



POLICY SUBMISSION

SCDI Submission to Aberdeen Airport Master Plan
Consultation 2012

SCDI is an independent and inclusive economic development network which seeks to influence and inspire government and key stakeholders with our ambitious vision to create shared sustainable economic prosperity for Scotland.

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ABERDEEN AIRPORT MASTER PLAN CONSULTATION 2012

1. SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trades unions, local authorities, educational institutions, the voluntary sector and faith groups.
2. SCDI has a rich history in trade development and promotion for Scotland, and global connectivity remains a high priority for SCDI. The UK is one of the world's leading exporters and destinations for inward investment and tourism in an increasingly integrated global economy. With domestic demand likely to be weaker over the next ten years, the key challenge will be to rebalance the economy, with fewer resources devoted to consumption and more to business investment and net exports. Many Scottish and UK businesses, and indeed the UK and Scottish Governments, believe that internationalisation will be pivotal to achieving growth and higher revenues in the next decade.
3. The Scottish Government aims to increase the level of total exports in Scotland by 50% by 2017. Air services provide access to overseas markets for UK companies, including inward investors; access to other parts of the organisation, particularly headquarters functions; access to suppliers of goods and services from around the world; and access to knowledge and business partners. International surveys of businesses consistently show that accessibility and transport links are key factors in the attractiveness of cities; for example the recent European Cities Index Survey undertaken by Cushman Wakefield across 500 European businesses identified air connections as a key factor in selecting office locations and inward investment. SCDI considers Aberdeen Airport to provide an important service to the regional and national economy and local communities, and is supportive of Aberdeen Airport's intentions through the Master Plan to develop the route network, invest in future capacity and deliver a better customer experience.

Export Economy

4. The role of regional airports and the aviation sector in supporting business investment and net exports is essential. The North East of Scotland has a number of sectors – including the oil and gas supply chain, food and drink, tourism and life sciences– which are highly successful internationally and contribute to the overall UK economy, with potential for rapid growth.

Oil and Gas

5. SCDI agrees that Aberdeen Airport is important for the continuing expansion of the energy industry. Aberdeen and the North East of Scotland is the centre of the UK's oil and gas sector and is recognised as the oil and gas capital of Europe. The offshore oil and gas sector is vital to the UK's energy supply, economy and public

finances. Total oil and gas supply chain sales from the Scottish market in 2010 reached £16.3 billion. Employment of 440,000 people is currently supported by the industry with 340,000 of these related to finding, developing and producing the UK's own reserves. Corporation tax paid on production itself was £8.8bn in 2010-11, which constituted one fifth of total corporation tax received by the Exchequer. The proportion paid by the oil and gas industry on production is forecast by the Treasury to increase further in 2011-12 to over £13bn, just over a quarter of the expected total corporation tax¹.

6. Through the annual survey into international activity in the oil and gas sector SCDI and Scottish Enterprise has found that in 2010-11 international sales of oil and gas now account for 46.4% of total sales, and are valued at £7.6 billion. Oil and gas is now exported to over 100 different countries. The region with the highest international sales was North America (£2.6 billion), with the African region remaining the second most important, while strong market growth has been displayed in the Australasian and Canadian markets. China, India, Brazil and Qatar represent new markets of great interest².
7. The Oil and Gas Industry Leadership Group has indicated that 65% growth from the oil and gas sector is achievable over the period to 2017, and is thus critical to the Scottish Government meeting its export targets. The Scottish Government have now outlined an oil and gas strategy for Scotland which targets £30 billion annual sales by 2020, 60% (£18 billion) coming from international sales. The Oil and Gas Strategy recognises that in order for companies to continue to view Scotland as a base for operations when an increasing share of their business may be located elsewhere, improvements in connectivity and infrastructure, particularly in the North East of Scotland, are absolutely essential.

Food and Drink

8. In 2011 the export of Scottish food and drink was worth £5.3 billion; whisky accounted for £4.23 billion and fish and shellfish accounted for £648.4 million. The top market for export is France (£825 million), followed by the USA (£726 million) while strong growth has been seen in Asia, where exports to both Singapore and China have increased by 44%. Having already surpassed an initial 2017 target of exports worth £5.1 billion, Scotland Food & Drink has set a new target of £12.5 billion. Passenger and cargo links to existing and emerging markets is critical for Scottish food and drink exports to continue growing and fulfil their potential.

Tourism and Leisure

9. Visitors to the Aberdeen and Grampian region in 2010 were worth £296 million; £202 million of this was spent by tourists from the UK, and £94 million was from overseas visitors (with Norway and the USA representing the largest markets)³. Aberdeen's Revenue Per Available Room (RevPar) grew by 6.6% in 2011 against a general

¹ Oil & Gas UK (2011) Economic Report

² SCDI & Scottish Enterprise (2012) Survey of International Activity in the Oil and Gas Sector 2010/11

³ Visit Scotland (2010) Tourism in Northern Scotland 2010

backdrop of decline in other UK cities⁴. Golf tourism is playing an increasingly important role in increasing tourist travel to the area, not least through the Trump International Golf Links development which is within half an hour from the airport and is due to fully open by mid-July. Increased direct routes and improved customer experience will improve Aberdeen's reputation as a destination and will support further growth in the sector.

10. The tourism and leisure sector also represents a particular priority for highland and Island areas where alternative private sector employment is often limited; therefore improved aviation is vital to the continued growth and success of these communities.

Life Sciences

11. Since 1998 the life sciences in Scotland have returned a 6% compound annual growth rate. Scotland's life sciences sector is now worth £3.1 billion to the Scottish economy and consists of over 630 organisations with over 32,500 employees⁵. Aberdeen represents the second largest concentration of life science industry in the UK outside of Cambridge. International markets, particularly North America, offer the biggest investment and export opportunities for this sector, and it is vital that the region is well connected.
12. Life Sciences Scotland has set a target of doubling the turnover of the sector by 2020 to £6.2 billion. Emerging markets in Asia are expected to drive growth in Scottish companies, and effective connections to these markets will be crucial for the sector reaching its target.

Local Communities

13. Aviation makes a lifeline contribution to economic growth and social well-being to communities on many of the Scottish islands and peninsulas where there is often no viable alternative. For the communities of the Highlands and Islands air services provide the main transport network for businesses and public services. It enables access to specialised medical facilities, which are increasingly located in larger centres of population, and delivery of important services such as mail, and access to the communities for specialist workers whose skills are only required on an intermittent basis, and who are dependent on air travel to maintain acceptable levels of productivity. Similarly it enables access to daily services in larger towns and opportunities, such as higher and further education for young people. With regular flights to the Islands and Wick, Aberdeen Airport clearly plays an important role in ensuring the economic potential of Scotland's remoter regions are fulfilled.

⁴ Scottish Development International (2012) Scotland@ Opportunities in Tourism Investment

⁵ Life Sciences Scotland (2011) Scottish Life Sciences Strategy; Creating Wealth, Promoting Health

Route Network

14. As detailed, the regional economy of the area necessitates good global connectivity. As such SCDI are keen to see a continued expansion of the scope and quality of direct international connections to accommodate the needs of the regions export economies, including the substantial oil and gas traffic between the Europe, the Middle East and USA. We also see potential for Aberdeen to act as a gateway airport in the UK, collating passengers to Scandinavia and Western Russia given the substantial oil and gas traffic between these areas and the North East Scotland.
15. In addition to direct international connections, SCDI believe it is of vital importance that Aberdeen's access to London and Heathrow are improved. Hub airports dominate international air travel and Heathrow is the UK's only hub. Surface journey times from northern Scotland to London are around 8 hours, and even if high-speed rail were developed to Central Scotland, these areas will remain uncompetitive over this distance. As such we welcome the prospect of a London City Airport service. However we are also concerned that there has been a reduction in competition on London routes, which may adversely affect pricing and quality of service. Connectivity with London and Heathrow should be a priority for Aberdeen Airport.

Helicopter Facilities

16. The offshore energy industry is almost totally reliant on helicopter movements and a number of specific charters to allow crews to the many rigs that have been installed around the North Sea and beyond. In 2010, 485,000 personnel were transported on and offshore as a result of Aberdeen Airport's helicopter operations, making it one of the busiest commercial heliports in the world. As such, it is important that the Helicopter Facilities are well-maintained.
17. The Master Plan states that demand forecasts for offshore helicopters are relatively level through to 2020. However helicopter traffic to and from offshore renewables projects may increase significantly in the next decade as the sector, especially wind, develops rapidly. This potential for increased traffic and its requirements in the future should be considered by Aberdeen Airport presently in order that it is prepared for such activity.

Passenger Terminal Facilities

18. SCDI welcomes any upgrades to the terminal facilities which improve the welcome to Aberdeen for business and leisure travellers alike. In particular improvements to the luggage reclaim areas and exit gates which reflect the status of the airport as a key international gateway are needed. We are pleased that a programme of projects to replace and extend the reclaim belts will be starting this year, and hope that other customer experience improvements to this area will follow in the near future. Of course, efforts should be taken to minimise the disruption the improvement projects may cause to customers.

Surface Access and Transport

19. Congested roads, the high price of taxis and the high cost of airport parking all pose barriers to the competitiveness of Aberdeen Airport and the ability of people to access the airport and connect to their destinations beyond. Current public transport options via the bus services from surrounding areas and the shuttle bus from Dyce rail station are currently not offering an attractive enough alternative to other road transport. SCDI would encourage the airport to improve accessibility and options via collaborative working with public transport providers.

20. As it is predicted that demand for on-airport parking will exceed supply in 2013, we suggest that expansion of long-term parking facilities is necessary. This is particularly pertinent due to the construction of the Aberdeen Western Peripheral Route and link road between Dyce Drive and the A96, as these are predicted to improve access, and may result in more people driving to the airport increasing the pressure on current facilities. Whether further parking facilities are provided on-site or by an off-airport third party, Aberdeen Airport should strive to provide this at a lower cost, and in the process increase the competitiveness of the airport, the city and region.

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