Up, up and away

Britain's regional airports boom

With congestion increasing at London's international airports and the budget airlines continuing to attract British air travellers in their droves, regional airports in the UK are undergoing a transformation. In a series of articles, we explore all angles of this trend, from the rise of the budget carriers to the revolution in regional airport branding and product development. We begin our analysis of this phenomenon and its effects with a contribution by Locum chairman, Richard Tibbott, who examines the rise to prominence of the UK's regional airports and identifies a range of opportunities for them to contribute more fully, over the coming period, to the delivery of economic benefits at the local and national level.

Airport growth and UK policy now

Despite the September 11th attacks and their aftermath, air travel has never been more popular worldwide, with the UK being no exception. In 2001, almost 50 per cent of the UK population made at least one journey by air, and the volume of air passengers is set to rise dramatically in the coming years. The economic benefits of aviation are significant: the industry contributed no less than £7.4 billion to the UK's national income in 2000, directly employing over 180,000 people. And, of course, aviation plays a huge role in delivering overseas tourists and business travellers to the UK. Two thirds of the UK's overseas visitors currently arrive by air, and it is estimated that their spending represents over 80 per cent of all spending by overseas visitors to the UK. The Department for Transport forecasts that the underlying demand for travel to the UK by foreign tourists is set to grow strongly. It is estimated that by 2015, the UK's airports, airlines and aviation-related industries will account for 2.1 per cent of GDP.

One fifth of all international air passengers in the world begin or end their flight at a UK airport. Heathrow remains the world's largest and most important airport, handling over 60 million passengers per annum, a quarter of whom touch down in order to transfer onto other flights. Like Heathrow, Gatwick is heavily relied upon by international travellers around the world not just as a route into the UK but also as a staging post *en route* to other destinations. Collectively, the UK's international airports account for over 40 per cent of air travel between Europe and the US.

Steps have already been taken to ensure that Heathrow will be better equipped to deal with anticipated increases in passenger volume. Its capacity will increase to approximately 89 million passengers per annum once Terminal 5 opens in 2008. It is predicted, however, that by 2030 the UK's air passenger traffic will total 500 million passengers per annum, of whom the South East region alone will account for some 300 million. In order to be fully prepared for such increases, the British government is currently conducting a round of consultations, out of which will emerge a 30-year strategy for aviation in the UK, prioritising the airports throughout the UK at which passenger capacity is to be extended. In the South East, the options being discussed include a radical expansion of London's newest airport, Stansted, and a major new airport at Cliffe in north Kent. The government's consultation period officially closed on 30 November, and its White Paper is due to be published in 2003.

And while debate continues to be dominated by the potential levels of expansion at the main London airports, and their likely economic and environmental outcomes, the country's regional airports have quietly been getting on with things, transforming themselves from relatively unknown outposts into the rising stars of British aviation.

The explosion of budget travel

During 2001, while traffic at the five London airports (Heathrow, Gatwick, Stansted, Luton and City) fell by two per cent from 2000 levels to 113 million passengers, regional airports handled 68 million passengers, a growth of some six per cent on the previous year. Among the ten busiest regional airports, the biggest single rise in passenger numbers was at Bristol, where traffic increased by 550,000, or 26 per cent. Other airports that performed well in 2001 were Belfast International (15 per cent growth and 474,000 additional passengers), Liverpool (14 per cent growth and 270,000 additional passengers) and Edinburgh (ten per cent growth and 541,000 additional passengers).

The main factor driving growth on this scale has been consumers responding to the extremely low fares being offered by the budget airlines, and the close relationships that regional airport operators have been building with these carriers. The growth in budget air travel has been nothing short of phenomenal. In 1995, just over two

Top 10 regional airports in the UK

Airport	Operator	2001 Terminal passengers ('000)	2001 Share of all UK Passengers (%)	1996 Terminal passengers ('000)	1996 Share of all UK Passengers (%)	% change 2001/1996
Manchester	Manchester Airport Group	19,038	10.5	14,467	10.7	31.9
Birmingham	Birmingham International Airport Ltd	7,712	4.3	5,351	3.9	44.1
Glasgow	BAA plc	7,243	4.0	5,470	4.0	32.4
Edinburgh	BAA plc	6,038	3.3	3,808	2.8	58.6
Belfast International	TBI plc	3,603	2.0	2,351	1.7	53.3
Newcastle	Newcastle International Airport Ltd	3,376	1.9	2,425	1.8	39.2
Bristol	Bristol International Airport Ltd	2,673	1.5	1,394	1.0	91.8
Aberdeen	BAA plc	2,525	1.4	2,333	1.7	8.2
East Midlands	Manchester Airport Group	2,380	1.3	1,821	1.3	30.7
Liverpool	Peel Holdings Ltd	2,251	1.2	618	0.5	264.0

Source: Source: Civil Aviation Authority

million passengers travelled on low-cost airlines, the majority on Ryanair's services between Ireland and the UK. By 2001, this had risen to 23 million. Over the last three years, annual growth rates for the budget sector have averaged 35 per cent, and the budget airlines now account for 22 per cent of the UK short-haul scheduled flight market.

The budget airline operators, including easyJet, Ryanair, bmibaby and buzz, are clearly differentiated in operational and branding terms from the more traditional carriers. They all operate a 'no frills' policy, meaning that food and drink are off the menu, leg-room and comfort are sacrificed for seat density, and no added features are available, such as business or first class areas. Budget carriers only operate short-haul flights, employ the minimum staff required to deliver their service, and try to maximise aircraft use through rapid turn-around times in between flights.

Like all good 'challenger' brands (see 'Brandwatch' in *Locum Destination Review*, Autumn 2002), these carriers make a virtue of the factors that mark them out from their larger competitors: affordability, ease of booking (mostly done on-line) and speed of check-in. None of the budget airline brands has been built on associations with national identity, and none is state-owned. Flag-bearing is out, individuality is in.

Regional airports offer budget airlines a wide range of benefits: cheaper landing and take-off slots, lower airport charges, less congestion and quicker turn-around times. In the beginning, there was a degree of uncertainty among commentators about whether air travellers could be persuaded to use these lower profile, smaller airports. But the early success of partnerships between easyJet and Liverpool John Lennon, for example, convinced operators and consumers alike that cheap air travel from outlying airports was an extremely attractive proposition

Key challenge - inbound market growth

The experience of Liverpool John Lennon and others in working with the low-cost carriers has demonstrated conclusively that price does indeed matter: travellers will venture from far and wide to benefit from cheaper air fares. Mike Luddy of Newcastle International Airport, to whom we speak in the next article, tells a great story about how a couple from Preston drove all the way down to Bristol, where Mike was commercial director at the time, in order to catch the first Go flight to Nice from the airport – purely because of the cheap ticket price. But will the budget carriers be able to pursue their current pricing policies? Or will prices be forced up through, for instance, the introduction of new taxes on aviation fuel? We will have to wait and see, but even if fares do go up slightly, as a result of government intervention or changing market conditions, it is likely that 'budget' air travel will still remain inexpensive compared with other modes of transport, and attractive to consumers.

Assuming that outbound volumes will be sustained, attention must next turn to inbound traffic. With the exception of Manchester, Glasgow and Edinburgh, regional airports are still focused almost exclusively on outbound tourism. To fulfil their true potential and deliver maximum economic benefit, regional airports also need to become gateways for inbound travellers: overseas visitors, flying in directly or via Heathrow or Gatwick, and domestic business and leisure visitors, travelling by plane on an inter-regional basis rather than driving on Britain's ever-more congested motorway system.

Inbound traffic is already growing at some regional airports. Cardiff International Airport, owned and operated by TBI, has seen passenger numbers increase dramatically since the opening of the

Welsh Assembly. There has been a similar story at Edinburgh, where the volume of inbound traffic has grown since the Scottish Parliament opened.

But if inbound figures are to rise across the board, a number of challenges will need to be met. The first is better promotion of regional destinations. England's Regional Development Agencies have recently been handed greater strategic and financial powers to assist with the marketing and support of the English regions as tourist destinations. As part of their growing role in tourism marketing, it is vital that they get behind the regional airports, and build a platform for them as *the* gateways to the regions. A good example is the Northwest Development Agency, the Mersey Partnership and other strategic partners, which are not only helping to promote Liverpool John Lennon airport, but also drawing on the airport's own branding to help position the region as a whole.

It will also be crucial to get the channels to market right, at home and abroad. Consumers are increasingly turning to the internet to book their flights with budget airlines. Almost 90 per cent of all easyJet flights, for example, are now being booked on-line. There is every sign that large numbers of flight bookings will continue to be made this way, helping easyJet, Ryanair and their counterparts to keep overheads down and further increase their range of short-haul services. The internet will continue to play a growing role not just in the booking of flights but also in informing audiences about regional destinations.

As the internet continues to grow in popularity, it should be used to provide sophisticated on-line information services to overseas consumers in particular, and that these services are promoted in a sophisticated way. Again, the RDAs will need to play an important role here in working with regional tourist operators and support bodies to ensure that progress is made, and funding is provided to enable the necessary improvements to all of the channels to market, not just the internet.

Make it all 'easy'

And it doesn't stop here: as well as increasing volumes of inbound traffic to the regions, we must make life easier for visitors once they have arrived. Easier to find their way around, easier to choose which type of accommodation they wish to use, easier, in brief, to spend money, either as tourists or investors. This means joined-up delivery on the ground, between airports, local transport operators, hoteliers and others in the hospitality business, ensuring a consistent quality of visitor experience.

Finally, it is vital that regional airports invest now for the future. Manchester airport already handles over 19 million passengers per annum, accounts for 19,000 jobs in Manchester and on the large airport site, and generates an estimated £600 million for the North West economy. But it is forging ahead with a new £60 million transport interchange, scheduled for completion in 2003, that will include a coach and train station under one roof, a super tram system in a newly completed tunnel to take passengers to the city centre, ten miles away, and a new rail link to the West Coast Main Line. Expansion is also continuing at many of Manchester's smaller regional counterparts, notably Bristol and Liverpool John Lennon, developments about which we hear in the next articles. Their efforts are to be applauded.