

MUNICIPAL ENTERPRISE IN PURSUIT OF PROFIT: MANCHESTER AIRPORT 1945-78

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The establishment of the first aerodrome in Manchester was associated with the city's involvement in aircraft production immediately preceding and during the First World War¹. The aircraft under production by companies such as A.V. Roe required examination and equipping for operational purposes. In fact, the War Department built an Air Acceptance Park at Didsbury (Alexandra Park). Following the curtailment of aircraft production, this aerodrome was deleted from the list of service airfields in June 1920. Manchester Corporation sought to purchase this site from its original owner, Lord Egerton of Tatton; but he was unwilling to sell off the land to the city for flying purposes, so the aerodrome was closed down in 1924. By September 1928, the city council had appointed a special subcommittee to investigate the possibility of laying down another aerodrome. Within six months, the Corporation had produced detailed estimates of the cost involved in the provision of an airport at Chat Moss, and Barton Aerodrome opened in January 1930. Unfortunately, after only four years of operation, Barton was found to be inadequate for both technical and operational reasons. As a result, the City Surveyor considered land suitable for the siting of an additional airport facility in the Manchester area. The services of Messrs. Norman Muntz and Dawbarn Aeronautical Consultants were contracted to advise upon alternative locations. A site of 664 acres in the Parish of Ringway was recommended, and Nigel Norman suggested that on this site: "an aerodrome better than any in this country and second to none in Europe could be created".² Ringway Airport opened on 25 June 1938. Soon after, however, the outbreak of war caused all civil aviation to come to an abrupt halt. With the cessation of hostilities in 1945, the incoming Labour administration at Westminster sought to nationalise all the U.K. airports – a move which was resisted, successfully, by Manchester Corporation.

Throughout its history then, Manchester Airport has been under the ownership and control of local government. Municipalisation implies decision-making procedures which, potentially, could constrain commercial airport development. These include, above all, the division of responsibility between the policy-making and spending committees on the one hand, and the "treasury" committee on the other. In general, the primary emphasis governing the public finance of local authorities is accountability, and ensuring that information is available for those members and officials in charge of fund disbursement. The criterion against which those held responsible are judged is "legality": this imparts the necessary authority for expenditure, and is established through scrutiny of the budgetary process. A major consideration is to ensure sufficient income to meet all the agreed heads of expenditure during the year ahead.³ In contrast, opening and operating an airport offers the opportunity to earn a stream of profits – providing, of course, that the undertaking is run on strict commercial principles.

In this paper, we argue that municipal ownership – in the form of Manchester Corporation down to 1974, and thereafter a combination of the Corporation and the Greater Manchester County Council – pursued a development and financial policy which enabled it to compete successfully in an international trading environment. We set out the argument as follows. In the first section we examine revenue structures and pricing policy by considering the trans-Atlantic market, traffic and non-aeronautical sources of income and then charging practice. In the second section, we focus upon traffic flows. This is discussed chronologically and by theme, and culminates in the achievement of gateway status in 1978. Finally, we present some general conclusions.

Revenue Structures and Pricing Policy

Trans-Atlantic Ambitions

During the 1930s, the City of Manchester aspired to provide air communications with other large towns in the UK and the Continent. However, after the Second World War, the objectives regarding the role of the airport in the emerging international market were extended. Given the commercial and trading role of the city, it is not surprising that the Corporation should be convinced, at an early stage, of the potential market for air services. However, from the outset, the Corporation's ambitions extended beyond the city's boundaries. As far as the airport's immediate catchment area for trans-Atlantic traffic is concerned, the Corporation envisaged it extending from Stafford, Oswestry and Nottingham in the South, to Penrith and Durham in the North, and bounded by the east and west coasts. Manchester was regarded as the hub of a group of towns including Leeds, Bradford, Halifax, Huddersfield, Wakefield, Dewsbury, Sheffield, Stoke-on-Trent, Stafford, Chester, Crewe, Northwich, Warrington, Runcorn and Widnes, Liverpool, Birkenhead, Preston, Blackburn, Burnley, Salford, Altrincham, Bolton, Bury and Rochdale. As the bulk of the trans-Atlantic trade of this area passed through the ports of Liverpool and Manchester, it was felt that similar conditions would apply to Manchester Airport as a trans-Atlantic facility.⁴ The major objective of the Corporation was to provide 'adequate' facilities, which would increase the likelihood of capturing the more lucrative markets in trans-Atlantic and other international traffic. This, in turn, increased the revenue-earning potential of the airport.

In the 1950s, efforts were increasingly directed towards making Manchester a trans-Atlantic terminal with the ultimate intention of making it more convenient to interline at Manchester rather than London or Prestwick. As trans-Atlantic airports tended to be dependent for the greater part of their revenue on tourism, in order to maximise traffic, steps were taken to try to encourage US and Canadian airlines to operate through Manchester as most tourists preferred to travel by their national airlines or charters.⁵ For example, the Town Clerk corresponded with Trans-Canada



First scheduled Air France service to Paris from Ringway, 16 June 1946

Airlines of Montreal regarding the possibility of establishing a direct Canada-Manchester service.⁶ The encouragement of trans-Atlantic traffic represented an attempt to establish Manchester Airport as the second largest airport in Britain.⁷ In deciding in the 1950s to extend the main runway to 7,000 feet, the Airport Director had supported the project on the expectation that half the trans-Atlantic traffic at Prestwick would be attracted to Manchester and that a number of continental and North American airlines might transfer their operations. It was also asserted that much of the northern traffic could be attracted away from London.⁸

At the public enquiry into the proposed stopping up of roads to accommodate runway extension from 5,900 to 7,000 feet held in 1958, Manchester Corporation's air policy was stated unequivocally:

It is the policy of the City Council, who are the owners of the airport, to develop it so that it may attract and retain direct services to all parts of the world that are justified by the commercial and industrial importance of the densely populated area served by the airport.⁹

Development throughout the decade was geared towards providing facilities to cater for the largest aircraft of the time which operated on trans-Atlantic services, despite the incidence of surplus capacity. The primary object of extending the runway to 9,000 feet had been to allow Manchester Airport to take its place in the category of the largest airports by international standards, as laid down in Annex 14 to ICAO (International Civil Aviation Organisation) and by the Ministry of Aviation standards in "The Licensing of Aerodromes" (CAP 168).¹⁰

Revenue Potential

In principle, two major sources of revenue for airports may be identified. First, aeronautical or traffic-related income arises from charges levied on the airline per aircraft landing, per passenger handled and charges levied for the parking of aircraft on the apron. The second source, usually termed non-aeronautical or commercial revenue, may be generated from rents for office accommodation and other facilities, from recharges to tenants for the cleaning and heating of areas occupied, and from a variety of commercial outlets such as restaurants, banks, car parks or shops which may be let as concessions.¹¹

Because of the nature of charges levied at UK airports, the objective of securing trans-Atlantic and other international traffic at Manchester Airport has been significant in increasing the scale of activity. Although trans-Atlantic flights may have been few in comparison with total flights, they have been of disproportionate importance from the revenue point of view. The larger aircraft used on such routes have been liable for fees calculated on an "all-up weight" of aircraft basis – and quite irrespective of the number of seats occupied; and the surcharge for flights beyond Europe doubled the landing fee. The importance of trans-Atlantic traffic to Manchester Airport may be indicated by estimates prepared for 1962/3, which assumed that revenue from trans-Atlantic services would be about £250,000 or one-third of the total revenue accruing from landing fees, baggage handling and passenger service charges.¹² In addition to maximising the aeronautical revenue-earning potential of the airport, the promotion of international traffic also allowed revenue sources to be

diversified, with a greater proportion being generated by commercial outlets or concessions.

The potential for maximising non-aeronautical revenue is determined in large part by total airport passenger throughput. Non-aeronautical revenue per passenger increases because as traffic builds up the number of different types of concession activities that it is able to sustain rises – always provided that sufficient terminal space is made available to accommodate them.¹³ However, for any given throughput which an airport handles, the proportion of international passengers will clearly be significant in determining the potential for earning non-aeronautical revenues. International passengers generally spend longer in the terminal building and commercial areas, especially the duty-free facility; therefore commercial revenue per international passenger is much greater than the corresponding revenue from domestic passengers.¹⁴

Several distinct stages of airport revenue development may be identified. For a small airport with low passenger throughput attempting to attract air services, income from rents may be modest because of relatively low levels of demand; nevertheless, in terms of the proportion of non-aeronautical income deriving from this source, the

Table 1: Income from rents and concessions as a percentage of total income – Manchester Airport

Year	Income from Rents	Total	as a %
1946/7	10,502	16,236	65
1947/8	10,454	31,616	33
1948/9	15,730	38,560	41
1949/50	15,385	49,338	31
1950/1	16,482	54,394	30
1951/2	18,177	62,584	29
1952/3	26,599	92,065	29
1953/4	32,105	112,381	29
1954/5	16,317	140,261	12
1955/6	23,836	172,974	14
1956/7	36,945	216,982	17
1957/8	50,000	312,702	16
1958/9	38,789	378,332	10
1959/60	35,714	472,188	8
1960/1	36,660	551,999	7
1961/2	69,726	841,457	8
1962/3	152,579	1,030,616	15
1963/4	229,152	1,194,664	19
1964/5	251,283	1,294,165	19
1965/6	266,972	1,506,177	18
1966/7	308,535	1,773,641	17
1967/8	385,286	1,950,914	20
1968/9	493,650	2,196,013	24
1969/70	596,880	2,501,286	26
1970/1	800,481	3,110,973	25
1971/2	956,920	3,869,582	25
1972/3	1,162,092	4,380,687	27
1973/4	1,353,179	5,113,513	26
1974/5	1,612,605	5,677,009	28
1975/6	2,098,461	7,878,775	27
1976/7	2,786,902	9,913,315	28
1977/8	3,169,105	14,471,823	22
1978/9	4,306,000	18,434,000	23

Notes: In calculating total income for this purpose, the following items have been excluded as distortions to the analysis of income from rents and concessions as a proportion of operational income:

- (1) Miscellaneous income and interest
- (2) Revenue grant/Government grant
- (3) Fees for navigation service charge collection

Source: Compiled from statistics in:

- (1) City of Manchester, Abstract of Accounts 1946/7-1973/4 and Estimates 1965/6-1973/4
- (2) CIPFA Financial Costs and Statistics of Local Authority Airports 1977/8; Accounts and Statistics of Local Authority Airports 1978/9 1981/2
- (3) GMC Abstract of Accounts year ended 31.3.1975, 1976, 1977 and 1978.
- (4) Annual Reports of MIAA

contribution may be relatively high as any regular air service requires a complement of basic services which are not divisible, such as offices, maintenance areas, stores.¹⁵ Secondly, a small airport will have few – if any – concessions and they will be only partially developed; thus airport revenues will be dominated by aeronautical sources. At a level of about 200,000 to 500,000 terminal passengers per year, greater pressure will be exerted on terminal space so rents will be more commercially related. There can be further scope for the development of some concessions, and at this level of throughput, approximately 15-20 per cent of revenue can accrue from non-aeronautical sources. However, if an airport remains primarily a domestic facility, it is unlikely that further development will take occur.¹⁶

With the encouragement of international traffic, the Airport Committee achieved the diversification of revenue sources which was capable of sustaining future growth and development. An examination of Table 1 suggests that up to the mid-1950s, the characteristics of the "small" airport were displayed, where a relatively high proportion of income was derived from non-aeronautical sources largely in the form of rents. With the opening of the new terminal building in 1962, however, a gradual rise in the proportion of revenue accruing from non-aeronautical sources is discernible and this was then reinforced by the extension to the terminal building completed in 1974. Table 2 provides further evidence to support our contention that with the growth and development of airport facilities came a diversification of income sources; indeed the proportion of revenue deriving from aeronautical sources declined sharply after 1962/63.

Table 2: Aeronautical revenue as a percentage of total income – Manchester Airport

Year	Aeronautical Revenue	Total	as a %
1946/7	4,605	16,236	28
1947/8	18,209	31,616	58
1948/9	21,055	38,560	55
1949/50	32,394	49,338	66
1950/1	35,949	54,394	66
1951/2	41,401	62,584	66
1952/3	62,696	92,065	68
1953/4	78,834	112,381	70
1954/5	98,649	140,261	70
1955/6	117,542	172,974	68
1956/7	148,937	216,982	69
1957/8	230,851	312,702	74
1958/9	313,364	378,332	83
1959/60	412,708	472,188	87
1960/1	476,624	551,999	86
1961/2	720,027	841,457	86
1962/3	789,506	1,030,616	77
1963/4	855,518	1,194,664	72
1964/5	922,554	1,294,165	71
1965/6	1,060,035	1,506,177	70
1966/7	1,235,350	1,773,641	70
1967/8	1,295,090	1,950,914	66
1968/9	1,395,507	2,196,013	64
1969/70	1,540,593	2,501,286	62
1970/1	1,882,293	3,110,973	61
1971/2	2,428,792	3,869,582	63
1972/3	2,651,584	4,380,687	61
1973/4	3,028,604	5,113,513	59
1974/5	2,942,095	5,677,008	52
1975/6	4,507,992	7,878,775	57
1976/7	5,725,983	9,913,315	58
1977/8	9,216,626	14,471,823	64
1978/9	11,846,000	18,434,000	64
1979/80	13,211,000	21,944,000	60

Source: As for Table 1

The need to compete with other airports to capture and retain air services translated into a development policy which ensured that the financial structures necessary to sustain future growth would evolve.

It is difficult to measure the financial performance of, and draw comparisons between airports, given the diversity of organisation and operation. Only general indications can be drawn safely from the data available. First, in the period prior to 1960, regional airport operation was characterised by financial deficits largely reflecting the indivisibilities of airport operation. The era of intensified competition beginning in the early 1960s, coupled with an increasing tendency towards concentration of activity at the London airports, only exacerbated financial difficulties for the rest of the UK. However, Manchester Airport recorded its first net surplus (£12,578) in 1957/58. The accrual of surpluses continued to 1973/74, reaching just over £800,000. In the following year, however, there was a setback to this trend of growth: a deficit of about half-a-million pounds was recorded as a result of the first oil crisis. Subsequently, recovery was rapid so that by 1978 the surplus amounted to nearly one million pounds.¹⁷ It is significant that whilst maintaining surpluses the municipal owners of Manchester Airport exercised caution in determining the level of aeronautical charges and remained conscious of what "the traffic would bear".

Charging Practice: What Airlines will Pay

In the post-war years, the owners of Manchester Airport exercised judgement in considering the recommendations of the AOA (Aerodrome Owners' Association) and did not necessarily adhere strictly to the recommendations of this body. For example, with respect to fees for night landing, the AOA schedule for 1948 had provided that the fee for night landing should be the normal daytime charge, although an element of flexibility was introduced in that the aerodrome owner was free to make further charges at night (or at any other time) for the provision and operation of aerodrome lighting and other night flying activities. At that time the practice at Manchester had been to charge a night landing fee double the normal daytime fee and, in considering the recommendations of the AOA, this position had been modified, but only to the degree that the excess charge was amended to 50 per cent over and above the normal daytime charge for night landings.¹⁸

During the 1950s, although not obliged to do so, the Airport Committee moved increasingly towards the application of landing fees and other charges in operation at state aerodromes; clearly they regarded these larger aerodromes as their major competitors for traffic. When the Ministry of Aviation introduced the Passenger Service Charge in 1952, Manchester followed suit by levying a charge of five shillings per passenger departing on international flights. At the same time, the surcharge on the landing fees for heavy intercontinental traffic was increased from 50 to 100 per cent, again keeping charges in line with state aerodromes.¹⁹ In respect of short-haul rebates, Manchester adopted an 80 per cent rebate for stages of scheduled flights no greater than 45 statute miles; 70 per cent for stages greater than 45 but not greater than 80 miles; and 55 per cent for stages of more than 80 miles but less than 115 miles. It should be noted that these levies were in accordance with the Ministry's level of rebates. In contrast, the optional rebates recommended by the AOA were less, being 70, 50 and 33 per cent respectively. In this sense, Manchester offered similar incentives to domestic traffic as those offered by the state-owned aerodromes.²⁰

During the 1960s and 1970s, the basic objective of the municipal custodians of the airport remained the extension of direct air services overseas, whilst ensuring that the financial security of the airport should not be placed in jeopardy. The overriding principle applied was that the financial structure had to sustain investments which appeared to be necessary to the airport's total development. Whilst many local authorities believed that traffic would bear only a modest level of charges and, therefore, the only way to attract traffic was to offer financial incentives, the Manchester International Airport Authority and its predecessor, the Airport Committee, contended that if such incentives became a permanent feature of an airport's financial structure, their withdrawal at any time would cause traffic to disappear.²¹ This does not mean that Manchester wholly rejected financial incentives, but that discrimination was exercised in their application.

For example, concessions had been granted in the early 1970s to British Airways, to operate new routes from Manchester to Geneva, to Munich, to Nicosia and to Milan. After operating the first two services with a 50 per cent reduction in landing fees for two years, the passenger load factors were found to be only 21.1 per cent and 22.5 per cent respectively, and although British Airways had wanted the concessions to be granted for a further period the Airport Authority decided not to extend the concession, judging it to be unwise to continue concessions on routes which showed no immediate sign of profitability.²²

Within a year of the oil crisis of 1973 many regional airports were suffering from the effects of attendant price increases and cut-backs of air services. Then in September 1976, JOCOLA (the Joint Airports Committee of Local Authorities) considered five alternative formulae for increasing revenue in real terms on the basis of a five-year programme. Proposals put forward by Manchester Airport were accepted as the most effective method of equating revenue with costs in the future. Thus, from 1 April 1977, most regional airports in the UK embarked upon a five-year plan for increasing charges in real terms and, in the same year, the principle of standardising on charges was reinforced by the coming together of JACOLA and the AOA to create the Joint Airport Charges Committee (JACC).²³

With respect to its place in the scheme, by the 1970s Manchester Airport was in a much more favourable financial position than its counterparts so in applying it several considerations had to be taken into account. First, regarding its competitive position with the London airports, the fact that charges levied at Heathrow, Gatwick and Stansted owned by the British Airports Authority were generally lower than at the provincial airports had to be borne in mind. Manchester was in a position to adopt charges below those recommended by JACC, which would then place the airport in a more competitive position than, for example, East Midlands, Birmingham, Leeds/Bradford and Liverpool. However, another consideration was the heavy demands placed upon the Runway Renewals Fund and the General Reserve Fund over the following years.²⁴ Whilst making provision for future development, the authority was open to the criticism that it had adopted the common charging structure purely as a means of amassing substantial profits. Its pre-eminent provincial position could have been threatened if the major airlines had been able to point to indications that a monopoly pricing policy was 'fleecing' air travellers for the benefit of Manchester rate-payers. In such circumstances, airports like Birmingham, East

Midlands, Liverpool and Leeds/Bradford could have modified charges by providing a temporary rate subsidy in the hope of gaining a substantial increase in diversion of traffic away from Manchester.²⁵ Following a reference to the Office of Fair Trading, the JACC was disbanded in 1981. However, during the period of operation of the JACC scheme for the planned development of charges, the Manchester International Airport Authority was able to increase the level of passenger load supplement by 46 per cent and the basic landing fees by 11 per cent (in real terms).²⁶

In demonstrating an awareness that the financial needs of the airport had to be balanced against the needs of the airline companies, and rejecting the opportunity for possible gain from the adoption of a monopoly pricing policy during the period of the JACC development plan, reasonably good relations were maintained with the airlines. These had been convinced that by adopting staged increases in charges the Airport Authority was only trying to provide contributions to the renewal funds and reserves for asset replacement and obtain a reasonable rate of return to the parent authorities.²⁷ Data provided in Table 2 tends to support the argument that Manchester Airport did not use its prominent market position to charge monopoly prices to airport users. In the absence of the ability to earn substantial revenues from concessions prior to 1961, aeronautical revenues constituted an increasing proportion of total revenue. This began to fall in subsequent years and, although the proportion of income derived from aeronautical revenue increased during the period of the JACC charging scheme (1977/78 to 1980/81), the increase was only marginal. The Table indicates that in fact the proportion of revenue derived from aeronautical sources tended to be cyclical, suggesting a firmer relationship with the development of traffic and the investment cycle rather than any specific monopoly pricing policy.

The Build-up and Consolidation of Traffic

Aftermath of World War Two

The scale of the British effort in civil aviation from 1 August 1946 – when wartime restrictions on the flight of civil aircraft were revoked – may be gauged by the fact that within seven months not only were civil air services resumed between the United Kingdom and nine European capitals (Paris, Oslo, Stockholm, Copenhagen, Brussels, Amsterdam, Rome, Athens and Helsinki) and between the UK and New York, but also the first regular British service to South America was inaugurated.²⁸ The rapid resumption of activity and the large demand for services which the experience of the war years engendered are reflected at Manchester. In the 14 months October 1946 to November 1947, the airport handled 33,022 passengers, compared with 7,625 passengers in the 14 months to August 1949. Whereas, in the pre-war era, the only continental airline operating out of Manchester had been KLM, a number of foreign airlines were now regularly using the airport, including KLM, Aer Lingus, Air France and COBETA, the Belgian airline.²⁹

The total passenger traffic handled at Manchester Airport increased by 119 per cent between 1949 and 1953, existing routes became more popular and new routes were introduced. However, as Table 3 indicates, increases were obviously more pronounced for some routes than others. As far as domestic traffic is concerned, much of the expansion was due to the increased popularity of services to holiday destinations such as the Isle of Man and the Channel Islands as new operators introduced larger, more comfortable aircraft, whilst at the same time increasing the

Table 3: Number of passengers carried on principal routes from Ringway Airport. 1949-1953

DOMESTIC ROUTES	1949	1950	1951	1952	1953
Belfast	13,194	15,623	19,057	23,945	26,139
Isle of Man	15,071	16,359	13,319	19,893	23,430
Channel Islands	1,239	4,008	4,450	10,023	14,453
Liverpool	5,976	779	599	307	165
Exeter		93			
Bournemouth		278	453		
Newquay		122	449		
London		1,181		12,274	28,131
Glasgow	212	849	10	1,810	10,841
Edinburgh				1,613	666
INTERNATIONAL	1949	1950	1951	1952	1953
Dublin	27,830	27,694	36,554	41,498	44,149
Amsterdam	6,270	6,277	8,614	9,672	12,600
Brussels/Ostend	2,187	2,206	3,400	3,928	5,512
Paris	7,439	8,066	11,632	1,866	13,529
Zurich	4,050	3,073	5,488	4,036	7,665
Dinard		535	722	664	394
Dusseldorf				1,015	2,346
New York					265

Source: Ringway Airport, *Estimates of Passenger Traffic and Aircraft Movements 1954-63*, 15 February 1954, W. Barker, B. Com., AIMTA, Assistant Treasurer, and G. Bardsley, Dip. Arch. (Manchester), ARIBA, Senior Assistant Architect.

frequency of service. Similar factors applied in the expansion by BEA (British European Airways) of the London route. As far as international travel is concerned, Manchester-Dublin was the most popular. Finally, the more important continental routes registered growth rates of between 82 and 133 per cent.

International Transit Airport

The growth of passenger throughput in the early post-war years was greater at Manchester than for the country as a whole (see Table 4). This larger share of the civil air transport market reflected, in part, Manchester's increasing use as a 'transit' airport. In 1951, 5,963 transit passengers passed through the airport compared with 14,818 two years later. An additional factor in explaining growth was the expanding catchment area. Following the end of hostilities, close business links were established between the industrial units of the North-West and West Riding and those of the USA and Canada. Much development on the Trafford Park Industrial Estate, for example, involved American and Canadian interests. As many companies based their offices in Manchester, directorate and managerial staff resided in North Cheshire thereby creating wealthy residential areas around Bowdon, Hale, Hale Barns, Knutsford, Prestbury, Wilmslow, Alderley Edge, Cheadle and Handforth.³⁰

Table 4: Manchester's share of the UK market and the UK excluding London, 1951-1955

Year	Terminal Passengers		Total Passengers	
	%UK	%UK exc.London	%UK	%UK exc.London
1951	4.4	12.2	4.4	11.4
1952	5.2	13.9	5.4	13.3
1953	5.7	14.6	5.7	13.4
1954	5.9	14.7	6.1	14.1
1955	6.1	15.1	6.4	14.7

Source: Ministry of Civil Aviation, *Summary of Activities at Aerodromes in the UK and the Channel Islands, 1952, 1953, 1954, 1955*

The first trans-Atlantic service was introduced by Sabena on 28 October 1953, operating between Brussels, Manchester and New York. Over the next three years, trans-Atlantic services expanded, with BOAC commencing a route between London, Manchester, Prestwick and New York, and Lufthansa inaugurating new services to Montreal and Chicago. In addition, North American traffic was swollen by a large increase in emigrants, the introduction of the 'air coach holiday' and the movements of US military forces and their families into and out of the UK and Europe. The introduction and expansion of these services began to set Manchester apart from airports of comparable size, such as Belfast and Glasgow, and placed it in the same category as the larger Prestwick in Scotland.

Between 1957-1961, terminal passengers on trans-Atlantic flights increased by 126 per cent (from 11,907 to 26,903). However, despite this growth in traffic, existing services were under-subscribed. For example, in 1961, BOAC (British Overseas Airways Corporation) aircraft calling at Manchester had a capacity of about 100,000 seats but only 22,000 were actually taken up. The problem in maximising throughput was that some of the trans-Atlantic traffic arising from the home catchment area was carried through the London 'gateway', largely because the capital offered more daily flights to a number of American destinations without the need to interline at New York. Data supplied by BEA suggested that about 6,000 passengers a year to and from Manchester interlined on trans-Atlantic routes, while others, 3,000 or so, travelled direct by road or by train to London. Clearly the diversion of traffic from Manchester Airport was a problem. Nevertheless, these trans-Atlantic services differentiated the airport from its provincial competitors, suggesting a new era of stiff competition with the London airports.³¹ By September 1961, more than 25 international passenger routes operated on a regular basis from Manchester. The proportion of passengers on international routes doubled from approximately 25 to 50 per cent by 1972.³² A comprehensive network of all-year international scheduled services was well established serving a number of destinations by the end of the decade.³³

Shrinking Domestic Market

Changing market conditions in the domestic sector had important implications for the growth potential of UK airports. Domestic traffic stagnated in each of the five years from 1965-70, and rates of growth in domestic terminal passengers were lower than those of total UK passengers.³⁴ Domestic traffic at Manchester Airport was affected adversely by the electrification of the London to Liverpool/Manchester route (completed in April 1966) which saved one hour on journey time.³⁵ As a result, the throughput of passengers at Manchester Airport was seriously curtailed. BEA's Annual Report for 1966-67 showed the London-Manchester traffic falling back by a fifth in the six summer months of 1966, as compared with the same period in 1965. Within two years a recovery is in evidence.³⁶ The rising proportion of jet aircraft probably regained some traffic, but a further contributory factor was the increasing use of Manchester as an interlining airport. A Board of Trade survey carried out in 1968 suggested that these passengers accounted for just under half of the total using the air service from Manchester to London. The London route was still dominant in 1970 constituting one of the airport's primary destinations (carrying more than 90,000 terminal passengers). However, its relative importance had changed. In 1961, it contributed one-third of the airport's total scheduled passengers, increasing to 41.8 per cent by 1965. Five years later, as the airport sustained an increase in traffic on non-domestic scheduled routes, this was reduced to 28 per cent.³⁷

A Rising New Market Opportunity

The concept of the 'Inclusive Tour' (IT) had been established in the 1950s, but by 1968 growth had been so rapid that passenger levels were 20 times greater than a decade earlier. This expansion was principally the result of technological change in reducing air fares and enhanced the ability in carrying a larger numbers of passengers.³⁸ While this new market offered fresh opportunities for expansion, it was (and remains to this day) particularly volatile, because short-term fluctuations in economic



The Terminal Building, Manchester Airport, 1949.

Table 5: Manchester Airport terminal passengers – inclusive tour 1963-1982

Year	% Increase on Previous Year
1963*	
1964	+36.4
1965	+16.9
1966	+17.5
1967	+36.3
1968	+28.9
1969	+28.8
1970	+34.4
1971	+56.1
1972	+22.8
1973	+10.7
1974	-21.9
1975	+22.1
1976	+7.1
1977	+2.0
1978	+29.0
1979	+2.4
1980	+34.5
1981	+22.06
1982	+13.2

Note: *First year in which IT is recorded as a separate item

Source: Annual Summaries of Traffic Statistics, Manchester Airport (MA PLC Archive)

conditions have a disproportionate effect on holiday purchasing patterns. Furthermore, the total volume of personal travel is strongly influenced by the general economic cycle. Such characteristics are evident in the IT market during the 1960s, when very high growth rates were recorded in the period 1962-66, but trends were reversed in the following years (see Table 5). Given such fluctuations, long-term viability can only be sustained with the development of scheduled air services which provide a counter-cyclical influence.³⁹ As the market for civil air transport altered, there was a growing need to diversify into new sectors and so develop a wider traffic mix. Whilst Manchester made relative gains in both the domestic and international scheduled markets, the greatest growth was recorded in the IT market. Whilst total terminal passengers more than doubled from 1963 (1,117,774) to 1972 (2,350,656), throughput on IT increased more than tenfold (from 91,655 in 1963 to 999,814 in 1972). By the late 1960s, Manchester Airport served a wide range of IT destinations.⁴⁰ All the major UK tour operators including Clarksons, Global, Blue Sky, Sunair, Lyons and Wallace Arnold offered direct flights from Manchester Airport. Of the top eleven IT charter operators, Lunn Poly was the exception in not offering direct flights. The most significant growth occurred on the holiday routes to Spain, especially Palma. In 1970 traffic was more than three times that of its nearest rival, Amsterdam, and five of the top six routes were holiday destinations, compared with only one in 1961. The airport had achieved a broad traffic mix, capturing a substantial share of the growing IT market and supplementing holiday routes with the less volatile international and domestic scheduled routes.⁴¹

A Gateway Airport

By the early 1970s, Manchester Airport had reached a scale of activity and diversification which limited the impact of economic recession on traffic potential. This process had been supported by the provision of facilities ahead of demand, encouraging airlines to concentrate regional activity at the airport. For example, in 1974, terminal passenger throughput declined to 2,231,600 from a figure of 2,574,214 in the previous year. This represented the first fall in the

number of passengers handled since 1947. However, in 1974, passenger throughput exceeded the 1973 level (the airport handled 2,579,700 terminal passengers). At other regional airports such as Liverpool and Belfast, the recession deepened in subsequent years and, although others like Birmingham registered some immediate recovery, the 1973 level of throughput was not exceeded for several more years.⁴²

A White Paper, *Airport Policy*, Cmnd. 7048 (1978), recognised that there was a greater role for regional airports to fulfil. Taking account of the catchment area potential in the Central England and Northern area, including the North West, and the major conurbations of Merseyside, Yorkshire and Birmingham, Manchester Airport was designated a Category 'A' international gateway airport and the principal airport outside the South East supporting a wide range and frequency of international and inter-continental air services. This categorisation only reflected the status which had already been achieved by 1978 with Manchester operating a wide range of services to Europe and North America.

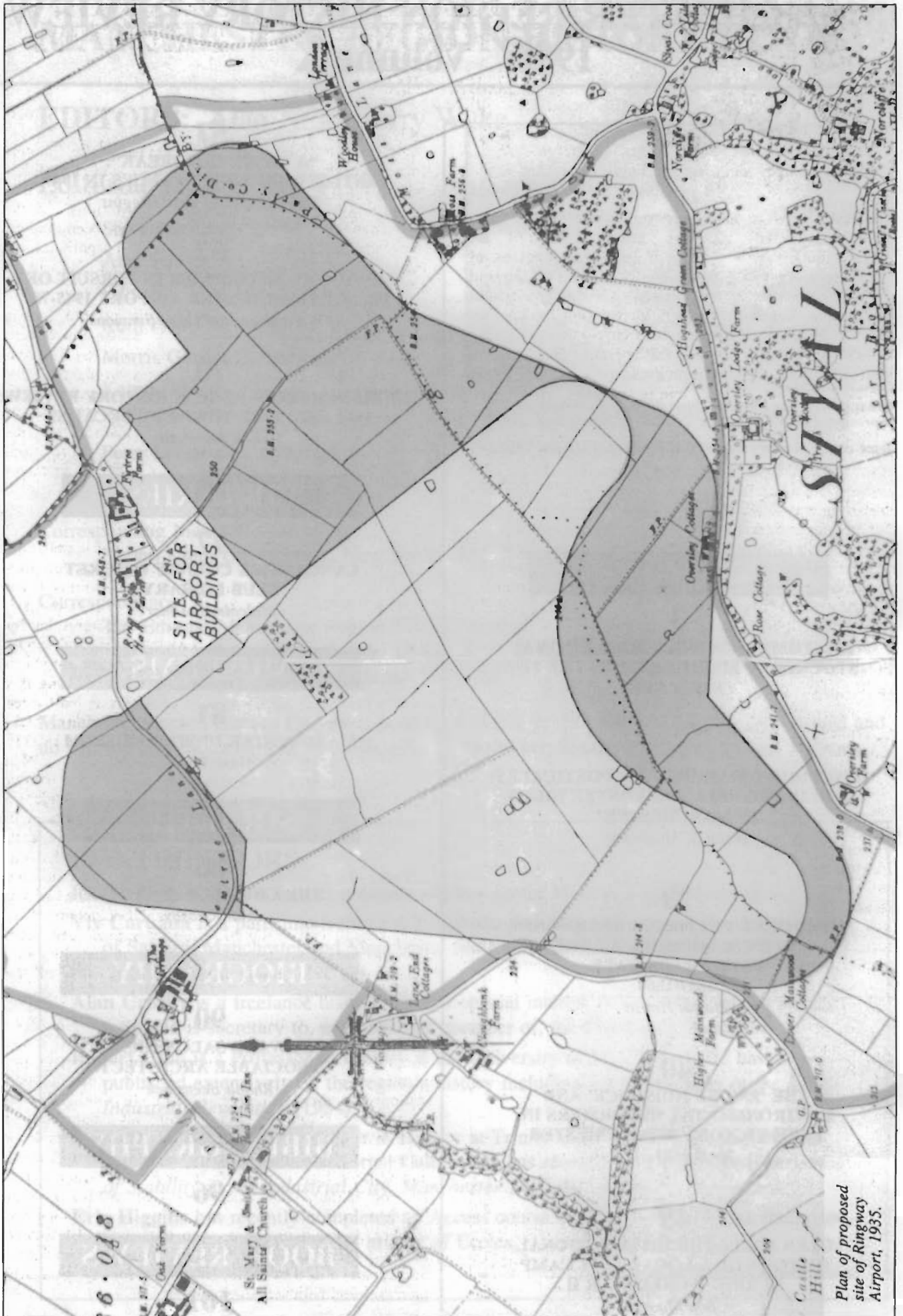
Concluding Observations

In this paper we have argued that the owners of Manchester Airport, convinced of the potential for the development of air services from the city, adopted what might best be described as a "progressive policy" towards airport development. An awareness of the need to compete with other airports for traffic is also apparent, but priority was given to the development of facilities to attract and retain air services rather than offering financial incentives which could well have threatened the financial stability of the airport in the long-term. The municipal owners of Manchester Airport successfully consolidated its financial position at an early stage, diversifying revenue sources, and this made an important contribution to relative market domination in the 1960s. In respect of aeronautical charges, it is significant that whilst applying the same principles pursued elsewhere in the UK, Manchester effectively adopted pricing structures to suit their own objectives rather than just following the norm. An awareness of the need to compete with the state aerodromes for the market has been a constant feature of the charging policy adopted at Manchester Airport, and this has been complemented by a rejection of the widespread use of incentives to attract traffic. It is clear that by the 1970s, with consolidation of the market position, Manchester was in a position to undercut its regional competitors, and generally this was the policy pursued rather than attempting to abuse potential monopoly power over pricing.

In the immediate post-war years Manchester increased its share of the growing UK market. Developing continental and trans-Atlantic air services set Manchester apart from its provincial competitors. During the 1960s, the momentum was sustained by the successful adjustment to changed market conditions and the extension of the natural catchment area – both of which made decisive contributions to the intensification of air services. Although the arrival of the IT market offered the prospect of growth at regional airports, in the face of increased concentration of scheduled air services at a small number of the larger airports, Manchester took the lion's share of the regional traffic. In an era of competition between UK airports Manchester's scale of operation increased substantially, and this aided the recovery from the recession of the mid-1970s. All in all the municipal enterprise had developed and prospered in an increasingly competitive market.

NOTES

- 1 For details of the historical evolution of Manchester Airport, see V.M. Williams, "Municipal Enterprise: The Growth and Development of Manchester Airport c.1910-1978", unpublished Ph.D. thesis, University of Salford, 1991, Chapter 2.
- 2 Memorandum of a Conference at the Air Ministry, Gwydyr House, Whitehall, London, 10.4.1934 (MA PLC Archive).
- 3 For considered discussion of financial issues, see the papers in *Local Government Finance* by A.H. Marshall, "National Finance and Local Spending" and R.W. Wallis, "A Critique of Financial Administration in English Local Government", Vol.69 No.4 (April and No.6 (June) 1965. For questions of personnel, see A. Fowler, *Personnel Management in Local Government*, 2nd ed., I.P.M., London, 1980, pp.14f.
- 4 Manchester Airport, Manchester Airport's Potentialities as a Trans-Oceanic Air Terminal, December 1957 (MA PLC Archive).
- 5 Manchester City Council, Airport Committee, 14 February 1963, Survey of Trans-Atlantic Traffic at Manchester Airport, W. Barker, Town Hall (MA PLC Archive).
- 6 Manchester City Council, Airport Committee, 3 June 1954, Town Clerk's Report to the Airport Committee: Trans-Atlantic Services Via Manchester Airport and reference within to correspondence from Mr. G.R. McGregor, OBE, DFC, President of Trans-Canada Airlines, Montreal (MA PLC Archive).
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- 9 Public Inquiry into the proposed stopping-up of lengths of two roads adjoining Manchester Airport in the County of Chester to enable Manchester Corporation to develop the land for civil aviation purposes. Local Inquiry to be held in the Town Hall, Manchester, on 4 December 1958, before Sir Maurice Holmes, GBE, KCB, Barrister-at-Law, appointed by the Minister of Transport and Civil Aviation, Brief for the Corporation (MA PLC Archive).
- 10 Application for planning permission to develop land at Manchester Airport by an extension of the main runway and ancillary works, permanent diversion of Wilmslow Altrincham Road (A538) and Mill Lane (2) The City of Manchester (Airport Extension) No.3 CPO, 1964. Public Local Inquiry into objections to the above planning permission and CPO to be held in the Town Hall, Manchester, 23 February 1965 By Mr. R.F.F. Williams, GM, AMI, Min.E, MTPI appointed by the Minister of Health and Local Government and the Minister of Aviation, Brief for the Corporation (MA PLC Archive).
- 11 Doganis, R. "Shopping for Profits" *Airline Business*, September 1988.
- 12 Airport Committee, Manchester Corporation, Survey of Trans-Atlantic Traffic at Manchester Airport, 14 February 1963 (MA PLC Archive).
- 13 Doganis, R., *op.cit.*, 1985.
- 14 Myers, A.G., *The Role of Aeronautical and Non-Aeronautical Revenues, Airport Economics and Finance*, Short Course, Polytechnic of Central London.
- 15 Bell, M. "The Generation of Non-Aeronautical Revenues", Papers delivered to the First Symposium on Airport Economics, Polytechnic of Central London, 1977.
- 16 Myers, A.G., *op.cit.*
- 17 Financial details may be derived (in current prices) from: City of Manchester, *Abstract of Accounts 1946/47-1973/75*; Chartered Institute of Public Finance and Accountancy, *Financial Costs and Statistics of Local Authority Airports 1977/78*; GMC *Abstract of Accounts* for years ending 1975-78; and *Annual Reports* of the Manchester International Airport Authority. We should note that all of our calculations take into consideration debt charges, expenditure out of the rate levied for capital purposes, revenue contributions to capital outlay, taxation and interest on investment.
- 18 Report of Acting Airport Manager to the Aerodrome Special Committee, City of Manchester, Aerodrome Fees and Charges, Barton and Ringway Airports, 11 March 1948 (MA PLC Archive).
- 19 Memorandum in connection with a meeting at Birmingham Airport on 27 January 1964. Aerodrome Charges (City of Manchester, Treasurer's Department) (MA PLC Archive).
- 20 Existing Ministry of Aviation and Aerodrome Owners' Association Landing Fees, effective from 1 April 1961 (MA PLC Archive).
- 21 Bowers, Charles J., A Case Study of the Finances of British Airports, Airports International, Course on Airport Financial Planning, 24-28 November 1975.
- 22 Manchester Airport Joint Committee, 26 July 1974, Appendix 8, Airport Director's Report to the Airport Committee, British Airways Landing Fee Concessions (MA PLC Archive).
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- 31 Barker, W. (1963) Survey of Transatlantic Traffic at Manchester Airport, City of Manchester, Airport Committee, 14 February (MA PLC Archive).
- 32 Scott, Wilson, Kirkpatrick and Partners (1971) Liverpool City Council, Liverpool Airport Market Research Study Vol.I, Economic Intelligence Unit Ltd., London (May), p.61.
- 33 The network included Berlin, Brussels, Copenhagen, Cork, Dusseldorf, Amsterdam, Dublin, Frankfurt, Madrid, Milan, Montreal, New York, Paris, Rome, Rotterdam, Tel Aviv, Toronto, the West Indies and Zurich. For details see the North West of England Advisory Committee for Civil Aviation, Annual Report(s) 1968-69 and 1969-70 issued to the Secretary, Regional Advisory Committee for Civil Aviation, Liverpool, December 1969 and March 1971 respectively.
- 34 Scott, Wilson, Kirkpatrick and Partners, 1971, *op.cit.*, p.30.
- 35 *ibid.*, pp.65-72
- 36 Manchester Airport, Annual Summary of Traffic Statistics 1968 (MA PLC Archive).
- 37 Scott, Wilson, Kirkpatrick and Partners, 1971, *op.cit.*, pp.58, 60.
- 38 Board of Trade (1969) Civil Aviation Policy, Cmnd.4213, HMSO, London (November); and Childs, E.H. (1968) Manchester Airport Passenger Traffic Forecast, Manchester Town Hall (February).
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- 40 IT routes included Alicante, Barcelona, Basle, Bargas, Dubrovnik, Gerona, Ibiza, Lisbon, Ljubljana, Luxemburg, Mahon, Malaga, Milan, Munich, Ostend, Palma, Pula, Rimini, Split, Tenerife, Tunis, Valencia, Varna and Venice. New destinations such as Naples, Rome, Tarbes and Zurich were introduced in the late 1970s. See the North West of England Advisory Committee for Civil Aviation, Annual Report 1968/69, pp.4-6 and 1969-70, p.5.
- 41 Annual Summaries of Traffic Statistics, *op.cit.*, 1963-78.
- 42 The deepening recession at other regional airports and the slow rate of recovery at Birmingham is confirmed by national statistics published by the Civil Aviation Authority.



Plan of proposed site of Ringway Airport, 1935.