

18 February 2011

The Rt Hon Teresa Villiers MP
Minister of State for Transport
Great Minister House
76 Marsham Street
London
SW1P 4DR

Dear Minister

North of Scotland-London Air Connectivity

We write to you jointly on behalf of the membership of Scottish Council for Development and Industry (SCDI), Aberdeen and Grampian Chamber of Commerce (AGCC) and Inverness Chamber of Commerce (ICC) on aviation issues which are vital to the north of Scotland economy.

The Government's vision for UK transport is to "radically reshape our economic geography, connect our great cities and international gateways, and help to bridge the North-South divide that has for too long limited growth outside London and the South East." While we strongly support the Government's ambition of a north-south high speed rail network, the plain fact is that for the cities and regions of northern Scotland, air travel will remain the most competitive mode of transport for these economically-vital connections to most major cities in England and the UK's main international gateways. The fastest train journey time from northern Scotland to London is over seven hours.

We firmly agree with the Government that improved exports must be central to all regional economic strategies. Key sectors of the north of Scotland economy - most obviously oil & gas, food & drink and tourism, but also increasingly life sciences and renewables - are highly internationalised and make substantial net contributions to the wealth of the country, and they will clearly play a pivotal role in UK recovery and in renewed growth. To build on this successfully, businesses need competitive access to global markets and customers, and we are therefore alarmed that some regional routes to the UK's national and international gateways would appear to be increasingly vulnerable.

We have consistently warned that the Government's decision not to allow increased capacity at Heathrow and Gatwick airports would lead to airlines and airport operators prioritising long-haul flights. We understand, for example, that on 1st April, Gatwick's charging structure will increase by around 50% per departing domestic passenger and we are well-aware the BMI has recently decided to end its Glasgow-Heathrow service. We are convinced that the UK's leading international gateways must be able to accommodate the economic needs of the whole of the UK, and that the Government will need to revisit mixed-mode operation and a third runway at Heathrow. We believe that slots at these airports should be ring-fenced for flights from regions without competitive alternative transport options. We also ask the UK Government to monitor closely landing charges.

We understand that an announcement will be made on Air Passenger Duty in the forthcoming Budget. We are deeply concerned at present that this tax discriminates against short-haul flights connecting the UK's regions using modern, efficient planes.

We strongly urge that reforms should be based on the following principles:

- The emissions of the aircraft type - inefficient, polluting planes should pay more than new, environmentally friendly models, no matter how small
- Distance travelled - regional routes, where there is no competitive alternative method of travel, should not pay disproportionately compared to cities close to London that already have fast rail links
- Lower load factors - planes on regional lifeline routes should not be penalised because they carry fewer passengers than flights on the most popular inter-city routes

We also ask that the Department for Transport does all it can to support air route development by airlines in Scotland, including securing approval from the European Union for the reintroduction of a Route Development Fund by the Scottish Government.

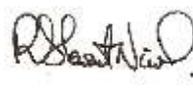
The public and private sectors, including airport operators, in the north of Scotland are working hard to improve regional connectivity and enable growth in the economy. Aberdeen Airport now operates 24 hours a day and construction will start shortly on a £10m runway extension to allow for the development of routes to new destinations. Highlands and Islands Airports Ltd (HIAL), with the active support of ICC and SCDI, are vigorously seeking to establish a new route between Inverness and Schiphol airports. However, if regional access to the UK's international hubs in London is not maintained, there is a risk that significant growth opportunities for the UK economy will not be realised and that some of our global businesses may feel the need to re-locate overseas.

We believe that Government aviation policy should serve the economic interests of the UK as a whole. We ask you to make clear how Scotland's interests will be protected if capacity is not increased. We trust that these comments inform policy and any proposals to be announced in the Budget, and we look forward to commenting and continuing to make representations to you on behalf of businesses and the economy in the north of Scotland.

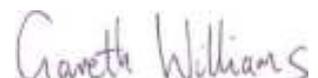
Yours sincerely



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cc. The Rt Hon Danny Alexander MP, Chief Secretary to the Treasury
The Rt Hon Michael Moore MP, Secretary of State for Scotland

Information:

The Scottish Council for Development and Industry is a broad-based national economic development organisation with 1200 members drawn from Scottish business, trades unions, public agencies, educational institutions, local authorities, and the voluntary sector.

<http://www.scdi.org.uk/>

Aberdeen and Grampian Chambers of Commerce represents more than 1200 businesses in North East Scotland, covering all industry sectors and ranging in size from sole traders to multinational corporations. The AGCC is accredited with both the Scottish Chambers of Commerce and the British Chambers of Commerce.

<http://www.agcc.co.uk/>

Inverness Chamber of Commerce is the largest independent business organisation based in the Highlands. With a membership approaching 350 businesses based across the Highlands, it is run by members of the Highland business community to promote economic growth in the area. Inverness Chamber is accredited to Scottish Chambers of Commerce and affiliated to British Chambers of Commerce.

<http://www.inverness-chamber.co.uk/>