK; March 2012

report[8] needs updating, but the pattern of UK policy being singularly at odds with most of the rest of European practice is noted.

Table 37: Summary of EU passenger duties (Source: Various)

Country	Duty	Date	Notes
EU Countries that no longer impose Passenger Excise Duties			
Belgium		2008	Aviation duty considered but never implemented due to concerns about impact on the industry
Denmark	10	Abolished in 2007	Briefly introduced, but since withdrawn
Netherlands	Between €11 and €45	Introduced in 2008; withdrawn June 2009	Promoted as an environmental tax, but swiftly withdrawn due to impact on demand.
Malta	23	Abolished 2008	Withdrawal following legal challenge from EU on the basis that the tax was discriminatory
EU Countries that Impose Passenger Excise Duties			
Austria	€8 to Europe, €40 outside	01-Jan-11	Recently introduced
France	€1 within Europe, €4 outside Europe	Introduced in 2006	Levels low, purpose unclear
Germany	€8 short haul, €25 medium haul, €45 long haul	1 Jan 2011 onwards	Significant reaction from low cost airlines who have withdrawn capacity
Ireland	3	Introduced 1 April 2009; reduced in 2011	Started at €10, but following significant declines in passengers, reduced from March 2011
Spain	Various	Reduced 2009	Spanish Government has reduced charges to airlines that maintain pax volumes at a number of Spanish airports

Irish APD abolished late 2013

<u>City Development, Economic Growth and Regional Airports</u>

5.22. In this context, and further by way of background to our response to the Commission's paper, we also want to highlight the increasingly high profile that the development of regional cities is taking within Government as a key policy instrument for securing a spatially more balanced economic growth profile across the UK. This is an aspect that did not feature significantly in DP6 and yet there is a growing consensus within academia and Government policy circles of the core role of cities, including secondary and tertiary cities, as incubators for rapidly growing businesses and the knowledge-based sectors of the economy. They offer ready access to markets, suppliers and labour for new SME's and enable them to connect easily with capital markets, professional services, innovation networks in Universities and strategic transport links – including airports and air services. The Aerohub development at Newquay is a perfect example of this[9]

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[8] Welsh Government (2012): Air Passenger Duty Report

[9] Cornwall & Isles of Scilly Strategic Economic Plan "an operational civilian airport with one of the largest planning free environments in the UK, matched with an unparalleled aviation environment and attractive financial incentives and we see an almost unique asset for both C&IoS and the UK to support development of one of the UK's priority growth industries" Chris Pomfret Chair, Cornwall and Isles of Scilly Local Enterprise Partnership

5.23.   Then there are a number of Urban 'Commissions' that are currently collecting evidence in this area[10], the second round of City Deals for non-Core Cities which are currently being negotiated and the personal advocacy of Cities Minister Greg Clark, who has produced what essentially amounts to a Green Paper on the subject with his namesake from the Brookings Institute, a think tank in Washington[11].

5.24.   Interestingly, given there is much talk of the importance of connectivity in these discourses, the contribution small and medium-sized regional airports can make in this regard is beginning to be recognized, nor has the role of airports as ideal focal points for airport quarters/campuses or economic clusters etc. German academics have made some tentative steps in that direction[12], but UK focused further work will be needed to ensure these arguments are heard and acted upon in policy terms across Government. The Airports Commission could play an important role in highlighting this to Government.

6.   Conclusions

6.1.   In conclusion while RABA Group members have taken some heart from:

- the Commission's apparent desire to engage with regional issues:
- the tentative steps DfT have taken in taking a more supportive approach towards PSOs and regional airport route development through the RACF
- LHR's Regional Taskforce proposal and TfL interest in the same issue;

6.2.   RABA Group has been formed to seek a more propitious, long term and integrated approach to regional airports that recognizes their role in securing enhanced regional connectivity help to link it closely to wider regional development policies through which the Government is seeking to re-balance the national economy. We recognize that it is difficult to line up different government departments, Devolved Administrations, LEPs and local authorities behind the co-ordinated agenda that is needed, but the Commission is best placed to do this and ensure the regional aviation agenda is also integrated with the broader national aviation interests of the UK.

6.3.   In our view, therefore, the Commission's focus needs to be on finding imaginative solutions the increase the contribution regional airports can make to the UK's overall aviation capacity needs.

6.4.   These include:

- providing a step change in hub access from smaller regional airports, whether by using an underused London facility as a temporary regional satellite until slots can be made available on the new runway, or the RACF to help establish and if needs be maintain access to international hubs like Amsterdam, Paris and Dublin.
- reducing the discriminatory cost burden imposed on smaller airports by having one size fits all regulations on border controls, safety and security – a more overtly risk based approach and one in which the state recognizes the fixed cost penalties it is imposing on small businesses compared with their larger counterparts, would be very helpful.
- as would assistance in helping regional airports to reduce their dependence on passenger throughput for their long term viability.

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[10] An example is the RSA Cities Commission which published and initial report on 16 July – Connected Cities the Link to Growth
[11] Rt Hon Greg Clark, Minister for Cities and Greg Clark (2014) Nations and the Wealth of Cities – A New Phase in Public Policy; Brookings Institute, Washington DC
[12] Thierstein et al (2012): 48th ISOCARP Congress - Airports Reconsidered

- By developing regional airports as the focal points of economic clusters or technopoles (like the Aerohub at NQY), and supporting these with Enterprise Zone's and growth funding[13]; small airports can leverage substantial economic value in their local economy as well as moving towards longer term commercial sustainability.
- Recognize that HS2 is not the complete answer to UK connectivity needs and that air will continue to be a key and valued transport element for the UK regions for the foreseeable future.

6.5.   The answer, is not closing airports, sacrificing the substantial contribution they make to local accessibility and could generate for the local economy, and not establishing a policy which enshrines inequity for regional businesses and passengers whereby they can be expected to travel 2-3 hours to access air services, whereas their equivalents in London expect, and are enabled (often with public funding support) to access major airports and global airline networks in 30-45 minutes.

6.6.   Our policy agenda for regional airports was set out in the introduction to this response. In short it seeks the following measures:

- Reduce APD at smaller airports
- Maintain the RACF until new runway capacity is delivered
- Facilitate access to a well located and connected London airport
- And also facilitate access to another international hub
- Regional friendly slot allocation and PSO local rules need to be developed
- Find a means to counter disadvantaging thinner domestic and short haul routes that inevitably must use smaller aircraft
- Review regulatory and security and immigration costs in a way that do not disproportionately burden smaller airports

6.7.   Whilst it is accepted that even a perfect market, ideal in delivering rational optimal solutions, is complicated within aviation because of its international nature in which state interests and airline grandfather rights play a substantive role, every EU country has come up with its own response to these constraints – some more interventionist that others - the UK with no PSOs to its capital (until this year), no regional slot protection at its main international hub and high regulatory cost and tax imposition, stands out in Europe for a fiscal environment that is markedly anti-regional, having been designed apparently to optimize use of scarce capacity to maximize global connectivity from London. We do not believe this is a tradition the Commission should buy into and we look forward to seeing them articulate a much more progressive, pro-regional approach that recognizes equity considerations and the overriding need to help deliver a more balanced UK economy.

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[13] "Instead, we need a much more sophisticated regeneration strategy, with swathes of the country turned into deregulated, low or even zero tax enterprise zones" – Allister Heath Daily Telegraph 3/06/2014

Appendix A: RABA Group Areas of Collaboration

Aviation Policy: Jointly promote research and analysis that will ensure a more substantive voice is secured in the current and future policy debates than any single regional or business airport could hope to sustain, whilst ensuring relevant stakeholders and local political representatives are kept informed and appropriately engaged.

Aviation Tax: Develop a convincing analytical base and narrative on the commercial and economic effects of APD and propose structural amendments that will have beneficial effects for small and medium size regional and business airports and their airline partners within an over-arching fiscally neutral outturn.

Access to London & the South East of England and a National Hub Airport: Analysis and advocacy to support the case for extending guaranteed regional access to a new UK national hub(s) to a wider range of regional airports; and evaluate/propose legislative/policy measures (e.g. Use of PSOs/the RACF, TDRs, planning obligations, changes to local slot rules, amendments to the EU Slot Regulation and associated UK Statutory Instruments and joint public/private ownership of airlines with a valid AoC), to ensure this outcome is secured.

Regulatory, Safety, Security and Border Controls: Develop benchmarking analysis to compare UK regulatory, safety, security and Border Control standards and costs against EU competitors, and the anti-competitive impact of the resulting fixed overheads pre passenger imposed on smaller versus larger airports. Then press for a Government review of standards, risk-based approaches, best practice elsewhere and cost sharing with relevant public authorities to make the regulatory environment and associated cost burden more proportionate and competitive, within and outside the UK, for small and medium-sized regional and business airports.

Airports and Local Land Use/Transport Planning: Press for National Planning Guidance and Local Development Strategies that enable airports to fulfill their development and wider economic potential. Measures supported to include: airport masterplans to be adopted as area action plans in LDPs and reflected in economic development strategies; use of Local Development Orders (LDOs); requirement that LTP's incorporate, and are consistent with, adopted Airport Surface Access Strategies; use of 'envelopes' to exclude the built component of operational airfields from green belt; restrictions on airport car parking outwith airport boundaries to stop ad hoc fly-parking development).

Facilitating Diversification and Improved Commercial Sustainability: Make the case for targeted policy and funding interventions by the EU, UK Government and relevant agencies to facilitate the development of additional income generating measures to reduce dependence on passenger revenues at smaller UK regional and business airports and help them achieve substantially improved commercial sustainability in the medium-long term. Targets include activities displaced from congested airports or which require airside operational access (e.g. cargo, BusAv/GA, military flying, other government/emergency aviation, UAV's/space programmes, aero engineering, MRO, aircraft teardown, flight testing/training, aviation/academies, aviation heritage), and other aviation associated development (e.g. logistics, manufacturing and servicing sheds, incubation and business park units, hotels/conference facilities, holiday/leisure resorts).

Funding and Business Models: Review the forms of funding and intervention that could produce the most beneficial outcomes, including in relation to the former improved surface access links, site preparation and initial rent free periods, Enterprise Zones/Freeports, serviced technology incubators, innovation and risk funding (e.g. Interreg/ERDF/Assisted Area programmes, Technology Strategy Boards), skills and training grants and EIB/UK Infrastructure loans etc, and in relation to the latter public ownership, JV's, concessions/management contracts, not for profit trusts, community ownership schemes.

National and Regional Economic Development Strategies: Commission research to shed light on the relationship between improved air connectivity and urban growth/high value and knowledge based sectors and regional economic development, with particular reference to small and medium sized regional and business airports and their role as strategic transport gateways/focal points for business clusters in the UK's secondary/tertiary cities and sub regional economies. The aim is to ensure this is acknowledged and reflected in relevant Government transport, economic, business, urban and tourism policy, regional growth funding allocations and City Deals.

Marketing and Tourism: Develop the policy and business case for public match funding to support destination marketing and new route development strategies that allow small and medium sized regional and business airports to help develop new inbound business and leisure tourism markets and secure backing from key stakeholders at all levels of Government.

Environmental Sustainability: Develop strategies and secure public funding support that allow small and medium sized regional and business airports to take a leadership role within the industry on environmental best practice and press the case for funding and tax incentives for then to do so. This would include putting in place CSR Strategies, reducing car dependency, committing to carbon management/accreditation, hosting renewable energy projects, acting as test-beds for new technologies and consumer facing apps/products/services and replacing old and inefficient buildings and infrastructure with new carbon efficient replacements, within and outside the boundary fence.

Appendix A: The Scandinavian Approach to Regional Air Access

A1.   Swedish PSOs to the capital have Arlanda named as their destination point, rather than 'Stockholm' or 'Bromma', because the Swedish Government[19] recognizes that international connectivity is a key additional benefit of the PSO. They do not see any legal impediment in doing this, unlike our UK guidelines on the subject.

A2.   The same is true of Oslo where PSOs name Gardermoen rather than 'Oslo' as the destination, which might conceivably include Torp and Rygge Airports.

A3.   In a recent publication[14] Swedish officials reviewed their experience of PSO provision and the tendering process in Sweden. They noted that:

> "*in February 2007, Rikstrafiken published a consultation report assessing the PSO routes and the merits of a continued PSO regime on those routes. Part of this report was a cost benefit analysis (CBA) never before carried out in respect of this issue. As expected, costs exceed benefits to society as a whole for most routes. In fact, on some routes the negative external effects from environmental pollution alone were estimated to equal the benefits to passengers. This means that even if one were to disregard the cost of producing the air services, benefits may not exceed the costs to society as a whole. In other words, there are PSO-routes where the benefits to consumers are but a fraction of the costs associated with producing the air services. This puts a huge question mark to the issue of continuing PSO status on such routes. <u>But then again, Rikstrafiken´s objective is justified by transport policy objectives like accessibility and socio-economic development rather than economic efficiency</u>.*

A4.   This attitude certainly contrasts sharply with the UK's attitude to regional connectivity, where in the DfT's recent PSO criteria set out much more challenging ground rules[15] including a complicated Value for Money assessment. The DfT caution that they will follow their Transport Business Cases approach to assess the case for providing any DfT funding. This means comparing the costs and benefits associated with the devolved or regional bodies preferred bid compared to the counterfactual of no PSO being imposed on the route. But DfT also reserves the right to include grey market slots values in the appraisal, which is an externality to the VFM case over which the region promoting the PSO no control and is clearly designed to ensure that any PSO is not allowed to access Heathrow (and possibly Gatwick) where slot values frequently exceed £20m (and £3-4m) a pair.

A5.   Additionally the Swedes are very conscious that they are not just connecting their regions to the capital, but also connecting them to the world (AND the world to them), and in their 2010 Aviation Trends publication the Swedish Transport Agency undertook an interesting snapshot of trends in accessibility for their domestic interior[16].   RABA Group submit that there would be merit in the UK developing a multi-modal metric to track the international connectivity index of the nation AND its regions, and that the UK should put in place policy aims and instruments to ensure that connectivity should always be protected, and ideally increased.

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[14] Chapter 7 of Air Transport Provision in Remoter Regions by George Williams and Svein Bråthen, *Göran Anger, Johan Holmér and Pär-Erik Westin*
[15] Guidance on the Protection of Regional Air Access to London (2012)
[16] http://www.transportstyrelsen.se/Global/Publikationer/Luftfart/Flygtendenser/Flygtendenser_aviationtrends_2010_100907.pdf

Appendix C: Dutch Review of Policy on Air Passenger Duty

The Dutch Cabinet implemented the air passenger tax on 1 July 2008, as one of the instruments for 'greening' the tax system. Prior to implementation it was estimated that this new tax would result in the number of passengers using Amsterdam Airport Schiphol to drop by 8 to 10%. This was deemed acceptable at that time, as the aviation sector was expected to enjoy continued growth. When the air passenger tax was implemented, the number of passengers using Amsterdam Airport Schiphol did in fact decrease, and this decrease in passenger volumes rapidly intensified as a result of the global economic crisis. The confluence of these two events prompted the aviation and tourism sectors to intensify their protests against the air passenger tax. The Dutch Cabinet, as part of its 'Economic Crisis and Recovery Plan', responded by initially setting the air passenger tax at zero (0.00 euro) as of 1 July 2009, and subsequently abolished the tax conditionally on 1 January 2010.

The Netherlands Institute for Transport Policy Analysis (KIM)[1] conducted an airport choice survey among 3,000 people. 20% of those surveyed said that they were unaware of an air passenger tax. 14% however confirmed that the tax had influenced their travel behaviour, with half of them saying they had cancelled a proposed light or chosen to travel by car or train, and the other half confirming that they had opted to use a foreign airport, with Düsseldorf, Weeze and Brussels airports being the most popular choices. KIM estimates the extra number of Dutch passengers flying from foreign airports at 1 million passengers during this period, compared to a development without tax.

It is difficult to determine the effects of the air passenger tax, because the tax largely coincided with the global economic crisis and, moreover, was influenced by various other trends and developments. A conservative estimate of the air passenger tax's effects during that period is that the tax accounted for nearly two million fewer passengers from Amsterdam Airport Schiphol. In the period immediately following the Dutch government's move to set the air passenger tax at zero, passenger volumes for the remainder of the 2009 summer season were down by close to one million passengers.