

Midlands Connect: International Gateways

Strategy Overview – April 2017



Midlands Connect
Powering the Midlands Engine



International Gateways Strategy Overview

Midlands Connect has conducted a substantial study of the business travellers' market in the Midlands region, examining the needs of business travellers, and the extent to which those needs are met by the Midlands region's airports (Birmingham BHX and East Midlands EMA). We've investigated how we can improve global connectivity, help attract inward investment and visitors, and drive forward the Midlands economy.

The Midlands region has **£210 billion GVA** and **over 10 million inhabitants**. It contains the **second largest conurbation in the UK** after London, and is the country's export powerhouse with **17% of national exports**. The Midlands is the origin or destination for **20 million air travellers a year** and for **3.3 million business travellers**. The Midlands' airports handle over **15 million passengers**.

The Midlands' dynamic manufacturing and professional services sectors rely on efficient international air travel

connections to link suppliers, customers and colleagues around the world, and businesses thrive by being in the global marketplace. Business travel is linked to patterns of trade – today the largest Midlands air travel markets are to Germany and the USA, but Asian economies are growing at twice the rate of these mature markets and will account for half of global GDP by 2050. Air services will need to develop along these trade routes to enable growth.

Midlands Connect Objectives & Scope

Economic Output: Easy connections to international customers, suppliers and colleagues, developing existing business links and making new ones

Transport Output: Convenient flights from the business traveller's local airport – direct to all major short haul business destinations with the ability to make day-return trips, and direct or efficient one-stop connections to long-haul destinations worldwide

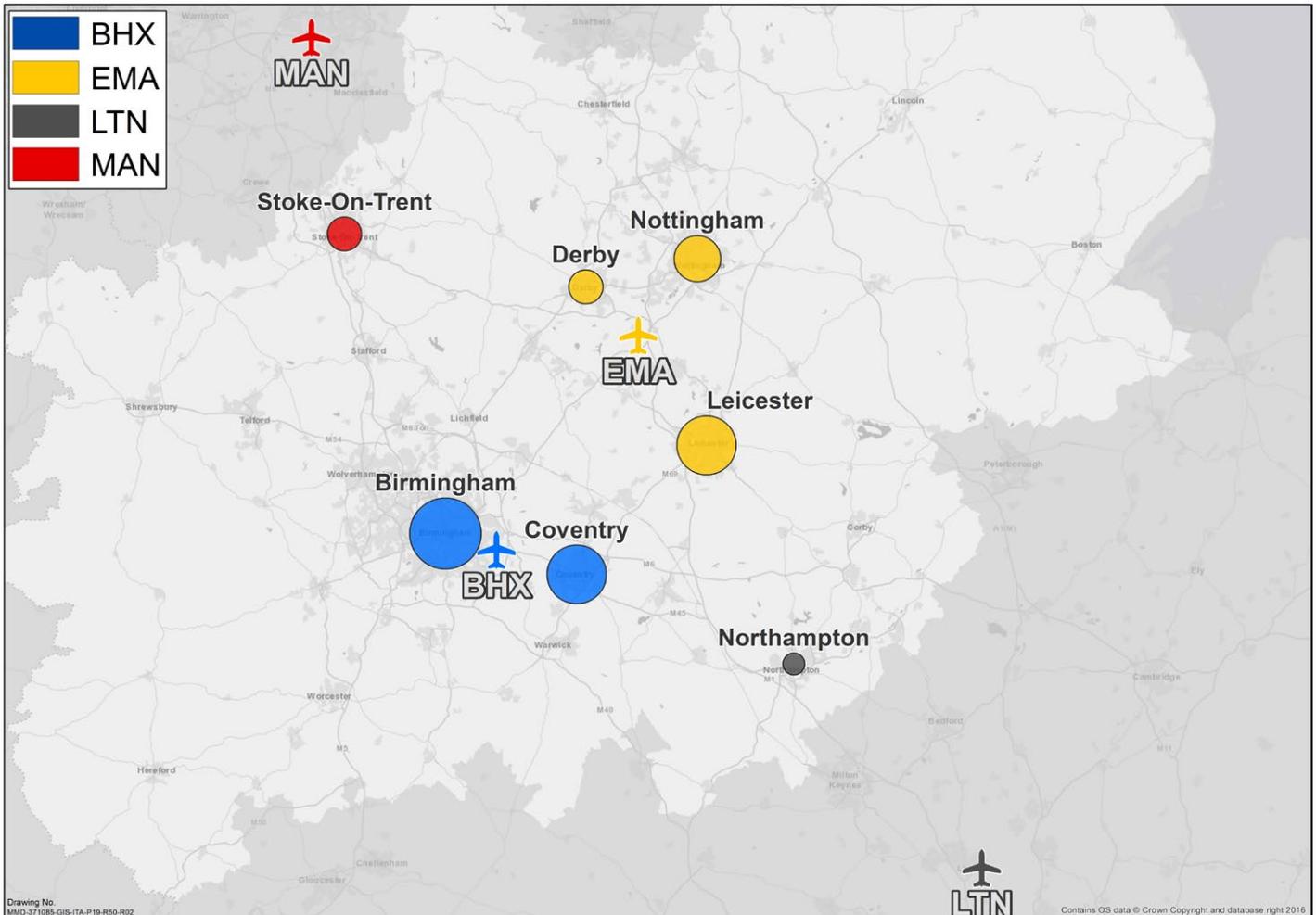
Midlands Connect Scope: Businesses show strong preference for using their nearest regional airport, if a connection is available. Where connections aren't available, businesses need efficient links to other airports using the strategic network.

Airport Catchments

Business travellers strongly prefer to use their local airports. **Where a good service is provided by the local airport, it captures around 80% of the market.** For business travellers flying from BHX and EMA, 87% choose the airport because it is close to their home or business. When Midlands businesses choose other airports like Heathrow, the main reason is the connectivity that these airports offer. Efficient shorthaul business trips depend on the availability of

day-return travel. This is a strong indication that the demand will shift to the local airport if the right service is offered, and that businesses derive benefit from proximity. For worldwide destinations, some direct flights from Midlands airports capture a large share of the local market, notably Delhi, Istanbul and Dubai, but most people currently need to go to Heathrow for direct flights.

Figure 1 Nearest airport to the main Midlands business origins



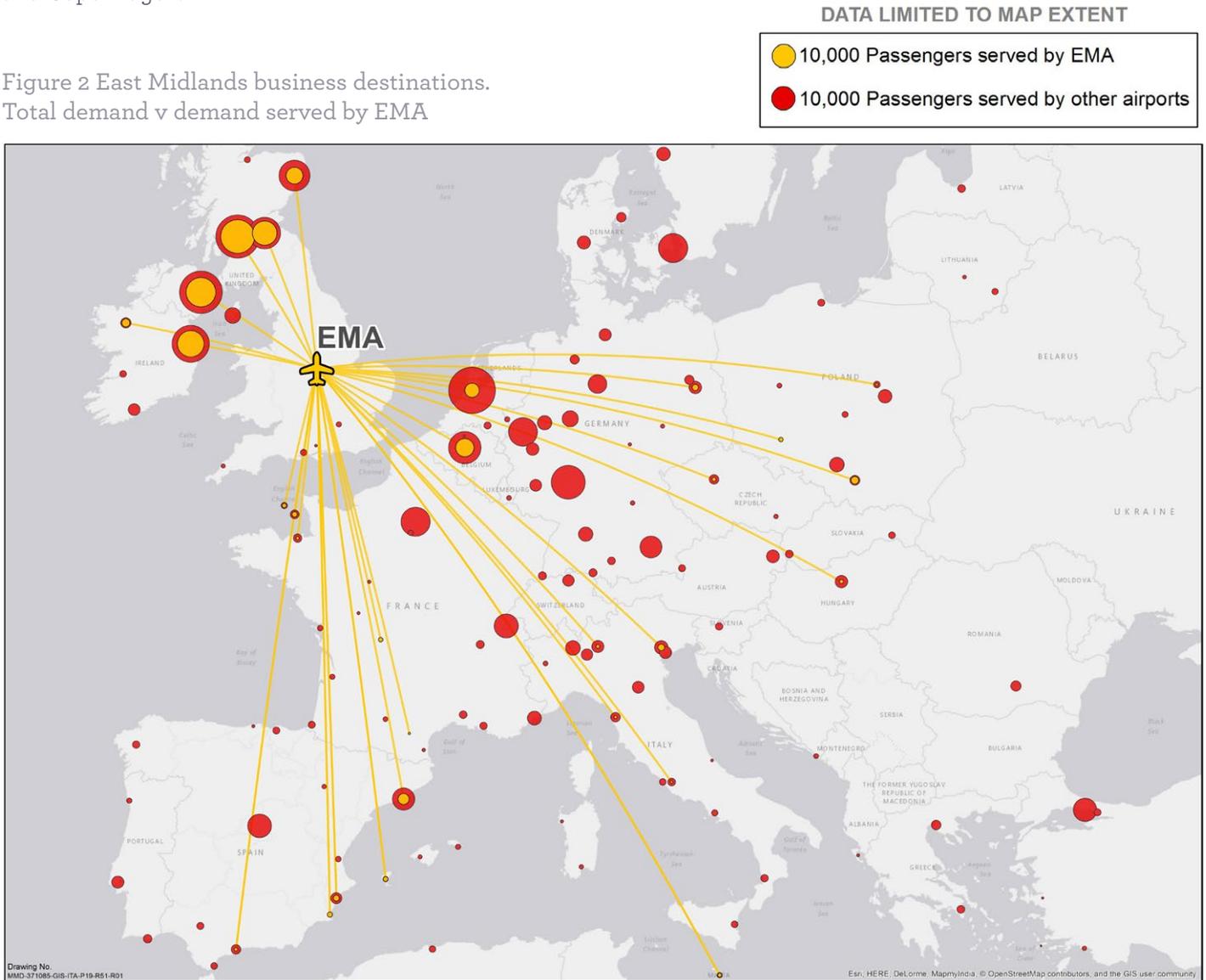
Source: Mott MacDonald. Airports: - BHX = Birmingham, EMA = East Midlands, LTN = London Luton, MAN = Manchester.

European Connections – East Midlands

For East Midlands businesses, the first preference is to fly from EMA. Currently there are good domestic (Glasgow, Edinburgh, Belfast), Dublin and Brussels business services. Our aspiration is for airlines, working with the airport, to develop direct early/late services to other large business destinations which aren't currently well served, such as Amsterdam, Frankfurt, Dusseldorf and Copenhagen.

For East Midlands businesses, the second preference is often to fly from BHX, but many travellers also use Luton, Heathrow, Manchester and Gatwick airports for their required connections.

Figure 2 East Midlands business destinations. Total demand v demand served by EMA

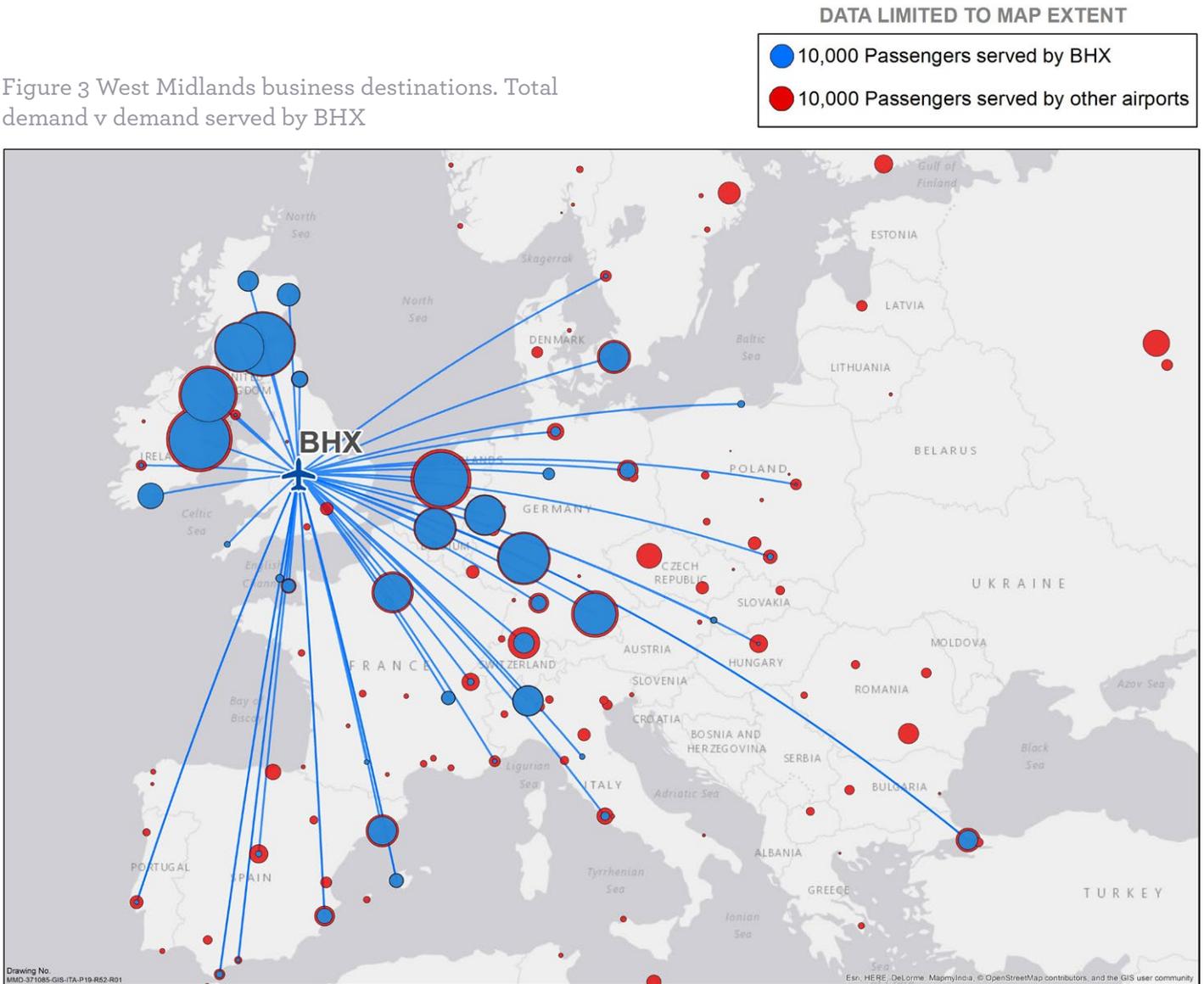


Source: Mott MacDonald analysis of Jan-Nov 2015 CAA survey data

European Connections – West Midlands

For West Midlands businesses, the top ten destinations outside the UK are well served from BHX. New services to several destinations in Eastern Europe have recently been introduced or are being developed, though these are often in the middle of the day. Our aspiration is that there should be effective direct business services to all major cities with significant demand, including Moscow.

Figure 3 West Midlands business destinations. Total demand v demand served by BHX



Source: Mott MacDonald analysis of Jan-Nov 2015 CAA survey data

Longhaul

For both East and West Midlands, there is a significant business demand for connections to North America, South Africa, India, China and the Far East. The scale of demand to individual destinations makes it difficult to offer attractive direct services, even to destinations such as Chicago.

There are useful connections via Middle East hubs from BHX, and a direct daily service to Newark, but for North America the most-flexible opportunity is hubbing

through Dublin (or continental hubs like Amsterdam and Frankfurt). There is already some evidence of businesses hubbing in this way. There is an opportunity to further develop and formalize hub services to many of the principal business destinations, at convenient times of day, with scheduled connections and through ticketing.

Table 1 Top 15 Long haul destinations from the Midlands (US and others); Weekly flights from hubs

Overall Rank	Destination	AMS - Amsterdam	DUB - Dublin	FRA - Frankfurt
2	ORD - Chicago	28	38	56
3	LAX - Los Angeles	28	14	28
5	BOS - Boston	28	28	28
10	EWR - New York	28	42	28
12	SFO - San Francisco	18	14	42
13	JFK - New York	56	56	56
1	DXB - Dubai	42	28	56
4	PEK - Beijing	28	0	42
6	TLV - Tel Aviv	60	0	64
7	IST - Istanbul	112	28	126
8	DOH - Doha	24	0	28
9	CPT - Cape Town	14	0	0
11	DEL - Delhi	28	0	28
14	RUH - Riyadh	0	0	20
15	JNB - Jo'burg	14	0	28

Source: Mott MacDonald analysis of SRS Innovata data – Sample weekly frequencies in September 2016 - Decoding of scores:
 No Service, Daily return flight, Less than two daily return flights, Two daily return flights

Surface Access

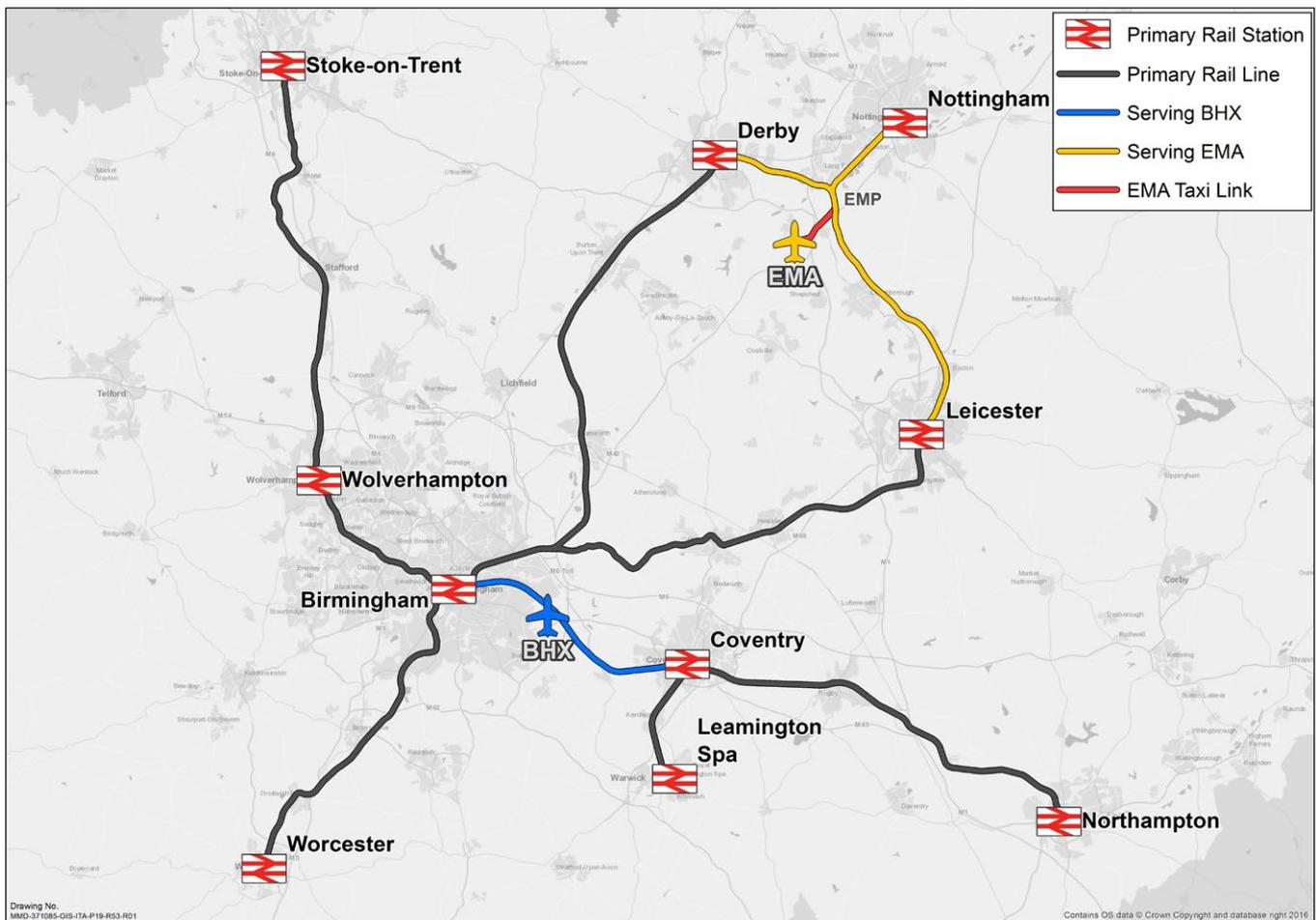
For business, proximity is much more important than other aspects of surface access quality: this allows you to confidently catch an early-morning flight, and get home easily after an evening flight. However, if the local airport is unable to offer the service, it is valuable to have efficient access to the nearest airports that can offer the connection.

A large proportion of current business access is by car (or minicab). That's the same for airports both close and further away, which gives a broad indication that the availability of public transport is not the biggest factor. Nevertheless, public transport is valuable for visitors from overseas, for those who prefer not to drive, leisure travellers and airport staff. Making public transport reasonably convenient is likely to broaden the passenger base, balance the traffic inbound/outbound and through the day, make better use of aircraft, and make routes more attractive for airlines to develop.

For road access, both EMA and BHX are close to motorways and expressways running in several directions. This aligns with the core Midlands Connect outputs of providing a mile-a-minute strategic road network, and eliminating congestion blackspots.

For East Midlands travellers, the key public transport aspiration is a more regular and frequent train service at East Midlands Parkway to provide a clear gateway to the airport, and make better use of the existing integrated taxi shuttle. In the longer term, the aspiration is for a fixed link to the airport.

Figure 4 Principal rail connections to Midlands airports



Source: Mott MacDonald. Notes: EMP = East Midlands Parkway.

For West Midlands travellers, rail services are already well-established, with a short fixed link from the station to the airport. Our aspiration is to extend early/late train services to more corridors, mostly connecting at Birmingham New Street.

For East Midlands travellers getting to BHX, the main requirement is to improve interchange and information at Birmingham New Street. Even in its new guise, changing trains at Birmingham New Street can be a daunting experience. Direct services will also be available from Toton to BHX with the opening of the HS2 eastern branch (currently scheduled for 2033).

Air Freight

EMA is the UK's leading airport for dedicated freight services, and the hub of air parcels traffic for all of the global express operators such as DHL and UPS, as well as the Royal Mail. This includes direct longhaul freight services to major freight hubs in Cincinnati, Louisville, New York, Philadelphia, Dubai and Hong Kong, and

substantial tonnage to Sub-Saharan Africa, Asia and North America. Heathrow offers strong competition for longhaul freight, with fast direct services to many destinations in the hold of passenger flights. Some freight is also carried in the hold out of Birmingham.

EMA operates on a 24/7 basis, using its excellent motorway connections, and the space it has to develop dedicated distribution facilities. It has the potential to grow further, increasing its importance as a European freight hub, and providing more direct longhaul services, particularly to the US and the Far East. The main requirements are for flexible night operations, a resilient road network, permission to develop new facilities, and a strong local workforce.

Midlands Connect Ambitions

In line with business preferences, the key ambition is to encourage more connections from Midlands airports, especially direct shorthaul early morning and in the evening

EMA shorthaul – Add new early/late services to Amsterdam, Frankfurt, and other significant destinations

BHX shorthaul – Add or develop early/late services where there's a significant market that's not well served, for example Moscow, Stockholm, Prague

EMA & BHX – Develop clearer links to Dublin/Amsterdam hubs (advertised connections with departure/arrival waves, through ticketing)

BHX – Further develop direct longhaul and far-hub services

MC & DfT – Work together to seek opportunities to facilitate the development of international and domestic business connections from regional airports, as part of the DfT's forthcoming Aviation Strategy

Surface Access

Strategic Roads – deliver wider Midlands Connect outputs (mile-a-minute speeds and eliminate congestion)

Rail – deliver wider Midlands Connect outputs (improve links between cities), but also improve interchange to BHX in central Birmingham, and improve frequency of services to East Midlands Parkway



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Birmingham Airport is the seventh largest airport in the UK, third largest outside London and the airport of choice for residents of the West Midlands. In 2015, it served a record 10.2 million passengers and experienced a 21 percent growth in long haul passengers, as more and more airlines are attracted to the Airport and the Midlands region, connecting new destinations. The connectivity it provides boosts the economy by over £1 billion a year.

In 2026 Birmingham Airport will become the UK's first and only HS2-connected airport, dramatically enlarging its catchment area into London and growing the Midlands Engine. Independent analysis has shown that, if HS2 was in operation in 2014, the Airport would have served 750,000 additional passengers that year and provided an extra economic boost of £52m GVA.

Birmingham Airport could be serving 50 million passengers a year by 2050. It is embarking on a process to explore possibilities for its future to meet growing aviation demand, support the economy and seize the opportunity presented by HS2. This is part of realising the Airport's vision of becoming the UK's first fully integrated airport, with seamless interchange between high-speed rail, rail, road, and other public transport solutions. The work being undertaken will feed into Birmingham Airport's next Master Plan, enabling businesses and communities to consider how to best boost the economy at the centre of the country and maximise the benefits of HS2.

East Midlands Airport served 4.6m passengers in 2016, and handled 325,000 tonnes of cargo. This generates £263m of annual GVA, with over 7000 staff working on the site. The airport has ambitious plans for growth and over the next two decades and expects to double the number of passengers carried and triple the amount of cargo handled. In addition to this growth the airport has plans to increase its real estate offer, securing significant investment and completing its existing Pegasus Business Park, this will also lead to further on-site job creation.

To deliver these ambitions the airport will need to attract new airlines, recruit from new labour markets and secure significant FDI. The airport is confident that it can deliver these improvements but needs to work with organisations such as Midlands Connect and LEPs to maximise the economic impact. The airport will need to be able to attract people from new labour markets in the wider Midlands, increase the number of people travelling to the airport by public transport and limit the impact of growth on local communities.

East Midlands is an important regional passenger airport but makes a unique contribution to the Midlands in its dual role, with its cargo activity being significant at a national and a European level.



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