**MIDLANDS AIRPORTS – AN ASSET FOR GROWTH February 2019**

**Introduction**
This paper has been produced by Beverley Nielsen, Associate Professor, IDEA Institute (the Institute for Design & Economic Acceleration) at Birmingham City University on behalf of the **Midlands Engine Business Forum** as a briefing and consultation paper targeting business representative organisations within this group. It is intended for use amongst the Midlands Engine Business Forum memberships across East and West Midlands and draws on initial consultation with IDEA Institute Growth Panel representatives consisting of around 150 business representatives from transport, construction, energy and healthcare and professional service sectors. The results will be aimed at drawing together business priorities from Midlands’ airports in supporting Midlands’ competitiveness and productivity. It builds on work produced by Midlands Connect in their *International Gateways Strategy Overview – April 2017* paper,including a substantial study of the business travellers’ market in the Midlands region - examining the needs of these business travellers and the extent to which they are met by the Midlands region’s airports (Birmingham Airport, BHX, and East Midlands Airport, EMA).

The Midlands Connect study concluded that business travellers strongly prefer to use their local airports. Where a good service was being provided by their local airport, it captured around 80% of the market. For business travellers flying from BHX and EMA, 87% chose a local airport because it was close to their home or business. When Midlands businesses chose other airports like Heathrow, the main reason was the connectivity offered by these airports. Efficient short haul business trips were dependent on the availability of day-return travel. There was a strong indication that demand would shift to the local airport if the right service was offered, and that businesses derived benefit from proximity. For worldwide destinations, some direct flights from Midlands’ airports captured a large share of the local market, notably Delhi, Istanbul and Dubai, but it remained the case that most people currently needed to travel to Heathrow for direct flights to international destinations.

**Please review and complete Midlands Aviation Business User survey, Page 18**

**1) THE OPPORTUNITY FOR GROWTH**
**The International Air Transport Association (IATA)** is predicting a near doubling of air passengers from 4bn in 2017 to 7.8 billion passengers by 2036 with largest growth anticipated in the Asia Pacific region. At current growth rates UK air travel is anticipated to grow from 284m passengers in 2018 up to 435m passengers by 2050.

In economic terms, air travel is a means to an end, facilitating production or economic needs for business across a range of sectors, for the public wishing to travel overseas to visit family, friends and relatives (VFR), as well as for leisure purposes. In order for these needs to be met as effectively as possible, air travel should be convenient, available and affordable.

The benefits of global connectivity to a region are amply demonstrated by the impact of Birmingham Airport. The Airport is a key economic accelerator for the region, providing the air connectivity vital for the expansion of international trade, investment and employment, the growth of inbound tourism, and access to outbound leisure destinations. Birmingham Airport estimates its current net economic impact is £1.5 billion GVA (Gross Value Added) and 30,900 jobs, projected to rise to £2.1 billion GVA and 34,400 jobs in 2033. If links to the manufacturing sector are taken into account the number of jobs created in 2033 could rise to 38,600.

Looking ahead, Birmingham Airport intends to continually develop their aviation strategy to take account of:
- developments in the regional and wider UK economy;
- which countries grow as key trading partners;
- trends in the popularity of leisure destinations.

This will reflect a proactive and expansionary strategy to build a bigger route network to serve the West Midlands and wider Midlands region, building the airport’s capacity for long haul flights currently making up 12% of the flights mix, whilst also enhancing business travel destinations offer, currently making up 18% of all flights.

Birmingham Airport’s key priorities for future routes are stated as focussing on:

• Direct long-haul services, particularly to the growth markets of the Indian sub-continent and China.

• North Atlantic routes, particularly with the emergence of low-cost long-haul airlines.

• More choice, connectivity and greater frequency of flights to European cities and the Middle East.

• Increasing the frequency of established routes to offer more passenger choice.

Birmingham Airport will also increase both the density and the frequency of their route network to provide more choice for passengers in the core catchment area,

The **Midlands Engine Vision for Growth** sets out five priorities for investment aimed at enabling the Midlands to contribute to the UK’s Industrial Strategy and drive Britain’s post-Brexit growth. Focussed on additionality, the Midlands Engine is complementing the work of Local and Combined Authorities, Local Enterprise Partnerships, universities, businesses and others to generate added value at scale across the Midlands. With their objectives focussed on improving connectivity, investing in infrastructure, growing international trade and investment, increasing innovation in enterprise, and shaping great places of the future, developing the Midlands’ Aviation offer further is key to their goals. Working closely with the Government, Midlands Engine aims to maximise international trade and manufacturing exports post-Brexit as part of the UK government’s agenda to rebalance our economy. This would include the potential for a Midlands International Free Trade Zone (FTZ) operating at regional level, perhaps close to an existing freight hub, as outlined later in this paper, cf pp16-17. In addition, Midlands Engine sees the opportunity to promote the Midlands as a major business event economy, building on our track record with the National Exhibition Centre and in light of our central, easily accessible location, aiming to develop further event support infrastructure - hotels and convention bureau operations. This is aimed at creating capacity in preparation for bidding for the World Expo as well as the advent of Coventry City of Culture 2021 and the Commonwealth Games 2022.

**Midlands Aviation Vision and Priorities for Growth**

Birmingham Airport is located to the West of the region, about six miles from central Birmingham and Coventry, proximate to Solihull and beside the M42 with easy access to the M40 and M6, whilst East Midlands Airport is located beside the M1 and almost equidistant from the cities of Derby, Nottingham and Leicester. In light of the international air links provided by both airports, the Midlands region is faced with a ‘moment of opportunity’ through their unique central locations and the complementarity of their offers, with each focussed separately on passenger and cargo growth.

Birmingham Airport is catering to the current needs of 13m passengers per annum with 18% of these flying for business purposes, whilst East Midlands Airport caters to around 5m passengers a year of which just 6% are business travellers, with the figures alone suggesting a greater opportunity for business travel in light of the catchment area representing the UK’s manufacturing heartland and a centre for Business and Professional services, leisure and tourism.

Birmingham Airport is operating at capacity at certain times of day, however this is not currently seen as a runway issue but based around their requirement for additional infrastructure - stands and facilities, terminal redesign and extension. For East Midlands airport there are some capacity pinch points during the day at peak travel times with the airport having submitted a planning application to improve visitor experience through their terminal building as well as for modifications to their Arrivals area and security processes.

Birmingham Airport, through its new Masterplan, is focussed on developing the growth of passengers to deliver a central growth target of +5m passengers by 2033. East Midlands Airport, whilst aiming to double passenger growth from 5m to 10m by 2034 or beyond, is also focussed on growing its ‘pure cargo’ offering – handling 361k tonnes in 2018, second only to Heathrow in terms of total tonnage and with the value of non-EU goods moving through the airport over a 12 month period amounting to over £10bn.

Following the opening of HS2, Birmingham Airport will become the UK’s only HS2 connected airport, providing a very real opportunity to grow their passenger catchment into London, with high-speed trains serving Birmingham from the capital in c38 minutes thereby making Birmingham closer in terms of journey-time than Heathrow and a lot easier for passengers to navigate. With 14 trains an hour providing an additional 15,400 passenger capacity each hour between London and Birmingham Airport (and vice versa), the impetus for additional passenger growth is clear, although dependent on HS2 pricing strategy. In recognising this opportunity Birmingham Airport have outlined their intention through their new Masterplan to spend a further £0.5bn capital investment in facilities expansion. It is a one runway strategy in light of the current runway’s capacity to handle 25-30m passengers a year, estimated by the airport as delivering sufficient capacity to meet regional growth requirements, whilst also making best use of existing capacity.

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| **High Speed Rail 2 (HS2)** including London to Birmingham (Phase 1, planned opening 2026) and Birmingham onto the East Midlands, Leeds and Manchester (Phase 2, planned opening 2033), creates further opportunities in terms of opening up Midlands Engine Airports to new passenger and freight markets. HS2 will provide a catalyst for growth, enabling our airports to further increase their catchment areas and providing a competitive environment for airlines, with, at that point, Birmingham Airport just 38 minutes from central London, and with East Midlands Airport 70 minutes from London city centre. With HS2 trains running a projected 14 times an hour with 1,100 pax capacity on each train, the opportunity for Birmingham to move from being a small-medium regional UK airport to becoming a UK hub airport becomes a distinct possibility (Source: BBC)The new East Midlands Hub Station at Totton (planned as part of Phase 2) will transform connectivity between East Midlands, Birmingham, London, Yorkshire, the North East and Scotland. Midlands Connect, on behalf of the Midlands Engine, is working with East Midlands local authorities, HS2 Ltd, local and national delivery bodies through the ‘*East Midlands Gateways Study’* to secure fast and efficient local links to the new station and accelerate its delivery to bring forward growth. This will include developing best options for connecting the Hub Station with East Midlands Airport and into major employment centres including Nottingham, Derby, Leicester and across the wider Midlands. At the same time Midlands Connect is working with the Urban Growth Company in UK Central to ensure that Birmingham International Station is integrated with HS2 Interchange Station along with the upgraded Crewe Hub Station.  |

The central focus of the BHX Masterplan is to see a step change in customer service provision through Terminal expansion, security and X-Ray technology investment, baggage-handling and sort-technology enhancements, along with a bigger check-in area front of house, and departure lounge extension. The vision is to move from a smaller regional airport to a medium-sized airport that the region can ‘be proud of’. Alongside the step-change in service provision Birmingham Airport anticipates greater integration with regional infrastructure planning to ensure the region’s economic growth needs are met through close partnership working and ongoing liaison with Midlands Connect, Transport for West Midlands, Solihull MBC and the West Midlands Combined Authority.

Birmingham Airport are, however, calling for greater surface connectivity investment as all projects associated with UK Central developments will require greater infrastructure integration. Their three primary concerns are focussed around the road network capacity, public transport in general and the proposed HS2 People Mover connecting HS2 UK Central Station to BHX via Birmingham International.

Road modelling for HS2 has so far taken into account only those projects that have received planning approval, and as a result does not, for example, include the major 350-acre Arden Cross mixed-use development comprising quality homes, commercial space, retail and leisure facilities. With this site planned to include over 2.65 million sq ft (245,000 sq m) of commercial space for national and international occupiers, 2,000 new homes and complementary retail and leisure amenities and with HS2 Interchange Station co-located on this development as the first stop outside London on the new HS2 line, ensuring adequate infrastructure provision is regarded as essential by the airport and other businesses co-located on the site, including the NEC. Whilst another junction has been modelled and proposed for the M42, this includes a threat to the current slip road access onto the airport.

All public transport proposals in the pipeline are equally regarded by the airport as being essential to ensure the viability and realisation of Birmingham Airport’s plans. This includes the LRT tram (Metrolink) extension from Birmingham and Sprint connections into some of the most deprived communities in the region to the east of Birmingham airport. Equally, the HS2 People Mover would be required to connect to Birmingham Airport in under 6 minutes to ensure that the speed of fast travel to and from London was not negated by a slow onwards link to the Airport.

For Birmingham Airport, in the event of a high passenger scenario, more land would be required as a priority for services expansion and not an additional runway. BHX remains concerned regarding the impact of South East runway expansion at Heathrow on current airspace congestion in the South East. In light of the Civil Aviation Authority’s (CAA) lack of resource to model airspace capacity and usage, Midlands airports are concered that the CAA might resort to imposing an artificial constraint on air movements in the North of the country which could have a detrimental impact on passenger growth.

East Midlands Airport remains keen to build on the success of its cargo business drawing on its central location and proximity to the Motorway network along with its co-location with the Pegasus Business Park. Royal Mail, having taken early advantage of this as joined by DHL, employing 8k on-site, UPS investing £140m and with Amazon also co-located there employment was anticipated to double to 16k people. The SEGRO Logistics Park East Midlands Gateway (SLPEMG) consists of a 700 acre development with planning consent for up to 6,000,000 sq ft of logistics accommodation. The development incorporates a 50 acre Strategic Rail Freight Interchange (SRFI) which would include a rail freight terminal, capable of handling up to sixteen 775m freight trains per day, container storage and HGV parking, intended to service South Coast ports and feeding into the West Coast Mainline and beyond.

In light of their location East Midlands Airport, as with Birmingham, are lobbying for further connectivity improvements. They have prioritised more ‘Smart Motorway’ links and are concerned by ongoing challenges with rail and other connectivity. For example, East Midlands Parkway is one of the most underutilised rail stations and whilst this includes four scheduled trains per hour to London they all run within 15 minutes of each other. Bus connectivity is the only public transport at present and whilst the bus services are good, the airport wants to see a much greater choice in public transport connectivity.

For East Midlands Airport there is a considerable amount of uncertainty over HS2 Phase 2B. A transport link would be required to connect HS2 Toton station to East Midlands Airport – a journey of around 2 miles. The airport were, for example, unable to envisage a situation where people travelled from London remaining on board after Birmingham to disembark at Toton with a further onward journey of anything up to 20 minutes travel time to reach EMA and this situation needed to be avoided. However, they do see the opportunity for HS2 Phase 2B to provide the foundation for wider growth in the East Midlands, bringing new business, homes and jobs, as well as the ability to travel onwards to Manchester and London both faster and more frequently. With more people visiting the East Midlands region more often for business, tourism and leisure, there is the opportunity for the airport to be used more regularly, driving associated growth through advanced manufacturing and sustainable energy infrastructures, amongst other opportunities.

An East Midlands Development Corporation has been formed and is being led by Sir John Peace, Chairman of the Midlands Engine, with £2m Treasury funding. Modelled on the London Docklands Development Corporation, this is seen as a means of developing the more integrated partnership working model required to drive planning and preparation ahead of planned growth in cargo volumes which are being fuelled by online shopping, with e-commerce accounting for 20% of all UK retail sales at end 2018 and in light of continued forecast growth in exports. Direct cargo flights to China are a clear aspiration and with no night flight restrictions EMA has been working to ensure that this opportunity continued unimpeded into the future. The requirement to promote both airports jointly, as well as the Midlands region as a whole overseas remains a priority, with successful results following 2018 sales missions to India and China.

East Midlands Airport is owned by the Manchester Airports Group (MAG). Whilst this provides the ‘safety net’ of being part of the largest UK owned airport operator group, there is the challenge of promoting their investment agenda ahead of the larger Stansted and Manchester Airports making up the MAG portfolio. Birmingham Airport continues within the ownership of the seven West Midlands Metropolitan Councils (47%) with Ontario Teachers’ Pension Fund owning 49% and the remaining 2% held by airport employees.

At a meeting of *IDEA Institute* held 7th February 2019, consisting of the *IDEA Growth Panel* members and including verbal presentations by Birmingham Airport, East Midlands Airport and Midlands Connect, the following points were highlighted by businesses in attendance:

* There is a clear need for the Midlands Engine to access its ‘fair share’ of infrastructure funding in order to have any chance of delivery regarding the government’s often expressed ‘economic rebalancing’ agenda along with current growth forecasts for both Midlands airports which required greater surface connectivity to enable projected passenger movements;
* Some businesses present disagreed with the government’s decision to build Heathrow Runway 3, potentially expanding passenger numbers at Heathrow to 130 million a year, an increase of two-thirds over the 78 million passengers in 2018. Far from leading to potential economic rebalancing this decision would ensure continued dependency on Heathrow and the South East as the predominant UK international Gateway;
* The business views highlighted the potential differences between ambitious private sector planning and ambitious regionally coordinated targets for the Midlands if placed at the heart of national aviation development forecasts;
* The government’s decision had been taken in spite of airspace congestion in the South East, noise and emissions constraints - with official estimates suggesting up to 973,000 households would face increased daytime noise, the demolition of at least 750 homes, and the additional £16bn estimated cost to the public purse in infrastructure spend required to ensure adequate connectivity through realignment of a number of busy motorways feeding into the airport, including the M25, M4, A4 and A3044, along with the proposed requirement to move the M25 150m to the west whilst lowering it into a tunnel to accommodate the runway.
* Businesses expressed frustration that Birmingham Airport had not in their view been seriously considered as a national airport hub in spite of enhanced connectivity with London through HS2 (due to be in place by 2026).
* Businesses recognised and applauded the proposed £0.5bn investment by Birmingham Airport, much of which was ‘front loaded’. However some felt that the 2.4% growth forecasts could be accelerated in light of Birmingham’s central location, future planned connectivity (incl HS2), growing trends in low-cost business and consumer travel along with growth in next gen aircraft including the ‘hub busters’ enabling regional airports to play a far greater role in future, with new models continuing to emerge that could further disrupt underlying business model assumptions used in aviation and forming the basis of the Davis Commission recommendations.

**London** and periphery airports, account for 60% of all passenger travel. London Heathrow accounts for almost 30% of total UK passenger travel. No Low Cost operators with an existing track record currently operate out of Heathrow Airport, with 73% of all passengers flying out of Heathrow on British Airways or with Oneworld Alliance operators. It is estimated that around 13% of Heathrow traffic is onwards connecting, the rest was point to point.



 **Source: House of Commons Briefing Paper, June 2017**

 **UK Airport Passenger Numbers 2016-2018 and % share**

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| **Airport** | **2018 pax** | **2017 pax** | **2018 growth %** | **2016 pax** | **2017 growth %**  | **Total Runways (sampled)** | **Airport/****Region % total pax** | **Airport % region total** |
| **HEATHROW** | **78m** | **76m** | **3%** | **75m** | **1%** | **2** | **27%** | **45%** |
| **GATWICK** | **46m** | **43m** | **5%** | **40m** | **7%** | **1** | **16%** | **26%** |
| **STANSTED** | **26m** | **24m** | **6%** | **23m** | **8%** | **1** | **9%** | **15%** |
| **LUTON** | **16m** | **15m** | **8%** | **12m** | **19%** | **1** | **6%** | **9%** |
| **LDN & SE TOTALS** | **173m** | **166m** | **4%** | **158m** | **5%** | **8** | **61%** | **N/A** |
| **MANCHESTER** | **28m** | **26m** | **7%** | **23m** | **11%** | **2** | **10%** | **64%** |
| **N P/HOUSE TOTALS** | **43m** | **40m** | **7%** | **36m** | **11%** | **6** | **15%** | **N/A** |
| **BIRMINGHAM** | **13m** | **13m** | **0%** | **11.6m** | **12%** | **1** | **5%** | **73%** |
| **EAST MIDS** | **5m** | **5m** | **43%** | **4m** | **5%** | **1** | **2%** | **27%** |
| **MIDS ENGINE TOTALS** | **18m** | **16m** | **9%** | **15m** | **12%** | **2** | **6%** | **N/A** |
| **SCOTLAND TOTALS** | **28m** | **26m** | **7%** | **25m** | **6%** | **5** | **10%** | **N/A** |
| **N IRELAND TOTALS** | **9m** | **8m** | **5%** | **7m** | **10%** | **3** | **3%** | **N/A** |
| **TOTALS PAX**  | **285m** | **270m** | **5%** | **252m** | **7%** | **24**  | **100%** |  |

**Source: CAA & IDEA Institute**

In the last 3 years – **2016-2018 UK air passengers have grown by over 12%**. Birmingham (BHX) represented under 5% UK market share, East Midlands under 2% of UK market, with Midlands Engine Airports accounting for 6% of total UK passengers.

BHX has seen strong passenger growth over the past three years growing by +12% between 2016 and 2018 , with East Midlands International growing at over +4% each year.

With two runways the Midlands Powerhouse has 8% of the total passenger share of the 5 devolved nations/major regional economies sampled. Baroness Sugg, UK Aviation Minister, has focussed on continued balanced aviation growth and expansion post the decision to locate Runway 3 at London Heathrow. The **Aviation Strategy Green Paper** highlights priorities for the management of UK airspace, meeting environmental commitments, drawing on the benefits of cleaner, quieter and lower emissions innovations within next generation aircraft to make flying greener. Enhancing local community engagement for those living in and around airports and placing passenger experience at the heart of this growth sector for the country are also stated priorities.

1. **NEXT GEN AIRCRAFT – THE OPPORTUNITY**

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|  **Source: Final Approach Ltd** |

Next generation Airbus 320/321 Neos and Boeing 737MAX, make up over 80% of forward order books and are creating new long haul opportunities for Low Cost Operators. Made from lighter Carbon Fibre Reinforced Polymers, these planes have lower emissions and noise levels with a 4k nautical mile (6,300km) range and seating 194 passengers, they are providing Tier 2 and Tier 3 cities in the UK and elsewhere with the opportunity to fly point to point and opening up destinations in high growth markets including Asia Pacific, North and South America.

Other aircraft enabling greater diversification within the business market include the recently launched Airbus 220-300 with a 5,920km range and 160 passenger capacity. Smaller planes servicing established business markets include the Embraer 135 and 145 respectively with 30 and 50 seat capacity and a 2,873km range.

Until recently the number of flights between UK and China was set by a bilateral Treaty at 48 flights per week. However, in the last two years this has gone to 150 flights per week providing opportunities for regional airports, however these have been primarily London centric to-date. China is investing in the new Silk Route and Daxing Airport which, in time, will have 6 Runways and 2 Terminals, outstripping Beijing airport with the first 7msqft terminal due to be completed by 2019.

Currently flights from UK to China are available from four UK airports – London Heathrow and Gatwick, Edinburgh and Manchester. Flights to India are available out of London Heathrow and Gatwick, Birmingham, Manchester and Edinburgh.

1. **BIRMINGHAM AND EAST MIDLANDS AIRPORTS – FURTHER DETAIL**

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| **Airport**  | **Birmingham 2017** | **East Midlands Intl 2017** |
| **Passengers (pax)****per annum****Growth Target** | **13m****18m pax (2033) (Balanced Scenario)****24m pax (2033) (High growth scenario)** | **5m****10m pax (2036)** |
| **Capacity for pax growth** | **30m (with enhanced infrastructure)**  | **10m (Current runway)** |
| **Direct Destinations Served** | **150 destinations****340 onwards destinations Serviced by 50 airlines** | **80 destinations****(All short haul except****2 long-haul flights to Cancun in Mexico and Orlando, US, weekly, during summer season only)** |
| **Annual Flights** | **118,500 flights pa** | **60,000 flights pa****c28,000 cargo** **35,000 passengers** |
| **% Business v Leisure****Long Haul v Short Haul** | **18% Business v 82% Leisure****12% Long Haul v 82% Short Haul**  | **6% Business v 94% Leisure****<1% Long Haul v 99%+ Short Haul** |
| **Freight**  | **Mixed: pax and freight includes smaller and larger items in belly-hold** | **Largest dedicated Freight airport (In-hold => can move smaller and larger items incl Bombardier Carriages)** |
| **Night Flight Restrictions** | **Max 5% traffic at night (23.30-0600)** | **None** **Source: IDEA INSTITUTE** |

With emerging aviation business models it would appear the Midlands Engine, with 75% of the UK population within 3 hours drive time and 10m people within 60 minutes’ drive time, is well positioned to take advantage of new flexibilities and access opened up by next generation developments such as the Airbus Neos and Boeing Dreamliner planes.

Following recent developments, including the collapse of Monarch - formerly their third largest operator - and the withdrawal of the Latvian operator, Primera Airlines, in October 2018, (which also stopped flights from London Stansted to Alicante and Malaga), the airport’s future growth projections will be critical for the wider Midlands region. With current projections anticipating balanced growth from 13m pax per annum to 18m pax per annum by 2033 (anticipating a central growth scenario of +5m pax growth over the coming 18 year period, with high growth projections towards +24m pax by 2033), Birmingham Airport is predicting +2.4% annual growth uplift compared to +1.5% annual aviation growth across the UK. This compares to an annual average growth of +7.4% over the five years 2013-2017. As shown below, EMA has seen slower growth in passengers during the period 2013-2017,averaging 2.4% each year.

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| **Avg 5 year growth rate 2013 - 2017****BHX = 7.41%****Source: Birmingham Airport (BHX)** |

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| **Avg Growth rate 2013-2017****EMA = 2.4%** |

**Source: East Midlands Airport**

**General Aviation (GA)**
GA covers most aviation that is not Commercial Air Transport. In the UK GA is regarded as being ‘under threat’ with continued airfield development for housing and encroachment by controlled airspace. It is seen as a further area for possible expansion in the Midlands in light of Luton Airport at near or full capacity in servicing this niche, Bristol Airport being the nearest top 10 UK GA airport and in regard to our recent manufacturing, service and entertainment successes, leading to an increase in private jets required by entrepreneurs, entertainers, football and sporting teams to meet their international travel rquirements. Following Byron Davies appointment as the government's first ever General Aviation Champion, it is anticipated that he will lead government research and engage with fliers to identify a network of strategically important airfields helping the general aviation sector to deliver a report on the value of general aviation to the UK economy.

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| **Source: Birmingham Airport (BHX)** |
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| **Source: IDEA Institute from BHX and EMA sources** |
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**Source: BHX and EMA Airports**

1. **MIDLANDS ENGINE ECONOMY OVERVIEW**

The Midlands Engine is heavily dependent on production, accounting for some 32% of the overall economy, with manufacturing accounting for 16% and manuservices a further 6% (2017 ONS/MEF). Midlands Engine exports have grown by over +117% since 2007 with a +30% increase in volumes traded with China, with the Midlands Engine contributing 15% to UK total exports in 2017.

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| **MERCHANDISE TRACK RECORD – MIDLANDS ENGINE**• In 2017, merchandise exports from the West Midlands were £33.5billion – more than 10% of the UK total. Merchandise exports from the East Midlands were a further £20.5bn.• The nominal value of merchandise exports from the West Midlands grew by 12.5% in 2017, approximately in line with the national average. The nominal value of merchandise exports from the East Midlands grew by 15.8% in 2017 – the fastest growth in England.• Merchandise exports from the West Midlands exports to the EU grew somewhat faster than those elsewhere (14.2% versus 11.2%). The same was true for the East Midlands.• In the decade since 2007, nominal merchandise exports from the West Midlands have grown by 117.7% - more than any other region. As a result, they have gone from making up under 7% of the UK total to over 10%. **Source: Centre for Brexit Studies, BCU** |

The West Midlands received just 4.6% of public infrastructure investment compared to London (2018, IPPR) with London receiving £1019 per head compared with £245 per head in the East Midlands and £412 per head in the West Midlands; yet the Midlands Engine takes 30% of UK road freight and 80% of all rail freight.

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| **Region** | **2013-14** | **2014-15** | **2015-16** | **2016-17** | **2017-18** |
| **West Midlands** | **£227** | **£267** | **£341** | **£329** | **£412** |
| **East Midlands** | **£213** | **£233** | **£264** | **£222** | **£245** |
| **North West** | **£265** | **£291** | **£388** | **£370** | **£528** |
| **London**  | **£693** | **£701** | **£906** | **£929** | **£1,019** |
| **South East** | **£264** | **£262** | **£339** | **£359** | **£370** |

**Per capita Public Transport funding in regions Source: IPPR North, 2018**

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1. **MIDLANDS ENGINE AND AVIATION – IMPACT ON PRODUCTIVITY**

Studies indicate there is a positive correlation between increased air travel and regional growth, employment, earnings and productivity:

* Accessibility to air cargo services is particularly beneficial for transportation, construction, retail and wholesale trade sectors
* Enhanced air connectivity can lead to a potential reduction in manufacturing costs by up to 10%
* 1% increase in employment in ‘catchment area’ has been demonstrated for every 10% rise in passengers, or
* c1k jobs are created onsite for every 1m additional passengers delivered
* Up to 25% service sales have been shown to be dependent on good air transport links, rising to up to 40% for high tech companies (selected from InterVISTAS, Assessing Connectivity in UK’s Air Transport Market, July 2013 and Birmingham Airport Stimulating Revival, WMEF 2013)

The West Midlands Economic Forum report, *Birmingham Airport Stimulating Revival,* 2013, indicated the potential beneficial impacts of greater regional distribution of air connectivity to international destinations including China in Germany compared to the UK in delivering export growth:

 *‘Spare capacity in Germany appears to have enabled the aviation sector there to develop flexible response mechanisms able to deploy different airports to meet new, sometimes transient demands for new routes and support exports. In Britain, the concentration on the London periphery airports, in particular Heathrow has resulted in what seems to be a more rigid structure less able to articulate a British response to shifts in global demand patterns.*’

The Midlands Engine has considerable assets with East Midlands Airport being the UK’s busiest pure cargo airport and in Birmingham’s mixed passenger and belly-hold cargo capacity. EMA handles 361,000 tonnes each year, second only to Heathrow in terms of total tonnage. EMA is a major hub for DHL, Royal Mail, TNT and UPS, BHX for FedEx. At EMA in 2018 there were 38 Amazon flights a week – this time last year there were only 7. The value of non-EU goods imported and exported through this airport alone over a rolling 12 month period has almost equated to £10bn. Through EMA, and its connections to the Integrator hubs in Europe and the USA, UK businesses export to 200 different countries around the world, with Latin America, Asia, North America and the Middle East as some of the biggest regions for exports.

1. **FREE TRADE ZONE OPPORTUNITY**

Two of the East Midlands LEPs include the development of Free Trade Zones (FTZ) at East Midlands Airport (EMA) as a key priority of Strategic Economic Plans. An FTZ is a sealed in duty-free area in which all aspects of import and re-export of goods can occur. Significantly a FTZ effectively offers the benefits of trade outside the UK’s customs territory in terms of duty exemption and referral as well as tariff and tax incentives.

**Freeports** are explicitly intended to be catalysts for economic growth in a local area (region), regulated by bespoke economic and financial incentives not aligning with those in the host country. In the case of the UK they would only be implemented in the event of a ‘hard Brexit’. Freeports tend to be the largest of the free trade zones and accommodate an array of activities including tourism, retail sales and other supporting infrastructure usually supported by economic incentives and benefits. Of the world’s 2,700 Freeports 74 are in the EU. Freeports are different from traditional FTZ’s as they are not seen as export-drivers in their own right but are areas that seek to promote economic growth and linking the activity in the Freeport with that of the wider regional and national economy.

**Potential benefits of FTZs to the UK?**

FTZs are supportive of domestic manufacturers and promote international trade and investment. A FTZ at EMA would seek to deliver significant objectives for the Midlands Engine: enhanced skills, supporting enterprise and innovation as well as promotion of trade and investment. These are likely to lead to increased GVA and job creation across the region and would be essential to supporting development of and continued prosperity of businesses of all size though, particularly, SMEs. Notably, sectors that are significant in the Midlands, advanced manufacturing and engineering, employ 637,000 people accounting for 19.7% of the UK’s manufacturing output.

An FTZ that is at the crux of the Midlands Engine and will be well placed to ensure the following outcomes:

• Inward investment and synergies

• Reshoring

• Creation of a special purpose vehicle (SPV) to bring together the economic opportunities

• Providing strategic alignment and oversight to the delivery of the HS2 station at Totton

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| **Thanks to all Contributors to this Report:** Birmingham Airport (Jo Lloyd, Rob Eaton, Adam Parker, Francesca Baller, Beth Purdue, Rachel Brookes); East Midlands Airport (Ioan Reed-Aspley, Heidi Barlow); Donair (Eric Bannister); Final Approach Ltd (Alexander Kirby); Midlands Connect (Maria Machancoses and William Roden); Midlands Engine, (Fiona Piercy). |

**February 2019
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1. **QUESTIONS FOR MIDLANDS ENGINE BUSINESS FORUM ORGANISATIONS**
2. **Name organisation**
3. **Address**
4. **Number employees**

|  |
| --- |
| **Micro (0 to 9)** |
| **Small (10 to 49)** |
| **Medium-sized (50 to 249)** |
| **Large (250+)** |

1. **Revenues**

**0-£5m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**£5m-10m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**10m- 100m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**100-250m\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**250m +\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. **% Exported**
	1. **Europe\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	2. **Asia Pacific\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	3. **North America\_\_\_\_\_\_\_\_\_\_\_\_\_**
	4. **Latin America\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	5. **Middle East\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	6. **Africa\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
2. **Do you fly regularly on business**
	1. **If so, from which UK airport(s) – please list and to which destinations**
3. **Do you see any impediments / advantages on leaving the EU regarding your business trips overseas – short and long haul trips**
4. **What are the key factors you consider when choosing an airport**
	1. **Convenience\_\_\_\_\_\_\_\_\_\_\_\_\_**
	2. **Price\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	3. **Regularity\_of flights\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	4. **Estimated transfer times/waiting times\_at airport\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	5. **Airport accessibility (landside) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
	6. **Opportunity to charter private jet(s)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
5. **What destinations would you like to see serviced by Midlands Engine Airports?**
6. **Do you see a growth opportunity for your business with greater Midlands’ airport access?**
7. **A) What is your view on the Free Trade Zone opportunity for East Midlands?
B) Does this opportunity extend to UK Central in your view?**
8. **Any additional comments you would like to add:**

**NOTE: Survey and briefing paper developed by Assoc Prof Beverley Nielsen, IDEA INSTITUTE, Birmingham City University, Contact Email:** **beverley.nielsen@bcu.ac.uk** **Contact Tel 07940 288818**