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SECTION 77 TOWN AND COUNTRY PLANNING ACT 1990 – REFERENCE OF APPLICATIONS TO THE SECRETARY OF STATE FOR COMMUNITIES AND LOCAL GOVERNMENT

TOWN AND COUNTRY PLANNING (INQUIRIES PROCEDURE) (ENGLAND) RULES 2000

**PROOF OF EVIDENCE OF LOUISE CONGDON  
BA (Soc Sci), MTD**

**SOCIO-ECONOMIC CASE**

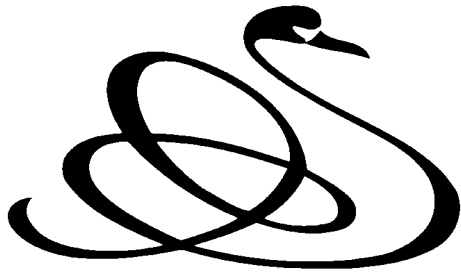
In respect of:

Planning Application Reference: Y06/1647/SH (New Terminal Building)

Planning Application Reference: Y06/1648/SH (Runway Extension)

relating to land at London Ashford Airport, Lydd, Romney Marsh, Kent, TN29 9QL





**York Aviation**

**Originated by: Louise Congdon**

**Dated: 20<sup>th</sup> December 2010**

**Reviewed by: Richard Kaberry**

**Dated: 21<sup>st</sup> December 2010**

**DEVELOPMENT OF A PASSENGER TERMINAL, A RUNWAY  
EXTENSION AND IMPROVED ACCESS ARRANGEMENTS AT  
LYDD AIRPORT, ROMNEY MARSH, KENT**

**SOCIO-ECONOMIC CASE**

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## 1 PROFESSIONAL QUALIFICATIONS AND EXPERIENCE

- 1.1 I am Louise Congdon, Managing Partner of York Aviation LLP, a specialist air transport consultancy. I am a graduate of Sheffield University in Geography, 1974, and a Master of Transport Design of Liverpool University, 1976.
- 1.2 I have worked in the air transport industry for over 34 years, including with the Civil Aviation Authority, West Midlands County Council (Birmingham Airport) and Manchester Airport Group. I formed York Aviation LLP, part of the York Consulting Group, in September 2002. York Aviation LLP is the leading UK consultancy in respect of the economic impact of airports, working both in the UK, Europe and overseas, and was responsible for industry guidance on the topic as set out in ACI<sup>1</sup> EUROPE's "*The Social and Economic Impact of Airports in Europe*", published in 2004<sup>2</sup>.
- 1.3 I have undertaken market demand and/or socio-economic assessments for many airports over the last 8 years, including Birmingham Airport, London City Airport, Stansted Airport, London Luton Airport, City of Derry Airport, Carlisle Airport, Plymouth Airport, Guernsey Airport, Norwich Airport, Southend Airport, Lyons Airport and Amsterdam Airport.
- 1.4 I have given evidence on market demand and the need for airport development at a number of public inquiries, including those relating to the Second Runway at Manchester Airport, development at Liverpool Airport, the development of Robin Hood Airport Doncaster Sheffield, Stansted Airport Generation 1, as well as evidence in relation to airport economic benefits at inquiries into Farnborough Airport and Elvington Aerodrome. I attach my curriculum vitae at **Appendix A**.

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<sup>1</sup> Airports Council International – the trade body for airport operators.

<sup>2</sup> CD11.13

## 2 BACKGROUND, SCOPE OF EVIDENCE AND APPOINTMENT

2.1 My Proof of Evidence covers the aviation and socio-economic need for the developments which are the subject of the Applications and is submitted on behalf of London Ashford Airport Limited (the Applicant). These developments comprise an extension to the runway and a new terminal at the Airport.

2.2 I was appointed to prepare this evidence in October 2010. I was not previously involved in the preparation of the Environmental Statement (ES). I have reviewed the ES and supplementary documents submitted in respect of the socio-economic benefits of the Applications. I agree with the broad principles of the socio-economic evidence that was set out in the ES and supplementary information, including the nature of the benefits deriving from the Applications. I have, nonetheless, reviewed the socio-economic position from first principles in preparing my evidence. I deal with the impact of the proposed developments in aggregate and individually in this Proof of Evidence.

2.3 My evidence will cover:

- The aviation and economic policy context (Section 3);
- Current operations at the Airport (Section 4);
- The market for the Airport (Section 5);
- The impact of the development pursuant to the Applications (Section 6);
- Conclusions (Section 7).

2.4 In this Proof of Evidence, I also deal with matters raised by other Rule 6 parties in their Statements of Case in general terms but reserve the right to respond to any more detailed points and arguments by way of rebuttal evidence as required.

### 3 THE AVIATION POLICY AND ECONOMIC CONTEXT

3.1 In this Proof of Evidence, I will examine the aviation policy and economic context for the proposed developments. Other witnesses will cover relevant environmental and planning policies. I do not comment in any detail on these matters in my evidence. In this section, I will consider:

- The Future of Air Transport White Paper 2003 and Progress Report 2006;
- The impact of recent Government Policy announcements and the forthcoming review of Air Transport Policy;
- Relevant Economic Policies;
- Economic Baseline Conditions:
  - Unemployment;
  - Deprivation;
- The Impact of the Closure of Dungeness A and B;
- The Need for Regeneration.

#### Aviation Policy

##### The Future of Air Transport White and Progress Report

3.2 Although the Government has announced its intention to review its Aviation Strategy (as I go on to consider below), the *Future of Air Transport White Paper*<sup>3</sup> remains the most recent statement of Government policy relevant to airports.

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<sup>3</sup> CD5.24.

3.3 The White Paper starts from the premise that:

*“Air travel is essential to the United Kingdom’s economy and to our continued prosperity. In the last 30 years there has been a five-fold increase in air travel. And it has opened up opportunities that for many simply did not exist before; half the population flies at least once a year, and many fly far more often than that.”*

and that:

*“Our economy depends on air travel. Many businesses, in both manufacturing and service industries, rely on air travel; and it is particularly important for many of the fastest growing sectors of the economy. Visitors by air are crucial to UK tourism. Airfreight has doubled in the last 10 years; one third by value of all goods we export go by air. And 200,000 people are employed in the aviation industry, with three times as many jobs supported by it indirectly.”<sup>4</sup>*

3.4 The White Paper goes on to say that:

*“Our starting point is that we must make best use of existing airport capacity”<sup>5</sup>;*

but goes on to make clear that making best use did not preclude the development of additional terminal or even runway capacity. This provides the context in which to consider the specific proposals for London Ashford Airport (the Airport), which comprise an extension to the runway and the provision of a new terminal to enable better use to be made of the existing runway and other airport infrastructure.

3.5 The White Paper sets out a balanced framework for the future of air transport which:

- *“recognises the importance of air travel to our national and regional economic prosperity, and that not providing additional capacity would significantly damage the economy and national prosperity;*
- *reflects people’s desire to travel further and more often by air, and to take advantage of the affordability of air travel and the opportunities this brings;*

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<sup>4</sup> Ibid, Foreword.

<sup>5</sup> Ibid.



- *seeks to reduce and minimise the impacts of airports on those who live nearby, and on the natural environment;*
- *ensures that, over time, aviation pays the external costs its activities impose on society at large – in other words, that the price of air travel reflects its environmental and social impacts;*
- *minimises the need for airport development in new locations by making best use of existing airports where possible;*
- *respects the rights and interests of those affected by airport development;*
- *provides greater certainty for all concerned in the planning of future airport capacity, but at the same time is sufficiently flexible to recognise and adapt to the uncertainties inherent in long-term planning.*<sup>6</sup>

3.6 In respect of the South East of England, whilst indicating support for the provision of two new runways at Stansted and at Heathrow, subject to environmental conditions being met, the White Paper makes specific reference to the role which could be played by the small airports in the region:

*“Small airports have an important part to play in the future provision of airport capacity in the South East. Their ability to provide services to meet local demand, and thereby help relieve pressures on the main airports, will be particularly important in the period before a new runway in the South East is built.*

*There is support from a wide range of stakeholders that the small airports in the South East should be allowed to cater for as much demand as they can attract. And from the studies undertaken for the White Paper and the responses to the consultation, it appears that some further development could be possible at any of the smaller airports that have been assessed without insurmountable environmental constraints.”<sup>7</sup>*

3.7 These policies are particularly relevant in the context where additional runway capacity is not now to be provided in the South East for the foreseeable future.

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<sup>6</sup> Ibid, paragraph 2.17.

<sup>7</sup> Ibid, paragraphs 11.93 and 11.94.

3.8 In respect of LAA (Lydd) specifically, the White Paper noted that:

*“The operators of Southend, Lydd and Manston argue that their airports could grow substantially and each has plans for development. The potential of other airports, including, Shoreham, and Biggin Hill, should also not be overlooked.”<sup>8</sup>*

and went on to state that:

*“We consider that all these airports could play a valuable role in meeting local demand and could contribute to regional economic development. In principle, we would support their development, subject to relevant environmental considerations.”<sup>9</sup>*

It is clear from the above that LAA was one of the airports “assessed” as being able to accommodate some further development in order to meet local demand for air travel and contribute to regional economic development without “insurmountable environmental constraints”.

3.9 In this context, the type of development supported, in principle, by the White Paper would include a runway extension or new terminal development, subject to the environmental considerations being met. To illustrate the acceptability of such development in policy terms, I note that Southend Airport gained planning approval for a new terminal and for an extension to its existing runway, to a similar length to that proposed at LAA, with the runway extension being given the go ahead by the Secretary of State in March 2010 without a public inquiry.

3.10 The *Future of Air Transport Progress Report*<sup>10</sup>, published in December 2006, noted the progress being made in implementing the policies set out in the White Paper, in particular the measures which the Government was taking to ensure that aviation meets its environmental costs, following the findings of the Stern Review on the Economics of Climate Change. Specifically, the Progress Report noted the inclusion of air transport within the EU Emissions Trading Scheme and a number of other measures being taken by the industry to reduce its environmental impact.

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<sup>8</sup> Ibid, paragraph 11.98.

<sup>9</sup> Ibid, paragraph 11.99.

<sup>10</sup> CD5.25

- 3.11 The Progress Report also noted the inclusion of environmental costs within the framework of updated air traffic forecasts being used and within the assessment by the Department for Transport of benefits of airport development options. I discuss such forecasts further in Section 5 in connection with the development of demand forecasts for LAA.
- 3.12 In January 2009, the previous Government announced<sup>11</sup> the results of a further consultation on whether the development of a third runway at Heathrow would meet the environmental tests set out in the White Paper. As well as indicating support in principle for the construction of a third runway, subject to BAA gaining planning approval for a specific scheme, an accompanying report included new passenger forecasts for the United Kingdom, *UK Air Passenger Demand and CO<sub>2</sub> Forecasts*<sup>12</sup>. The revised forecasts indicated that unconstrained demand would reach 465 million passengers per annum (“mppa”) in 2030 compared to some 500 mppa projected at the time of the White Paper. There were no changes presented to the policies set out in the White Paper generally as a consequence of the Government’s decision to support the provision of a third runway at Heathrow.
- 3.13 The decision in respect of Heathrow was subsequently subject to judicial review in *Hillingdon* case by the High Court<sup>13</sup>. The matters raised largely related to climate change, the economic justification for a new runway and specific local surface access matters in the vicinity of Heathrow. The Court Judgement, in essence, considered that the Government’s ‘in principle’ decision had been overtaken by the announcement that a National Policy Statement for Airports was to be prepared under the terms of the Planning Act 2008 and that this would take into account the requirements of the Climate Change Act 2008 and the findings of the Committee on Climate Change in December 2009<sup>14</sup> on acceptable levels of air traffic in 2050.

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<sup>11</sup> CD5.27.

<sup>12</sup> CD5.28, page 44.

<sup>13</sup> CD9.14.

<sup>14</sup> CD12.16.

3.14 The matter of climate change was raised specifically in relation to whether the Government could give in principle support for a third runway at Heathrow without assessing the impact on the ability to meet climate change targets for 2050. This has been taken by some objectors to airport development to imply that no capacity enhancing development at airports can be permitted pending a new National Policy Statement, for example the issue was raised by objectors to proposals to expand terminal capacity at Bristol Airport. This approach is incorrect and I note that, despite these objections, the Government confirmed the grant of planning approval for this development at Bristol Airport in September 2010. This demonstrates that the findings of the Committee on Climate Change and the *Hillingdon* Judgement are not a bar to the provision of additional airport capacity at regional airports which meet the tests set out in the Future of Air Transport White Paper. Climate change matters are dealt with more fully by Mr Stuart Coventry.

### **Recent Government Policy Announcements**

3.15 In May 2010, the new Coalition Government announced that it had cancelled the support given by the previous Government for proposals for new runways at Heathrow and Stansted on policy grounds. The specific proposals for the new runways were subsequently withdrawn by BAA. Furthermore, Gatwick Airport is prevented by a Section 106 Agreement from pursuing an additional runway before 2019. In any event, the Future of Air Transport White Paper made clear that the consideration of a second runway at Gatwick would only be brought forward in the event that Heathrow could not meet the specific tests set out in the White Paper. It is clear, therefore, that there will be no expansion in runway capacity at Heathrow, Gatwick or Stansted for a very considerable time.

3.16 In October 2010, the Secretary of State for Transport reiterated the Government's support for the role which air transport plays in supporting the national economy:

*"I recognise the need for a policy framework which supports economic growth and protects Heathrow's status as a global hub as well as addressing aviation's environmental impacts, and it is my intention to develop such a policy framework over the next year or so."*<sup>15</sup>

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<sup>15</sup> CD8.13.

3.17 The Department for Transport's Business Plan<sup>16</sup> states that the Department will consult on the scope of the review in March 2011, with consultation on policies in March 2012, and with a view to publishing a new policy framework in March 2013.

3.18 Until such time as that review is complete, the policy towards air transport remains as set out in the Future of Air Transport White Paper, except as modified by the cancellation of the new runway projects at Heathrow and Stansted. Approvals granted to developments at other regional airports, such as Southend and Bristol, clearly demonstrate that decisions in relation to development at regional airports should continue to be taken in accordance with the policies set out in the *Future of Air Transport White Paper*.

## Economic Policy

3.19 In terms of the economic policy context for the developments which are the subject of the Applications, this was set out largely in the Supplementary Information on Socio-economic Impacts submitted in October 2007<sup>17</sup> and the Socio-economic Update submitted in March 2009<sup>18</sup>. I do not repeat the contents of these documents here but highlight what I consider to be the most significant policies, including some more recent policy developments.

3.20 I consider that there are a number of key strategy documents which are particularly relevant:

- Regional Economic Strategy for the South East 2006 to 2016;
- Coastal South East Strategy;
- Kent Prospects 2007-2012;
- Unlocking Kent's Potential – Kent County Council's Framework for Regeneration;
- Choose Shepway – An Economic Regeneration Strategy for 2007 to 2017;
- Shepway Community Plan;
- East Kent Vision.

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<sup>16</sup> CD8.12.

<sup>17</sup> CD1.23b.

<sup>18</sup> CD1.40a.

3.21 I have set out some of the key relevant messages from these documents below.

### **Regional Economic Strategy for the South East 2006 to 2016<sup>19</sup>**

3.22 The Regional Economic Strategy (“RES”) provides the overall strategic framework for the development of the South East as a regional economy over the next decade and aims to deliver a vision for the South East “*to be a world class region achieving sustainable prosperity.*”

3.23 The RES is based on three broad objectives, each of which attempts to address a key challenge facing the region. These can be summarised as follows:

- **The Global Challenge** - to help maintain the global competitiveness of the South East as a region;
- **Smart Growth** - to lift the prospects of underperforming areas, communities and individuals by investing in potential; and
- **Sustainable Growth** - by pursuing the key principles of sustainable development.

3.24 In relation to the Airport, the proposed development would support particularly the *Smart Growth* objective. This objective also includes a focus on improving transport choice.

3.25 The RES identifies a wide range of actions to help achieve these three broad objectives. These include eight so-called transformational actions that have the potential to have a major impact on the overall delivery of the RES. Two of the transformational actions are of particular importance to the current proposals:

- **The skills escalator** – ensuring that people at all skill levels are continually equipped to progress in the labour market; and
- **Raising economic activity rates** – by addressing barriers to employment and increasing incentives to work.

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<sup>19</sup> CD7.2.

### Coastal South East Strategy

3.26 The RES identifies three geographic areas of focus for action, one of which is the Coastal South East. It identifies the area as underperforming economically and as having its own specific challenges.

3.27 In March 2008, SEEDA published the *Coastal South East: A Framework for Action*. The purpose of the Framework for Action for the Coastal South East is to “raise the [area’s] economic performance, by realising its untapped potential in an inclusive and sustainable way”<sup>20</sup>.

3.28 The Framework moves on to identify three main priorities<sup>21</sup>:

- A **Creative and Inspirational Coast** with high quality places in which to live, work, learn and invest;
- An **Inclusive and Connected Coast** with confident and ambitious communities and businesses;
- A **Competitive Coast** with a strong economy.

3.29 The development of the Airport will particularly contribute to the development of a strong economy in the Coastal South East, providing jobs at a range of skill levels and potentially supporting wider business activity through improved air access.

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<sup>20</sup> CD11.16, page 1.

<sup>21</sup> Ibid, page 3.

### Kent Prospects 2007 to 2017

3.30 The overall policy framework for the improvement of Kent’s economic, social and environmental well-being is set out in *Kent Prospects – 2007-2012*<sup>22</sup>, which is the economic development strategy for the County. This sets out the strategy for achieving the aims set out in the Kent Partnership’s *Sustainable Community Strategy – The Vision for Kent*. *Kent Prospects* provides a framework for coordinating the delivery of economic development and regeneration activities across the County. Ongoing work on the Local Economic Assessment will supersede this work but it currently remains valid.

3.31 *The Vision for Kent* identifies a number of short term goals to supporting economic success. Those that are relevant to the development of LAA include:

- *“Making Kent a key location for inward investment and high quality jobs that takes advantage of our main urban centres and our links to London, the south east, the rest of Europe and the global business community;*
- *Achieving a high quality infrastructure and an integrated transport network that serves the needs of businesses, the workforce and communities;*
- *Economic renewal in urban areas and rural centres, especially Kent’s priority regeneration areas and coastal towns, where people’s health and wellbeing is enhanced by access to learning, employment, business and leisure opportunities;*
- *Increasing employment rates (especially amongst disadvantaged groups and areas), reducing poverty and encouraging social inclusion through innovative and flexible approaches and collaborative working at the local level*<sup>23</sup>.

3.32 *Kent Prospects* identifies four key objectives towards the achievement of this Vision:

- *“To strengthen Kent’s accessibility and connections by investment in sustainable infrastructure to improve Global, European, UK and local links.*

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<sup>22</sup> CD7.4.

<sup>23</sup> CD11.17, page 20.



- *Growth and regeneration that enables the development of sustainable communities in urban and rural areas, and encourages communities to address opportunities and combat deprivation.*
- *The development of enterprise & competitiveness across Kent, which promotes established strengths, market opportunities, key sector and cluster opportunities.*
- *Pathways to sustainable prosperity, which promotes smart development and creates opportunities to address environmental and climate change issues.*<sup>24</sup>

3.33 The strategy sets out a total of 26 delivery priorities for regeneration and economic development in Kent over the next five years. These delivery priorities are strategic in their focus but there are four which are of particular relevance to the expansion proposals for LAA. These are as follows:

- Priority 1<sup>25</sup> – Secure infrastructure investment from Government and other sources, make smarter and better use of road, rail, aviation, and public transport assets, and promote Channel Tunnel Rail Link domestic services which will boost economic growth and regeneration opportunities;
- Priority 2<sup>26</sup> – Promote investment, business and job opportunities at Kent’s cross channel ports, main airports (including Lydd Airport) and international rail stations, ensuring proposals are environmentally and economically sustainable;
- Priority 6<sup>27</sup> – Secure resources and attract investment which supports urban renaissance, develops key assets, and improves access to learning, business and job opportunities in Kent’s coastal towns; and
- Priority 21<sup>28</sup> – Raise Kent’s global and European profile as an international gateway, visitor destination, and county of enterprise, innovation, and further and higher education.

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<sup>24</sup> CD7.4, page 10.

<sup>25</sup> Ibid, page 23.

<sup>26</sup> Ibid, page 25.

<sup>27</sup> Ibid, page 30.

<sup>28</sup> Ibid, page 47.

### Unlocking Kent's Potential

3.34 In 2009, Kent published a framework for regeneration *Unlocking Kent's Potential*. Whilst identifying the potential role of Manston (Kent International) Airport, the framework also identifies the opportunity provided at LAA (Lydd)<sup>29</sup> as a potential transformational investment to improve productivity and stimulate economic growth. It goes on specifically to note the potential capacity offered at LAA<sup>30</sup> in the context of reducing traffic congestion, i.e. by reducing the need to travel to the more distant airports around London.

### Choose Shepway – An Economic Regeneration Strategy for 2007 to 2017<sup>31</sup>

3.35 The strategy provides an overall framework for the regeneration and economic development of Shepway. It is based on the vision that:

*"In 10 years time, Shepway will have built upon its current strengths and flourished into an area that is instantly recognisable as a high quality coastal district offering an unparalleled combination of creativity, successful education facilities, a skilled workforce that meets the needs of business, new developments that inspire confidence, and accessible business support that acts as a catalyst for sustainable growth"*<sup>32</sup>

3.36 The vision for Shepway reflects five underlying aspirations for the District. These are as follows:

- Creating a high quality of life, with a unique mix of towns, coastline and countryside;
- Becoming the best-connected coastal District;
- Aiming for Folkestone to become world-renowned as a centre of cosmopolitan creativity;
- Developing a skilled local workforce that will strengthen the local economy; and

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<sup>29</sup> CD11.18, page 23.

<sup>30</sup> Ibid, page 70.

<sup>31</sup> CD7.8

<sup>32</sup> Ibid, page 16.

→ Developing a strong and comprehensive identity for the District.

3.37 Within this strategy, the Airport is identified as a key asset for the area<sup>33</sup> and will clearly support aspirations around becoming the best connected coastal District, developing Folkestone as a world renowned centre of cosmopolitan creativity and developing a strong comprehensive identity.

### **Shepway Community Plan**

3.38 Shepway Community Partnership (the Local Strategic Partnership for Shepway District) published *Sharing in Success – A Community Plan for Shepway* in March 2007. The plan is based on a vision of “*sharing in success – a safe, smart and self-confident Shepway where everyone plays their part in a thriving, healthy and creative community*”<sup>34</sup>.

3.39 The Community Plan identifies a number of key building blocks that are seen as being crucial for the successful delivery of the overall vision for Shepway. These include “*an expansion of operations at LAA which boosts the local economy without undue environmental impact*”<sup>35</sup>.

### **East Kent Sustainable Community Strategy**

3.40 The Shepway Community Partnership has been superseded by the East Kent Local Strategic Partnership whose vision is set out in *Lighting the Way to Success*. This strategy also recognises the role which expansion of activity at LAA could have on improving the economic performance of the East Kent area:

*“Further travel choices are presented through East Kent’s two underused airports – Kent International Airport at Manston and London Ashford Airport at Lydd. Both sites have the potential for significant expansion and are actively seeking to grow.”*<sup>36</sup>

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<sup>33</sup> Ibid, page 10.

<sup>34</sup> CD11.19, page 4.

<sup>35</sup> Ibid, page 5.

<sup>36</sup> CD11.20, section 1.1.4.

## Economic Baseline Conditions

3.41 The District of Shepway, in which LAA is located, generally performs poorly on a wide range of key economic indicators in the context of the wider South East. It is part of a sub area of the South East identified by SEEDA, the Regional Development Agency, as the *Coastal South East*. This is an area that SEEDA describes as being characterised by<sup>37</sup>:

- Low productivity relative to the South East and, in some cases, the UK;
- Generally lower economic activity and employment rates;
- High concentrations of economic inactivity and higher 'structural' unemployment rates;
- Relatively low skilled profile of its workforce;
- Lower business density and business start-up rates;
- More traditional industrial activities, including lower value added manufacturing and the visitor economy;
- High dependence on public sector employment;
- A low proportion of employment in knowledge based sectors, especially in the private sector;
- A greater proportion of people already over retirement age than the regional average, with projections of further ageing;
- Relatively poor infrastructure and connectivity.

3.42 The Index of Multiple Deprivation provides a helpful overview of the economic context for an area. The Index provides a system by which the level of deprivation in a specific area, either a Super Output Area or Lower Super Output Area, is ranked on the basis of its performance on 38 economic and social development indicators, such as:

- Adults and children in Income Support households;
- Job Seekers Allowance Claimants;
- Participants in New Deal for the 18–24s;
- Comparative Illness and Disability Ratio;
- Average points score of children at Key Stage 2, 3 and 4;
- Household overcrowding;
- Houses without central heating.

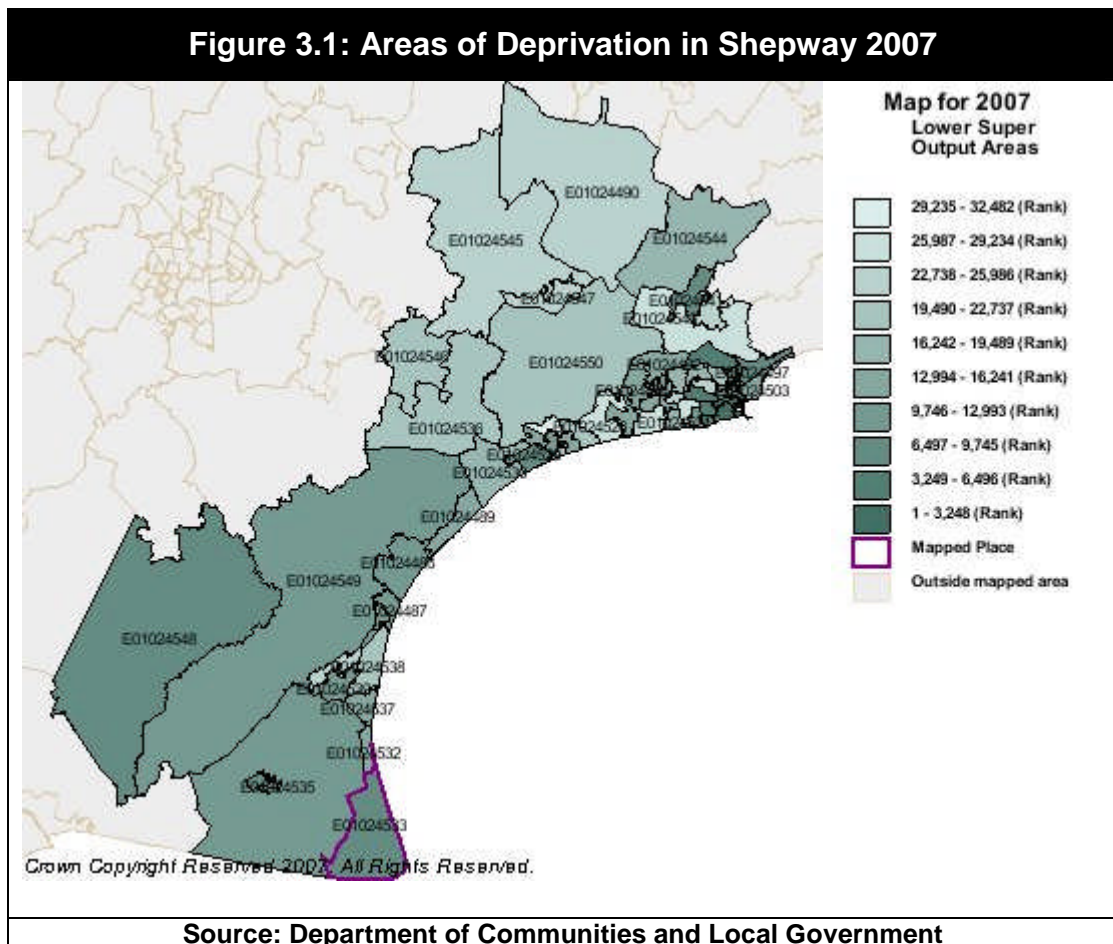
3.43 The lower the ranking the more deprived the area.

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<sup>37</sup> CD7.2, Page 34.

3.44 In 2004, Shepway was ranked as the 131<sup>st</sup> (out of 354) most deprived district in England. Its position has now worsened to the 123<sup>rd</sup> most deprived district. Hence, levels of deprivation are worsening relative to elsewhere and need to be seen in stark contrast to the affluence of much of the rest of the South East.

3.45 **Figure 3.1** illustrates the location of the more deprived areas in Shepway, with darker shading indicating higher levels of deprivation. From this, it is evident that the area around the Airport suffers from higher levels of deprivation relative to most of the remainder of the District except for pockets in central Folkestone. This highlights the need for local regeneration initiatives in the area surrounding the Airport based on conditions in 2007, prior to the recent recession.



3.46 **Table 3.1** compares Shepway’s performance in creating employment between 1998 and 2008 against Kent, the South East and England. Although Shepway has made efforts to increase employment opportunities by around 9.8% over the 10 years to 2008 (which is broadly in line with the rest of the South East and England), this is substantially behind the performance in the remainder of Kent. The recent recession will have reduced employment in all areas. Taken together with the map of deprived areas, this would highlight the need for new job opportunities to be created particularly in areas, like that in which the Airport is located, with poorer economic performance in order to redress the imbalances within Shepway and between Shepway and the rest of Kent.

<b>Table 3.1: Employment Growth in Shepway</b>				
	<b>Shepway</b>	<b>Kent</b>	<b>South East</b>	<b>England</b>
1998	32,742	484,303	3,425,095	21,154,999
1999	34,569	512,247	3,598,051	21,590,802
2000	32,315	486,971	3,663,485	21,900,037
2001	35,247	525,919	3,663,780	22,100,910
2002	34,133	535,920	3,677,200	22,216,790
2003	33,585	525,425	3,627,523	22,286,260
2004	33,363	533,628	3,657,431	22,565,310
2005	34,774	565,916	3,752,319	22,908,721
2006	34,191	537,166	3,673,074	22,790,187
2007	35,195	550,853	3,730,286	23,005,085
2008	35,937	556,156	3,757,711	23,073,714
Growth	9.8%	14.8%	9.7%	9.1%

**Source: NOMIS**

3.47 In **Table 3.2**, we set out the claimant count unemployment rates (as a percentage of the working age population) for Shepway, Kent, the South East and Great Britain. This again demonstrates the structural need for regeneration in Shepway. The District’s unemployment rate is systematically higher than that in Kent, the South East and the national average, notwithstanding growth in employment at near the regional average. Furthermore, it is evident that the recession has had a more significant effect on the claimant count in Shepway and the latest data would suggest that Shepway is exhibiting recovery at a slower rate than elsewhere, again highlighting the need for targeted job generation.

**Table 3.2: Claimant Count Unemployment Rates 2000 to 2010**

	Shepway	Kent	South East	Great Britain
October 2000	2.9	2.0	1.4	2.6
October 2001	2.3	1.7	1.2	2.4
October 2002	2.2	1.7	1.4	2.4
October 2003	2.3	1.7	1.4	2.3
October 2004	2.2	1.5	1.3	2.1
October 2005	2.5	1.8	1.4	2.2
October 2006	2.9	1.9	1.5	2.4
October 2007	2.4	1.5	1.2	2.0
October 2008	2.6	1.8	1.6	2.4
October 2009	4.0	3.1	2.9	3.9
October 2010	3.8	2.8	2.4	3.5

Source: NOMIS

3.48 This relative weakness in the economy and what would appear to be a worsening position relative to the surrounding areas is supported by the statistics on average earnings for Shepway. Since 2004, average earnings in Shepway have been below those of Kent and the rest of the South East. They were, however, slightly above those for Great Britain as a whole. However, over the period to 2009 earnings growth has been substantially slower in Shepway than in other areas. Shepway is now even significantly behind the average earnings for Great Britain.

**Table 3.3: Annual Average Earnings (Median, Full Time Workers)**

	Shepway	Kent	South East	Great Britain
2004	£22,897	£23,785	£24,700	£22,132
2005	£22,794	£24,497	£25,224	£23,016
2006	£20,958	£25,000	£25,924	£23,482
2007	£21,124	£25,601	£26,666	£24,173
2008	£24,997	£27,198	£27,876	£25,299
2009	£24,742	£28,120	£28,663	£25,931
Growth	8.1%	18.2%	16.0%	17.2%

Source: NOMIS

- 3.49 As can be seen, the Shepway economy is characterised by slow economic growth, high unemployment and long-term contraction of established local industries. The main centre of employment in the district is Folkestone, a seaside destination and formerly an important cross-channel ferry terminal, which has declined over recent decades but retains a continuing tourism role. The town contains a number of industrial estates, including Shearway Business Park, which adjoins the M20 motorway. It also contains significant insurance and financial services companies. In addition, Folkestone is developing a role as a focus for cultural and creative activities.
- 3.50 Outside of Folkestone, the main centres of economic activity and employment are industrial estates within or on the outskirts of larger towns, such as Mountfield Road Industrial Estate in New Romney and Dengemarsh Road in Lydd. On the Romney Marsh, Lydd Airport and Dungeness Power Stations (A and B) provide the main centres of employment.
- 3.51 The area of the Romney Marsh within 20 minutes of the Airport is characterised by a huge reliance on a very small number of major employers, most notably the Dungeness Power Station and to a lesser extent the Airport. This is a source for considerable concern with regards to the future economic prosperity of the area given the current decommissioning of Dungeness A, the upcoming decommissioning of Dungeness B and the fact that the development of Dungeness C is highly uncertain/unlikely in the foreseeable future as a result of its continued exclusion from the emerging Nuclear National Policy Statement. I discuss the impact of the situation at Dungeness in more detail below.
- 3.52 Overall, it would seem fair to say that the area surrounding the Airport is in substantial need of an economic boost. Unemployment is high, earnings are low and employment opportunities are limited and likely to become more so as activity at Dungeness declines.

### **Impact of Dungeness Closure**

- 3.53 A relevant issue hanging over any consideration of the economic context of the area in which development of LAA falls to be considered is the highly uncertain future of the Dungeness Power Station.



- 3.54 Decommissioning of Dungeness A began in 2006. I understand that it remains currently a significant employer, with around 400 FTE<sup>38</sup> staff plus agency staff and contractors, but that this will gradually reduce over time. I understand that Dungeness B, which currently employs around 600 staff, will begin decommissioning by around 2018. Both operations are therefore declining sources of employment and the significant decline in jobs will have a major impact on the local economy.
- 3.55 The problem is exacerbated by the increasing probability that there will not be any replacement facility at Dungeness C before 2025, if at all. This facility would have offered substantial employment opportunities, estimated at around 400 direct and 90 indirect jobs.
- 3.56 The previous Government's consultation on its Energy National Policy Statements (NPS) and accompanying Appraisals of Sustainability (AoS) excluded Dungeness as a site suitable for development of a new nuclear power station in the period until 2025, primarily because it could not be shown that the development would not have an unacceptably adverse impact on the surrounding Special Area of Conservation (SAC). The current Coalition Government has made changes to the draft Energy NPS and AoS, but has continued to exclude Dungeness as a suitable site for a new nuclear station before 2025. It is consulting on these revisions.
- 3.57 Whilst the Government has not precluded a developer seeking to bring forward plans for Dungeness C, it has made very clear that any plans would have to meet very stringent requirements in mitigating its impact on the surrounding environment. It, therefore, seems highly unlikely that such development will go ahead at least before 2025.

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<sup>38</sup> Full Time Equivalent

## **Need for Regeneration**

3.58 Evidence in relation to economic performance in the local area highlights the need for regeneration to counter the economic underperformance in the area around LAA. The Airport is identified in the policies and regeneration frameworks for both Kent and Shepway as having a role to play in economic regeneration, both through creating jobs and providing a wider stimulus to economic growth. Although I have focussed on data regarding Shepway, the benefits which the Airport can bring will also spread to neighbouring districts of Ashford in Kent and Rother in East Sussex. I discuss further in Section 6 how the Airport can contribute to achieving these regeneration priorities in these areas.

## **Key Points Summary**

3.59 In this section, I have examined the policy context for the proposed developments in terms of Aviation Policy and Economic Policy.

3.60 With the exception of the cancellation by the Coalition Government of plans for new runways at Heathrow and Stansted airports, the Future of Air Transport White Paper 2003 remains the current policy towards the development of airports which, along with the Future of Air Transport Progress Report 2006, provides the aviation policy context within which the current applications should be considered. Any new Aviation Policy, being prepared by the Coalition Government, will not be in place before 2013 at the earliest.

3.61 Development of the capacity and capability of LAA would be consistent with existing Government policy on airports as it would enable the Airport to meet local demand, reducing the need to travel to other more distant London airports, so reducing the need to travel on the congested road network. The valuable role which could be played by the smaller regional airports within the South East Region, including LAA, is explicitly supported within the Future of Air Transport White Paper, subject to environmental considerations. These implications are addressed by other witnesses.

3.62 Development of LAA also has the potential to contribute to regeneration of the area around it in Shepway, which is identified as amongst the most deprived areas, and further afield in Kent and East Sussex. The Airport is specifically identified in the policies and regeneration frameworks for both Kent and Shepway as having a role to play in economic regeneration, both through creating jobs and providing a wider stimulus to economic growth.

3.63 In particular, the Shepway economy is characterised by slow economic growth, high unemployment and long-term contraction of established local industries. The prospects for the area immediately around the Airport are worsened by the decommissioning and closure of Dungeness A and B respectively and the very low probability of a new nuclear power station on the site before 2025, with considerable doubts beyond that. In this context, the economic boost which could be provided by the Airport would be welcomed.

## 4 CURRENT OPERATIONS AT THE AIRPORT

4.1 LAA has been in operation since 1954. It was from the outset a private sector development. It was developed specifically to handle the air ferry operations of Silver City Airways. I understand that, at its peak in 1959, the Airport handled over 261,000 passengers a year.

### Current Activity

4.2 Currently, the Airport handles only a small number of passengers on the commercial services operated by Lydd Air. It acts primarily as a base for general aviation, including air taxi and business aviation operations, aircraft maintenance and a flying school. In 2009, it handled 588 passengers, down from up to 4,000 passengers in 2003/4. Further information on the activities and commercial strategy of LAA is given in the evidence of the Airport's operational witness, Tim Maskens, and in **Appendix B**.

4.3 Key activities at the Airport today include:

- Lydd Air scheduled services to Le Touquet;
- Lydd Aeroclub Flying school;
- FAL Aviation aircraft charter and FBO (fixed based operator) handling service;
- Phoenix Aero Engineering Ltd;
- Business and General Aviation activity.

4.4 This activity currently generates approximately 22,000 aircraft movements a year, mostly by very small aircraft.

4.5 London Ashford Airport Ltd currently employs 48 staff, of which 58% live within 7.5 miles of the Airport, indicating the extent to which the Airport currently provides employment in the very local area. The remaining staff live in Ashford and Folkestone and all staff reside within Kent or East Sussex.

- 4.6 Other on-site employers currently provide employment for a further 24 people, making total on-site employment 72 people.
- 4.7 The Airport supports a local supply chain but we do not have specific information on the value of this supply chain. In Section 6, I set out how we have assessed the value of indirect and induced employment in the local area.
- 4.8 Since acquisition, FAL Holdings has invested £30 million to improve facilities at the Airport, including improvements to the air traffic control service, upgrading the fire service and category, installing an instrument landing system, resurfacing of the runway, development of aircraft stands and upgrading of the terminal and handling facilities. Despite these investments, it has not been possible to attract additional commercial air services to the Airport. In the remainder of this section, I describe the current constraints on operations and their impact in more detail.
- 4.9 Despite these investments, the Airport is currently loss making, with accumulated operational losses of £12 million since it was acquired by FAL Holdings in 2001 (see Appendix B). It is imperative that a source of profitable operations is found to secure the future of the Airport.

### **Operational Constraints**

- 4.10 Whilst the Airport has the potential to grow its general aviation and aircraft maintenance activities with its current infrastructure and using GPDO rights to develop additional operational support infrastructure, the current runway is too short for operations by the aircraft types commonly used to operate commercial passenger services and the capacity of the 1954 terminal building further limits the extent to which the Airport can accommodate local passenger demand. The operational constraints are described in the evidence of the Airport's operational witness. In this section, I discuss briefly the constraints imposed by the existing infrastructure in the context of the commercial strategy of London Ashford Airport Ltd (see Appendix B).

**Runway Length**

4.11 Currently, the Airport has a Code 3C runway as defined by the CAA’s CAP168 document<sup>39</sup>. The runway dimensions and operational lengths are shown in **Table 4.1** below<sup>40</sup>.

<b>Table 4.1: Runway Length at LAA</b>					
<b>Runway</b>	<b>Runway Dimension</b>	<b>TORA</b>	<b>TODA</b>	<b>ASDA</b>	<b>LDA</b>
03	1505m x 32m	1,470m	1,979m	1,470m	1,470m
21	1505m x 32m	1,505m	1,681m	1,505m	1,470m
<b>Source: UK AIP</b>					

4.12 With the current runway length, the Airport is capable of handling a number of regional aircraft types and corporate jets. In terms of commercial traffic, the runway is adequate for regional turboprops such as the Bombardier DHC-8-Q400 and the ATR-42/72 family and would allow all currently operated turboprops to operate unrestricted, allowing points into Europe to be served. The runway is also suitable for use by some regional jet aircraft, particularly the Embraer E170/190<sup>41</sup> family, albeit some of these models would need to operate with restricted payloads which would prevent them serving their full range in Europe from LAA. Regional aircraft such as the BAe-146/Avro RJ could also operate from the current runway length and would be relatively unrestricted. However, many of these aircraft are now being retired from passenger fleets.

4.13 The runway is not currently suitable for any widespread passenger use by Boeing-737 and Airbus A320 family aircraft, although such aircraft could operate empty and/or with light fuel loads in connection with maintenance or private business operations. The runway could not be used for any aircraft above this size as the width is inadequate to comply with the requirements for a Code 3D runway, which would be necessary for aircraft the size of the Boeing-757 and above.

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<sup>39</sup> CD16.1, Chapter 3  
<sup>40</sup> TORA – take off run available, TODA – take off distance available, ASDA – accelerate stop distance available, LDA – landing distance available.  
<sup>41</sup> The E175 and E195 would be more restricted and are the types operated and on order for Flybe.

## Terminal Capacity

- 4.14 The existing terminal at LAA has limited capacity. As currently configured, the terminal is only able to accommodate flights by smaller turboprop aircraft, consistent with those which can operate commercial flights from the existing runway. The terminal was originally designed to primarily handle frequent air ferry flights operated by small aircraft so is only capable of handling a relatively small number of passengers at any one time, albeit with frequent flight operations.
- 4.15 Having examined the configuration of the existing terminal building, I consider that it is only capable of handling one such aircraft, of up to 78 seat capacity at a time. Given the likely pattern of airline operations, which is explained further in the next section, the current capacity of the terminal building is limited to no more than 200,000 passengers per year. Further detail is given in **Appendix C**. The terminal is not currently capable of handling the passenger loads expected on medium sized jet aircraft of 150-190 seats.
- 4.16 Assuming approval is granted to extend the length of the runway, London Ashford Airport Ltd plans to reconfigure parts of the terminal building to allow the passenger load from a jet aircraft of up to 189 seats to be handled simultaneously with another smaller aircraft operation. Having examined these reconfiguration plans, I have concluded that they are consistent with allowing approximately 300,000 passengers per year to be handled based on our assessment of likely airline operating patterns as set out in the next section. There would, however, be constraints on the flexibility of airline scheduling due to constraints imposed by the layout and facilities even within the modified terminal which would prevent, for example, two B737 sized aircraft being handled simultaneously. This could impact on the Airport's ability to attract airlines if they cannot operate at the times they choose or if the facilities are considered to be out of date and not up to modern standards.

4.17 Once demand exceeds 300,000 passengers per annum, if not sooner, this is likely to require passengers for more than two flights by larger 150-190 seat aircraft to be in the terminal simultaneously. The existing terminal building is not large enough to accommodate such a volume of passengers. Hence, growth to 500,000 passengers per annum will require the provision of a new terminal building as proposed under the Applications. Because of the uncertainties inherent in airline scheduling, it may well be desirable to have the new terminal available before 300,000 passengers per annum is reached in order to ensure that airlines are not deterred from initiating additional commercially viable services.

### **The Effect of the Operational Constraints**

4.18 In Appendix B, the Airport sets out the steps which it has taken to try to attract airlines to operate services to LAA. In the early years of FAL Aviation's ownership attempts were made to attract airlines to operate commercial passenger carrying services. At that time, there were a number of impediments, including the lack of an instrument landing system as well as the quality of a number of other services provided at the Airport. Whilst these issues have now been addressed, more recent attempts by the Airport to attract airlines to operate commercial passenger services have been hampered by the runway length which, as I have explained, is inadequate for services by charter and low fares airlines using medium sized jet aircraft and is also not suitable for some of the modern smaller jet aircraft which regional scheduled airlines are using to replace older jet and smaller turboprop aircraft.

4.19 In summary, airlines have been unwilling to commence commercial passenger operations to/from LAA without appropriate modern infrastructure being in place. This would include an extended runway, improved terminal facilities in the first instance and a new terminal over the medium term as demand builds up.

4.20 Hence, the focus of London Ashford Airport Ltd has been on gaining approval to extend the runway to the extent necessary to allow such services to operate. Although it may have been possible to attract some freighter or other operations such as additional maintenance activity, this has not been pursued as it was considered that expansion of these activities might conflict with the requirements to secure additional commercial passenger operations, including the potential condition to allow no night flights.



## **The Future in the Absence of Development**

- 4.21 Whilst the Airport would be able to handle some types of aircraft capable of supporting commercial passenger or freight services on its current runway, I do not consider it likely that airlines would be willing to develop commercial passenger services from LAA with the current runway length limitations, as I discuss further in the next section.
- 4.22 In the event of the Applications being turned down and faced with growing financial losses, the Airport's owners would, thus, be forced to take steps to either mothball, close or sell all or part of the Airport or to seek to attract additional maintenance and other activities as described in Appendix B. In particular, the Airport has identified that, in the absence of being able to attract commercial passenger carrying operations, it would have no choice but to seek to maximise all operations which could use the existing runway on a 24 hour a day basis. This would include general and business aviation activities as constraints at the other airports serving London build up and target more freight and heavy maintenance activity. Such other activities as might be attracted may well include limited cargo operations at night, along the lines of those discussed with an operator in 2005 and additional maintenance related activities.
- 4.23 Dependent on the extent to which other activities could be attracted, there may be a scaling back in the number of people employed, which in part have been taken on in anticipation of successful commercial operations. There are also question marks over how much further investment in the facilities could be supported. There are, hence, considerable uncertainties regarding the future of the Airport in the absence of development.
- 4.24 I do not believe that it is credible in the current air transport market that the Airport would be able to attract airlines to operate services capable of carrying 300,000 passengers per annum with the current runway length restriction in place. The 'Without Development' scenario set out in the ES, which suggested that a throughput of 300,000 passengers might still be achieved, is theoretically possible although the assumptions made in the ES regarding some future aircraft types are now superseded, as some are now retired from commercial service. In practice, I believe it to be highly unlikely in practice as I go on to explain further in the next section. I also describe, in the next section, how use of the Airport might potentially build up over the longer term in the absence of development, noting the uncertainties attaching to such growth projections in the 'No Development/Fallback' case.

## Key Points Summary

- 4.25 The Airport currently handles approximately 22,000 aircraft movements a year, principally by small aircraft. Activities at the Airport include Lydd Air scheduled services to Le Touquet, general and business aviation activities and aircraft maintenance.
- 4.26 There are currently 72 people employed on the Airport site, with 48 working for London Ashford Airport Ltd.
- 4.27 Although FAL Aviation has spent £30 million improving facilities and services at the Airport since it was acquired in 2001, including the provision of an Instrument Landing System, the Airport has been unable to attract airlines to start commercial passenger services principally because of the short length of the existing runway. The runway is too short for operations by medium sized jet aircraft which are used on charter and low fares services. Even for regional scheduled services, the aircraft types which could use the existing runway are being phased out of use by many of the airlines and the runway length would be an impediment to airlines' ability able to develop their services over time.
- 4.28 The existing terminal, as presently configured is only able to handle smaller aircraft loads, up to no more than 100 passengers a flight. With internal modification, it will allow medium sized jet aircraft of up to 189 seats to be handled one at a time, with a second smaller aircraft being handled in parallel.
- 4.29 With an extended runway in place and as passenger operations build up, a new terminal would be required to enable the Airport to handle more than 300,000 passengers per annum.
- 4.30 In the absence of development, ongoing operational losses at the Airport will need to be addressed, either by paring back operations and costs or by seeking to exploit to the maximum extent possible the 24 hour capabilities of the existing runway. This is likely to involve the attraction of some night freighter operations and additional heavy maintenance activities along with further growth in general aviation activity, although the precise extent of such activities cannot be certain.

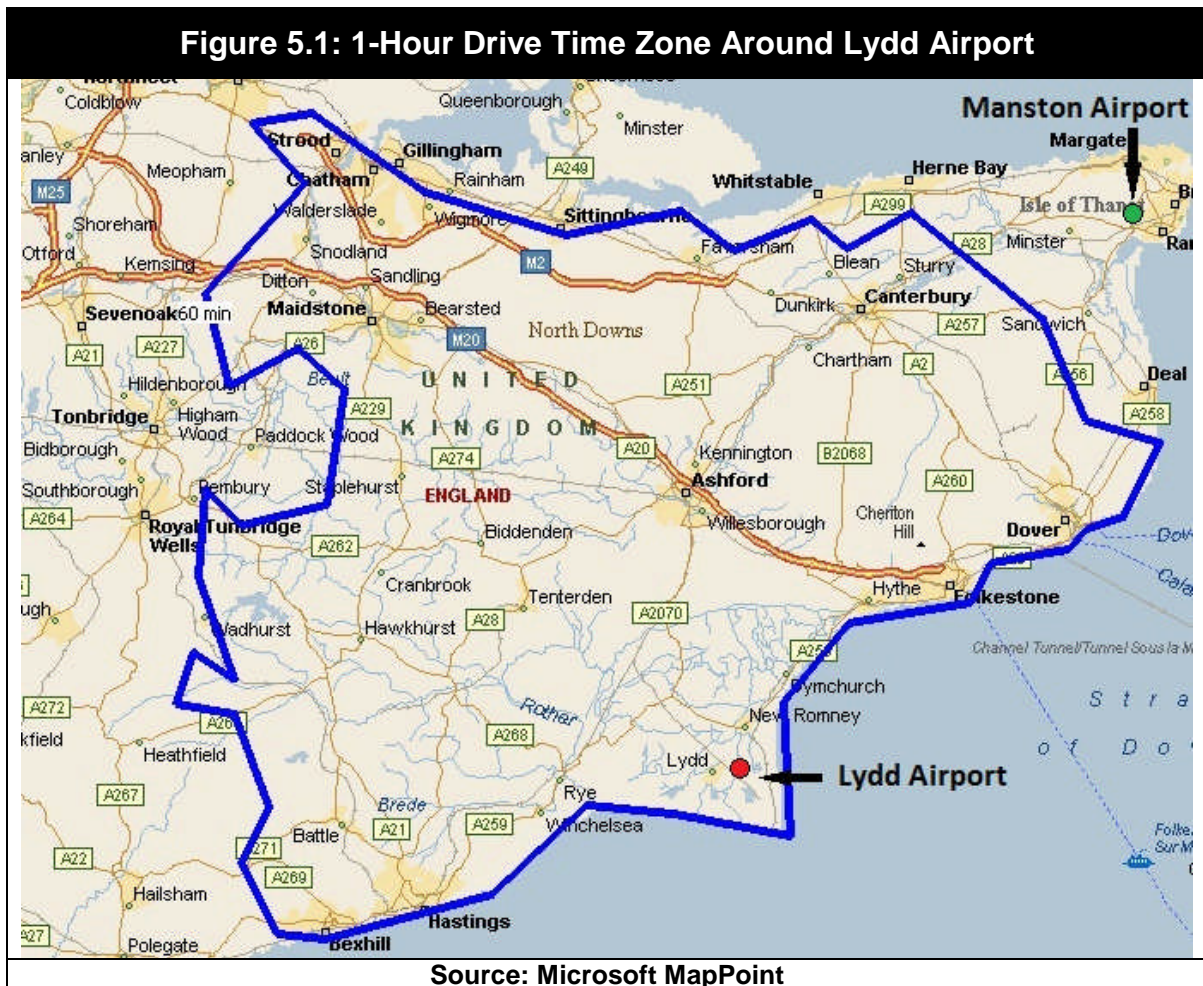
## 5 THE MARKET FOR LONDON ASHFORD AIRPORT

- 5.1 I now go on to describe the market for LAA and how I have assessed the levels of commercial passenger demand it might attract with, firstly, the runway extension in place and, secondly, with further expansion facilitated by the provision of a new modern terminal building in accordance with the Applications. Given the changes in the industry, including changes in airline fleets and the nature of the market, since the production of the scenarios in the ES, I have reassessed the likely mix of services at 300,000 and 500,000 passengers per annum, which represent critical demand thresholds in relation to the Applications, and the timing when these thresholds might be reached. I have also examined what might be expected to happen in the absence of the proposed development by way of a 'No Development/Fallback' case.
- 5.2 Whilst I have assessed levels of demand in the catchment area for the Airport, I have also given specific consideration to the likelihood of the Airport being able to attract airlines, and of what type, given the facilities available, the extent of competition or relationship with other airports and broader industry trends.

### Catchment Area

- 5.3 In assessing the market potential for LAA, I have used the CAA Survey Data for 2009 covering passengers using the four main London airports to review the underlying demand within the likely catchment area of LAA. As with many smaller regional airports, it is anticipated that LAA is likely to draw from a relatively confined catchment area and is therefore likely to serve districts within approximately one hour's driving time, as shown in **Figure 5.1**.
- 5.4 LAA's location means that, on higher volume routes, the main competition for passengers is likely to be from London Gatwick Airport, but I also recognise the recent success of Manston Airport in attracting scheduled services and my assessment of market potential has been developed on the basis that Manston continues to grow its network over time.

5.5 The northern part of the 1 hour catchment area shown in Figure 5.1 also lies within 1 hour's drive time of Manston Airport. In considering the extent to which LAA will be able to attract passengers from within this area, we have assumed that Manston will be developing commercial passenger services in parallel and that LAA will only be able to capture part of the wider market, drawing principally on a more localised catchment area, as I go on to explain. The demand projections assume that LAA and Manston airports will operate alongside each other and that, based on overall demand levels in Kent and surrounding area, there is sufficient demand for air travel for both airports to be able to develop in line with their projections to 2030, particularly given the restrictions on runway capacity available in the South East overall.



- 5.6 In preparing these forecasts to 2030, I have not taken into account the possibility that a new hub airport might potentially be constructed in the Thames Estuary, as any such development would face considerable challenges and, even if commercially viable, would be unlikely to be operational until towards 2030 in any event.
- 5.7 It should be noted that, despite having overlapping catchment areas, London Ashford and Manston airports lie more than 1 hour apart from each other, serving as regional airports for Kent and East Sussex. It is not uncommon for regional airports to be located close together and to develop complementary services to meet the needs of their local catchment areas. Examples of neighbouring airports, within 1 hour's drive time, which operate side by side to enhance the air service offer to passengers in their catchment areas, would include Liverpool and Manchester airports, Belfast City and Belfast International airports, Bournemouth and Southampton airports, Cardiff and Bristol airports, and Birmingham and East Midlands airports. **Table 5.1** illustrates the passenger throughput for these airports which highlights their ability to operate successfully alongside each other.

<b>Table 5.1: Annual Passenger Throughput By Regional Competing Airports (2008)</b>			
<b>Airport</b>	<b>Passengers</b>	<b>Competing Airport</b>	<b>Passengers</b>
Belfast City	2,570,742	Belfast International	5,262,742
Manchester	21,218,995	Liverpool	5,334,152
Bournemouth	1,083,446	Southampton	1,945,993
East Midlands	5,620,673	Birmingham	9,627,589
Bristol	6,267,114	Cardiff	1,994,892
Newcastle	5,039,993	Durham Tees Valley*	656,620
Notes: 2008 has been used to reflect the pre-downturn abilities of airports to compete at a regional level. * Also competes with Leeds/Bradford Airport to the south			
<b>Source: CAA Airport Statistics</b>			

- 5.8 In total, there were over 4.5 million air passenger journeys from Kent and East Sussex in 2009 according to the CAA Passenger Survey<sup>42</sup>. Of these, 63% used Gatwick Airport, 12% Stansted Airport and 23% Heathrow Airport. Over 75% of these passenger journeys were to or from European destinations which would be capable of being served by airlines from the proposed extended runway at LAA.
- 5.9 Given increasing capacity constraints at these airports over time, particularly in the light of the recent Government announcement that no new runways will be built at either Heathrow or Stansted, this presents an opportunity for both Lydd and Manston to recapture passenger demand back from, in particular, Gatwick. I expect Gatwick to experience increasing capacity constraint as business travel demand builds up particularly at Heathrow and airlines relocate more leisure oriented services from Heathrow to Gatwick, as British Airways has been doing for a number of years. I would expect increasing long haul services to displace short haul, and in particular charter services, over the medium term at Gatwick.
- 5.10 Aircraft displaced from Gatwick and the other larger airports in the London area will still operate to and from the UK to cater for passenger demand. This presents an opportunity for smaller regional airports in the South East, such as LAA, to persuade airlines to operate services and so ensure that demand is met locally, minimising surface access journeys by passengers which would now be able to use their local airport.
- 5.11 In preparing these forecasts, no specific assumption have been made about the extent to which the Airport may be able to attract passengers from Central London using the high speed rail connection to Ashford International Station and proposed shuttle bus. This offers further potential for the Airport to penetrate a wider catchment area using the rail network. To the extent that passengers are attracted to use the high speed rail connection, this would increase demand levels and bring forward the date at which 300,000 and 500,000 passengers per annum are reached.

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<sup>42</sup> It should be noted that demand levels will have been higher in earlier years due to the recession affecting levels of air travel demand in 2009.

## Forecasting Methodology

5.12 In line with most forecasts for smaller regional airports (broadly up to around 1-2 million passengers per annum), the demand forecasts for LAA are critically dependent on the assumptions made about the ability to attract specific airlines to operate air services. The demand forecasts have been prepared using a bottom-up forecast method for LAA which reflects the extent to which assumptions about the willingness or ability of airlines to operate services drive the forecasts. This approach involves the following steps:

- assessing the existing underlying market for all routes from the catchment area;
- determining the proportion of the market demand that LAA may be able to attract;
- applying relevant growth rates to this underlying demand and applying appropriate levels of stimulation;
- introducing routes to the network once the market demand reaches sustainable levels such that an airline is likely to commence services;
- moderating the frequency of service, aircraft capacity and load factors according to likely airline operating patterns.

5.13 Throughout the process, the level of demand expected to use LAA has been constrained by the expected aircraft size and frequency which the airlines might operate. This means that, on many routes, the Airport is not projected to handle the full market potential which might be available to it, but rather to handle a proportion of the market based on realistic assumptions derived from the operating patterns of airlines at regional airports throughout the UK. By applying this constraint, it ensures that our projections do not overstate the passenger numbers which would be achievable for the Airport in the context of the competing airports and given the likely frequencies of service that the airlines would operate from each airport within the market. This approach requires understanding how airlines will respond to market opportunities as well as the nature of the underlying market. Such forecasts have a supply driven element which can result in step changes in demand being projected rather than a smooth curve growth rate based demand curve.

5.14 The market assessment is based on two growth scenarios in the ‘With Development’ Case:

- **Lower Growth Scenario:** The Lower Growth forecast is based on a conservative approach to the extent of the catchment area, the market share which LAA can achieve and uptake of services by airlines;
- **Higher Growth Scenario:** The Higher Growth scenario assumes that capacity constraints at London Gatwick lead to a higher market share for LAA and faster uptake of services by airlines in order to meet demand from the South East.

5.15 In the **No Development/Fallback** case, there is no growth of commercial passenger services and the Airport remains reliant upon General Aviation and exploitation of market opportunities around maintenance and light freight. I will outline the derivation of the ‘No Development/Fallback’ Scenario later in this section.

## Market Share

5.16 There are nine districts which fall substantially within the 1-hour drive time catchment area zone of the Airport, and a further district which falls partially into the catchment area. The nine primary districts are Ashford, Canterbury, Dover, Hastings, Maidstone, Rother, Shepway, Swale and Tunbridge Wells. Wealdon is the tenth district which only marginally falls into the catchment area. To be conservative, our forecast is based on only these ten districts rather than the full Kent/East Sussex area described above. To the extent that the Airport can penetrate this wider catchment area, our forecasts might be conservative and demand might reach the capacity thresholds under the Applications at a slightly earlier date than our projections might indicate.

5.17 Using data from the CAA Passenger Survey, in 2009, there was a total of nearly 2.5 million air passengers flying from these nine core districts to all destinations. When ranked by scale of market, the top 40 short haul destinations, i.e. those which could be handled by LAA, accounted for an overall market from the catchment area districts of approximately 1.3 million passengers in 2009. By 2030, the market could grow to 4.6 million passengers per annum (mppa) overall and 2.2 mppa in the top 40 markets, illustrating the scale of the market available to LAA in future.



5.18 The largest destination markets from the LAA catchment area are in **Table 5.2**.

<b>Table 5.2: Ranked Underlying Short Haul Demand from Catchment Area by Destination (2009)</b>		
<b>Rank</b>	<b>Destination</b>	<b>Passengers</b>
1	Malaga	91,874
2	Glasgow	82,139
3	Alicante	70,573
4	Dublin	65,846
5	Edinburgh	63,567
6	Faro	58,322
7	Tenerife	49,247
8	Palma	46,439
9	Ibiza	44,204
10	Barcelona	42,199
11	Belfast (BHD+BFS)	40,656
12	Nice	39,346
13	Dalaman	38,438
14	Geneva	35,438
15	Sharm El Sheikh	33,550
16	Copenhagen	33,135
17	Larnaca	28,585
18	Madrid	27,355
19	Cork	24,831
20	Lanzarote	24,690
21	Murcia	23,033
22	Athens	22,350
23	Turin	22,015
24	Paphos	20,222
25	Amsterdam	19,627
26	Jersey	18,600
27	Grenoble	18,552
28	Venice	18,339
29	Prague	17,719
30	Riga	17,591
21	Rome (FCO)	17,442

32	Krakow	17,250
33	Naples	16,608
34	Malta	16,400
35	Zurich	16,161
36	Reus	13,855
37	Thessaloniki	13,657
38	Gibraltar	13,334
Total		1,263,190
<b>Source: CAA Passenger Survey</b>		

5.19 Table 5.2, hence, shows the current scale of the market which is potentially available for LAA to key destinations based on CAA Survey Data.

5.20 It is not realistic to assume that LAA would be able to attract 100% of the market in total, nor at individual route level, for a number of reasons, including principally that:

- for many destinations, there will be insufficient passengers to make operations viable for the airlines;
- even on routes which are operated from LAA, the Airport will be competing with services operated from other airports, including Gatwick, and which may be offered at a higher frequency or more attractive timings than the direct service from LAA.

5.21 The demand projections which I have derived, therefore, are based on an assessment of the underlying demand for LAA using realistic assumptions about how much of the market could be attracted to the Airport. Using the same catchment area districts for both scenarios, the potential market share or capture by LAA has been assessed at different rates for the two 'With Development' scenarios.

5.22 Furthermore, I do not believe it would be credible to assume a single level of capture across each district within the catchment and so the individual districts within the catchment area have been grouped according to the level of market capture which could be achieved. In so doing, we have taken into account the potential interaction with Manston and limited the extent to which it is assumed that LAA will draw passengers from the northern part of the catchment area. The three levels of market capture which we have assumed are:

- **Inner** – the closest districts or those with the least competitive overlap with other airports, consisting of Rother, Hastings, Tunbridge Wells, Shepway and Ashford;
- **Outer East** – those which are more likely to be drawn to similar services from Manston, consisting of Maidstone, Swale, Dover and Canterbury; and
- **Outer West** – those where passengers may be more inclined to travel to Gatwick, but who may be more affected by constraints at Gatwick. This consists of Wealden.

5.23 The assumed market capture rates are, therefore, based on knowledge of the performance of other regional airports throughout the UK in terms of penetrating local markets against competitive offers from neighbouring airports. At other regional airports, the market capture is typically between 40-60% of the local market on short haul services, but varies by route depending on factors such as frequency of services, fare levels and competition. In some cases, the market capture figures can be higher. For example at City of Derry Airport<sup>43</sup>, there is a consistent capture of around 70% of the local market across all routes, despite most of these being served at very low frequency. This illustrates the way in which a small regional airport can penetrate its local market.

5.24 In summary, the market capture assumed for LAA by district group is:

- **Inner:** Starting at 30% for international passengers and 40% for domestic passengers and increasing over time to 60% at 2030 for both types of passenger in the Lower Growth scenario. In the Higher Growth scenario, the market capture for both types of passengers increases to 70% at 2030;

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<sup>43</sup> City of Derry Airport handled 350,000 passengers in 2009.

- **Outer East:** 5% for all travellers in the Lower Growth scenario, and increasing to 15% towards the end of the forecast period in the Higher Growth scenario. A lower market capture is assumed here taking into account that some parallel development of services is likely at both LAA and Manston given the nature of the underlying market and the focus on a relatively small number of large destination markets; and
- **Outer West:** 5% for all travellers increasing to 15% in the Lower Growth scenario and increasing to 40% in the Higher Growth scenario as capacity constraints bite at London Gatwick.

5.25 These potential market capture rates have been used and applied to the top 40 short haul destinations from the catchment area to establish the scale of the market which might be attracted to use LAA. Some markets such as Copenhagen and Zurich have been excluded because of the need for high frequency operations to penetrate the market but with insufficient demand to support such frequencies. Other destinations, such as Sharm El Sheikh and Dalaman, have been excluded because of runway length restrictions which would prevent a full payload being carried even with the extended runway.

## Market Stimulation

- 5.26 It is normal to assume that the introduction of a new air service from an airport would lead to some level of market stimulation as it becomes more convenient for people to travel from their local airport.
- 5.27 Before applying market growth rates to the underlying market, a market stimulation factor was applied to each of the potential routes. To ascertain the likely levels of stimulation, I have used examples from the introduction of services in the Northern Ireland market by analysing both CAA Survey data and CAA statistical data. The self contained nature of the Northern Ireland market, as other mainland UK airports cannot easily be accessed other than by air, allows a robust analysis of market stimulation to be undertaken. Hence, analysis of the overall size of the Northern Ireland market before and after route introductions can be used to determine the level of stimulation in the market as a result of new routes. Furthermore, we have examined only markets to the UK mainland, where levels of travel were already high and any leakage via Dublin likely to be very small. Such markets are of a similar scale and maturity as the high volume leisure markets which make up much of the demand in the LAA catchment area.

5.28 Using Northern Ireland as an example, the introduction of new domestic routes from City of Derry Airport showed high levels of market stimulation, in the region of 40-75% compared to the number of passengers flying before local services were introduced. However, the introduction of services from Belfast City airport alongside Belfast International in late 2007 led to lower levels of stimulation, in the region of 15-25% on routes such as those to East Midlands and Glasgow/Glasgow Prestwick. I consider that the expected route structure at LAA is likely to consist of more mature markets overall and so would be more comparable to the Belfast case.

5.29 Consequently, 20% is used as a reasonable assumption as to the level of market stimulation which would be seen with the introduction of local services from LAA. This is below the level of stimulation experienced in recent years as the advent of low fares airlines has generally led to higher levels of demand stimulation through lower fares. A more conservative approach has been taken in terms of the extent to which the introduction of new commercial services from LAA would stimulate demand (both inbound and outbound) in the local market as:

- the local market has already been stimulated through low fares offers at Gatwick and it would not be reasonable to assume that new services to the destinations likely to be served from the Airport would generate substantial additional market stimulation; and
- it is anticipated that many of the services will be lower frequency charter services, which are unlikely to have the same stimulation effects as high frequency low fares scheduled services.

## Growth Rates

5.30 Department for Transport (DfT) national air traffic growth rates have been used to project the 2009 demand base forwards. The most recent forecasts published by DfT were in January 2009<sup>44</sup> and new forecasts are not expected to be published before the middle of 2011 at the earliest. However, the DfT's central forecasts are based on forecasts of economic growth from early 2008, which do not factor in the recession.

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<sup>44</sup> CD5.28.

- 5.31 DfT has advised that it is more appropriate to use a low case sensitivity test forecast, based on November 2008 Pre-Budget Report economic growth forecasts<sup>45</sup> as the most realistic basis for forecasting airport demand at the present time. These projections also allow fully for the recently introduced increases to Air Passenger Duty. Further adjustments have been made to short term growth rates to reflect the depth of the recent economic recession. These DfT national forecasts showed continued slower growth in the period to 2015, followed by upward lift in the period to 2020. Given the continued volatility of the market in the short term, growth has been smoothed over this period to minimise uncertainties.
- 5.32 A further adjustment has been made to DfT growth rates by adopting the lower short haul growth rates for all markets, whereas the DfT had been indicating that higher growth might be seen in domestic markets. However, recent route withdrawals, for example of services between London City and Manchester, would suggest that there has been an accelerated shift to rail travel which appears likely to continue to affect domestic markets. Hence, to adopt a conservative approach, the higher growth rates projected by DfT in domestic markets have not been used.
- 5.33 Growth rates of 2.7% per annum to 2020 and then 2.5% per annum to 2030 have been applied to the stimulated 2009 route by route markets to give an estimate of the potential market size year by year. These growth rates take into account the effects of the recession, which are in any event reflected in the use of 2009 as a base year, and the expected rate of recovery, coupled with the inclusion of the effects of Air Passenger Duty and the inclusion of aviation in the EU Emissions Trading Scheme.

### **Airline Considerations**

- 5.34 As outlined earlier in this section, it has not been assumed that services will be provided at LAA to meet all of the underlying demand over the forecast period to 2030. Instead, the possible nature of airline operations at LAA in relation to the market opportunities has been considered.

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<sup>45</sup> Ibid, page 44.

- 5.35 The bottom-up projections are based on assessing how much capacity different frequencies of service during the year by different aircraft types would generate. Route capacity is then matched with the forecast annual demand for each route, taking into account appropriate load factors for each type of service to see which routes are likely to be operated and by what aircraft type. To do this, account is taken of current airline fleet plans and market strategies to identify which airlines might operate any route based on our industry knowledge.
- 5.36 Overall, many of the destinations for which there may be sufficient demand for services from LAA are to traditional leisure destinations. These destinations have historically been served by charter airlines, but more recently have also come to be served by the low fares airlines, such as Ryanair and easyJet. Charter carriers continue to provide services to these destinations, and based on the patterns of growth at other UK regional airports, I expect that these types of destinations are more likely to be served by charter airlines, such as Thomsonfly, Thomas Cook Airlines or foreign charter airlines, from LAA. This is because easyJet tend to focus their operations on airports serving major cities, as witnessed by their recent withdrawal from East Midlands and Doncaster airports and the planned runway length will not be sufficient for Ryanair to operate international services.
- 5.37 When considering the route network and the levels of demand which can be carried from LAA, in some cases, demand has to be constrained by the 'sensible' combination of aircraft size, load factor and frequency that the airlines are likely to operate, reflecting that traffic growth at small regional airports is often driven to a large extent by supply side considerations. For this reason, within the forecasts, passenger numbers on some routes remain static for a number of years as demand is not sufficiently high to warrant further increases in frequency/capacity. When changes are shown, these reflect what happens in practice, with additional airline supply being brought on line when it can be viably operated to a given destination resulting in a step change in the number of passengers on a route.

5.38 In relation to domestic destinations, examples of the introduction of low frequency services at other airports have been used as the basis for assessing the way in which market opportunities at LAA are likely to be taken up. The most recent examples are the 6-weekly services by Flybe to Manchester and Edinburgh from Manston. Over time, as demand grows, so does the frequency. Therefore, in the domestic forecasts, there is a closer link between the capacity and the underlying market demand growth.

5.39 The resultant route network and frequencies in the forecasts are based on the pattern of route development at other UK regional airports, taking into account the airlines which might serve the Airport. **Table 5.3** provides examples of the route structures for Bournemouth Airport at points in time when it was at a comparable scale of 300,000 to 500,000 passengers as anticipated for LAA<sup>46</sup>. This indicates the type of route network we would expect to see develop at LAA.

<b>Table 5.3: Route Structure for Bournemouth Airport</b>						
<b>2000 - 227,000 Passengers*</b>						
<b>Scheduled</b>						
Dublin						
<b>Charter</b>						
Alicante	Faro	Jersey	Larnaca	Las Palmas	Mahon	Malaga
Palma	Tenerife					
<b>2004 - 465,000 Passengers*</b>						
<b>Scheduled</b>						
Dublin	Gerona	Guernsey	Jersey	Glasgow (Prestwick)		
<b>Charter</b>						
Alicante	Lanzarote	Milan (Bergamo)	Chambery	Corfu	Dubrovnik	Faro
Funchal	Innsbruck	Jersey	Larnaca	Las Palmas	Mahon	Malaga
Malta	Palma	Paphos				
<b>Source: CAA Airport Statistics</b>						

<sup>46</sup> Bournemouth Airport currently handles over 800,000 passengers a year.



- 5.40 The expectation is that charter services operating at low and seasonal frequency would be attracted first to prove the market, not least because the strongest local markets are to places like Malaga, Alicante and Faro. This will be perceived as lower risk by the market and could be underpinned by local travel agents chartering in foreign aircraft for the summer season for example. There is substantially less risk for an airline operating a low frequency charter service than embarking on regular scheduled operations. Hence, we do not envisage such regular scheduled operations being established in the first year or two at LAA, given the lack of a track record for commercial services at the Airport, other than the limited operations by Lydd Air.
- 5.41 I believe that this means LAA will need to have demonstrated that it can attract passengers in competition with the other airports before regular scheduled flights will commence. I understand that LAA intends to adopt an attractive pricing strategy designed to attract airlines (see Appendix B). Therefore, I have assumed that development of a regular scheduled network, including to domestic points with smaller aircraft, would follow the market proving exercise by charter services. Although such domestic/regional services are likely to be operated by aircraft which would be capable of using the existing runway length, I do not believe such services would operate without the charter services, using jet aircraft requiring a longer runway, having demonstrated the market potential from LAA is capable of being realised.
- 5.42 A further consideration is the fleet replacement plans of the airlines. Many of the smaller aircraft types of 50 seats or less are being phased out of the UK airline fleets and further upscaling to regional jets is likely, such as Flybe gradually introducing Embraer 195 aircraft. These airlines will want the confidence that they will be able to upsize to such larger aircraft over time in order to sustain the investment in opening up new routes from LAA.
- 5.43 This means that the runway extension is, therefore, necessary to allow charter flights to operate, without which it is unlikely there will be an opportunity for the Airport to attract an airline to commence regular regional scheduled services. In my opinion, the Airport's failure to date to attract scheduled operations, even on domestic routes, with the exception of the limited Lydd Air service to France, demonstrates that such operations will not operate from an airport with a restricted runway length, even though it is technically possible with aircraft, such as the Dash8-Q400, frequently operated on such routes today.

5.44 Given the frequency of anticipated services, it is unlikely that Lydd will attract based aircraft, but instead is more likely have services provided by non-based aircraft. For scheduled services, this will come from airlines with aircraft bases at the destination, such as Flybe at Glasgow, Belfast and Edinburgh. For the charter services this could come from two opportunities:

- Inbound international charter carriers - tour operators often use these carriers to prove markets and therefore historically many services from smaller regional airports have been provided by charter carriers based at the destination; and
- 'W-Patterned' UK Based aircraft: where an aircraft flies from a base to a destination, then flies to LAA before returning to the destination and then back to its base. This is a typical operation for smaller regional airports such as Norwich and Aberdeen.

5.45 I have taken this into account in the detailed build up of our forecast scenarios and the assumed aircraft mix.

### **'With Development' Passenger Demand Projections**

5.46 **Table 5.4** presents the passenger projections by year for the most 'Lower Growth' and 'Higher Growth' scenarios. The forecasts presented here assume the full growth of the facilities to include the redeveloped terminal and, therefore, in cases where no new terminal was provided the forecasts are likely to be capped at around 300,000 passengers from 2023 in the Lower Growth scenario and 2021 in the Higher Growth scenario. Detailed route breakdowns for these forecasts are contained in **Appendix D**. Indeed, the effect of not having a new terminal in place could result in slower growth before 300,000 passengers per annum is reached if the operational restrictions imposed by the current terminal result in airlines being unable to schedule operations at the times they require, potentially making some services unviable.

<b>Table 5.4: Summary of Passenger Forecasts by Scenario</b>		
<b>Year</b>	<b>Lower Growth</b>	<b>Higher Growth</b>
2010	2,000	2,000
2011	2,000	2,000
2012	2,000	2,000
2013	7,444	7,444
2014	38,356	40,528
2015	84,869	84,869
2016	93,543	140,717
2017	142,512	181,622
2018	165,410	218,073
2019	186,078	236,019
2020	236,158	293,172
2021	249,318	320,882
2022	257,116	373,266
2023	301,096	481,287
2024	373,550	499,073
2025	423,882	499,073
2026	430,676	499,073
2027	461,517	499,073
2028	498,436	499,073
2029	498,436	499,073
2030	498,436	499,073
<b>Source: York Aviation</b>		

### **‘No Development/Fallback’ Case**

5.47 As I believe that the Airport is highly unlikely to attract scheduled or charter services in the current airline market without a runway extension, in a scenario in which no runway extension is provided, the Airport would have to consider other options for attracting profitable business. The credible options available are set out in the commercial strategy at Appendix B. I have reviewed these other business opportunities available to the Airport in developing a ‘No Development/Fallback’ case.

- 5.48 With respect to commercial aircraft operations in the 'No Development/Fallback' case, I believe there may be opportunities for growth of aircraft maintenance activities, including some larger aircraft types which can position empty using the existing runway, and for small scale freight operations to be established.
- 5.49 The 'No Development/Fallback' case has been assumed to include a low level of aircraft maintenance activity for ATR-42 sized aircraft, on the basis that, over time, this activity could be attracted from other airports as they become more constrained or as planning restrictions, such as limits on night time flying, force these activities to relocate. If the Applications are unsuccessful or not implemented, LAA will continue to be unconstrained in relation to night flying and could become increasingly attractive to the Maintenance, Repair and Overhaul (MRO) sector. A conservative assessment has been made for the number of such aircraft which might be attracted, taking into account the provision of hangarage and the pattern of heavy maintenance operations where aircraft remain in a hangar for several weeks.
- 5.50 As set out in Appendix B, the Airport has in the past been approached by express parcels operators interested in operating feeder flights to their hubs. Such operations could take place from the existing runway, now that an ILS and fire cover is in place, but the Airport has deterred such operations in anticipation of the Applications being approved and the Airport being no longer able to accept operations at night. In the event that the Applications are unsuccessful, the commercial requirements of the airport company would dictate that they would need to seek other revenue streams, including freighter operations. I would expect that this type of operation would be provided by an integrator, such as TNT or similar, which would require the flexibility to operate at night. For assessment purposes, I have, therefore, assumed a single night freight service would be provided by a BAe-146 type aircraft for 6 nights per week (these services do not tend to operate on Saturday nights) for 52 weeks per year.

## Aircraft Movements

5.51 **Table 5.6** then compares the Lower Growth scenario and Higher Growth scenario commercial movements with those in the Environmental Statement. A smaller number of commercial aircraft movements is now projected to handle the same volume of passengers due to shift by airlines to larger aircraft since the original ES forecasts were prepared. Some of the types originally expected to operate scheduled services from LAA have been or are being retired by the airlines and operations by such types no longer seem likely if the Applications are approved and development takes place.

<b>Table 5.6: Comparison of Commercial Movements by Scenario with Environmental Statement Movements</b>				
<b>Lower Growth Aircraft Movements Comparison with Environmental Statement</b>				
<b>Aircraft Type</b>	<b>Environmental Statement</b>		<b>York Aviation</b>	
	<b>300,000 Pax</b>	<b>500,000 Pax</b>	<b>300,000 Pax</b>	<b>500,000 Pax</b>
Boeing-737/Airbus A320	700	1,460	1,016	2,180
Airbus A319	700	1,460	0	0
DHC-8-Q400	0	0	2,476	2,720
DHC-8-300	700	730	0	0
ATR-42	0	1,460	0	0
Saab 340	1,460	730	0	0
Bae-146	700	730	0	0
<b>Total Commercial Movements</b>	<b>4,260</b>	<b>6,570</b>	<b>3,492</b>	<b>4,900</b>
<b>Higher Growth Aircraft Movements Comparison with Environmental Statement</b>				
<b>Aircraft Type</b>	<b>Environmental Statement</b>		<b>York Aviation</b>	
	<b>300,000 Pax</b>	<b>500,000 Pax</b>	<b>300,000 Pax</b>	<b>500,000 Pax</b>
Boeing-737/Airbus A320	700	1,460	1,348	2,352
Airbus A319	700	1,460	0	0
DHC-8-Q400	0	0	1,996	2,036
DHC-8-300	700	730	0	0
ATR-42	0	1,460	0	0
Saab 340	1,460	730	0	0
Bae-146	700	730	0	0
<b>Total Commercial Movements</b>	<b>4,260</b>	<b>6,570</b>	<b>3,344</b>	<b>4,388</b>

Source: York Aviation

5.52 The updated projections now indicate a smaller number of aircraft movements on a typical busy day, namely 5 arrivals and 5 departures a day at 300,000 passengers per annum under the Lower and Higher Growth scenarios and 8 or 7 arrivals and departures a day under the Lower and Higher Growth scenarios respectively.

### **General Aviation**

5.53 Most opportunities in the 'No Development/Fallback' case are likely to remain in the field of General Aviation (GA). General Aviation consists of all private and business aviation, including executive or corporate operations, flying club activity and commercial operations by small aircraft such as air taxi, agricultural work and flying training. To a large extent, such operations are common to the 'With Development' and 'No Development/Fallback' cases subject to the overall cap on movements which would be applied if the Applications are successful.

5.54 In the 'No Development/Fallback' case, I have assumed that, over the long term, the Airport will be able to attract GA operations in line with those projected in the ES but unconstrained by any movement cap. I have, thus, not prepared any further detailed forecasts for this type of aviation activity at LAA.

5.55 In order to provide a basis for the assessment of impact, the numbers and likely aircraft mix of GA activity shown in the ES has been assumed to be achieved by 2030. In the 'With Development' case scenarios, these movement numbers have been added to the number of commercial movements projected to deliver the passenger forecasts and the total number of movements reduced pro-rata by type to match the 40,000 movements per annum cap. Similarly, the unconstrained number of GA movements, as shown in the ES, has been assumed to operate by 2030 in the 'No Development/Fallback' case. To these have been added the limited number of commercial movements which could be attracted in the 'No Development/Fallback' scenario, resulting in a slightly lower number of movements overall but a higher number of GA movements.

5.56 **Table 5.7** gives the total aircraft movement projections associated with the 'With Development' and 'No Development/Fallback' cases. The similarity in the total number of movements shown with and without development is because, in each case, the majority of movements are assumed to be GA operations unaffected by whether the Applications are approved.

5.57 In reality, there is a significant degree of uncertainty regarding the future of the Airport under the 'No Development/Fallback' case and, indeed, in terms of the timescale when the indicated level of GA activity will be reached. The movement numbers shown in Table 5.7 represent the upper bound of likely movements in the period to 2030 for the purpose of assessing the potential environmental impacts. In terms of assessing the socio-economic impacts in the next section, I focus principally on the differences in commercial movements, given that the total movement scenarios show little variation in GA movements by 2030 with and without development and the number of such movements are subject to a significant degree of uncertainty.

London Ashford Airport – Socio-economic Case

Table 5.7: York Aviation Aircraft Movements by Scenario

Aircraft Type	Fallback				Lower Growth				Higher Growth										
	Summer		Winter		Total		Runway Extension 300K ppa		Terminal 500K ppa		Total		Runway Extension 300K ppa		Terminal 500K ppa		Total		
	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Summer	Winter	Total
B737/A320	-	-	796	220	1,016	1,620	560	2,180	856	492	1,348	1,576	776	2,352	-	-	-	-	-
Bae146	360	264	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dash 8 (Q400)	-	-	1,380	1,096	2,476	1,620	1,100	2,720	1,140	856	1,996	1,200	836	2,036	-	-	-	-	-
ATR 42	134	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Learjet 35	734	361	712	351	1,063	896	441	1,337	715	352	1,068	909	448	1,357	-	-	-	-	-
Citation II	734	361	712	351	1,063	672	331	1,003	715	352	1,068	682	336	1,017	-	-	-	-	-
Citation X	4,157	2,048	4,037	1,988	6,026	4,031	1,986	6,017	4,054	1,997	6,050	4,090	2,015	6,105	-	-	-	-	-
Cessna 152	6,114	3,011	5,937	2,924	8,861	5,599	2,758	8,357	5,961	2,936	8,897	5,681	2,798	8,479	-	-	-	-	-
Cessna 172	4,891	2,409	4,750	2,339	7,089	4,479	2,206	6,686	4,769	2,349	7,118	4,545	2,238	6,783	-	-	-	-	-
PA28	3,668	1,807	3,562	1,755	5,317	3,360	1,655	5,014	3,577	1,762	5,338	3,409	1,679	5,087	-	-	-	-	-
PA34	4,891	2,409	4,750	2,339	7,089	4,479	2,206	6,686	4,769	2,349	7,118	4,545	2,238	6,783	-	-	-	-	-
	25,683	12,768	26,636	13,364	40,000	26,757	13,243	40,000	26,556	13,444	40,000	26,636	13,364	40,000	-	-	-	-	-

Source: York Aviation



## Key Points Summary

- 5.58 I have been deliberately conservative in my approach to assessing passenger demand for LAA. The assessment has been based on demand arising in the catchment area based on CAA survey data for 2009. On this basis, demand within the local catchment area of LAA amounted to some 2.5 million passengers, of which approximately 1.3 million was travelling to the top 40 destinations in volumes which would make services from LAA likely to be viable provided the Airport has suitable infrastructure.
- 5.59 In preparing demand forecasts, I have grown this market potential from current levels using the latest growth rates advised by the Department for Transport, based on a sensitivity test using 2008 Pre-Budget Report economic forecasts, which was published as part of the updated national air traffic forecasts in January 2009. These growth rates best reflect the impact of the recession on national demand growth. The growth rates used were 2.7% per annum to 2020 and then 2.5% per annum to 2030.
- 5.60 Before applying these growth rates, I have assumed that new services from LAA would result in some stimulation to the local market, amounting to 20% above current levels. This is conservatively a lower level of stimulation than has been observed where there has been major low fares entry into the market but is consistent with the levels of stimulation that can arise when convenient local services are first offered.
- 5.61 I have taken a conservative approach to assessing how much of this market LAA might attract on any given route, having regard to the expected development of routes in parallel from Manston Airport. I have based my assessment on the typical market penetration levels seen at other small regional airports operating alongside larger competitors with higher frequencies of service. However, the overall scale of the market is such that both airports can grow in parallel, in a similar fashion to that observed at other neighbouring regional airport pairs.

- 5.62 I expect that charter airlines, for which an extended runway will be essential, will be attracted to operate low frequency seasonal services initially from LAA. Once the Airport's ability to attract passengers to these services had been proven, I expect a small network of regional scheduled services to develop to points such as Belfast, Dublin, Glasgow and Edinburgh. Over time additional charter services would be operated along with some services to European cities, such as Barcelona, Geneva and Madrid serving a mixture of business and leisure needs.
- 5.63 In the Lower Growth scenario, 300,000 passengers per annum would be reached in 2023 and 500,000 passengers per annum in 2028. In the event of continued capacity constraint at the other London airports, the Higher Growth scenario suggests that 300,000 passengers would be reached by 2021 and 500,000 passengers a year by 2024. There may be scope for faster growth is the Airport is successful in penetrating the London market via the high speed rail connection from Ashford.
- 5.64 In the event that development does not proceed, the future for the Airport is uncertain. Unconstrained by night movement restrictions, it may attract some night freighter and maintenance operations.
- 5.65 With and without development, there is potential for growth of General Aviation activity, although the timescales are uncertain. In order to assess the impacts of the development, it is assumed that the level of General Aviation activity shown in the ES will be achieved by 2030, subject to the overall cap on movements if the Applications are approved.

## 6 THE SOCIO-ECONOMIC IMPACT OF THE PROPOSED DEVELOPMENTS

6.1 In this section, I consider the socio-economic impacts of the proposed developments at LAA, based on the demand scenarios set out in the previous section. I deal with the implication both in terms of the direct impacts and in terms of the ability of the Airport to support wider benefits in the surrounding area.

6.2 In terms of the direct impact of the development I have considered the impact of LAA in terms of:

- employment - the ability of the expanded facilities to generate additional jobs at the Airport, in the supply chain in the local area and through the expenditure of income earned in the local economy;
- increased inbound tourism – the extent to which the expansion of the Airport will bring new inbound visitors to the area, thereby generating increased consumer expenditure;
- user benefits – the extent to which the development will increase economic welfare for users (passengers) by reducing journey times and enabling access to air services. It should be noted that these benefits are linked to savings in terms of carbon emissions from passengers being able to access air services more ‘locally’. These benefits are considered further by Stuart Coventry.

6.3 In terms of wider benefits, I consider whether the development will influence:

- company location decisions – air services have long been established as a key factor in inward investment location decisions. I consider whether the expansion of LAA will have an impact in either attracting new companies to locate in the area or in retaining existing companies;
- regeneration agenda – as I have established there is a strong need for economic regeneration in Shepway, particularly the area adjacent to the Airport, and the surrounding areas. I consider below the extent to which the development of LAA can influence this agenda above and beyond the creation of employment through the direct effects described above.

## Direct Impacts

### Employment Impacts

6.4 In **Table 6.1**, I have set out the estimates of the employment impact of expansion of LAA in line with the planning application. These are updated estimates, taking into account:

- the latest estimates of on-site employment;
- updated employment densities and productivity assumptions in relation to passenger and commercial movement related employment;
- updated appropriate multipliers for assessing indirect and induced effects.

6.5 I provide employment estimates for the following scenarios:

- Lower Growth 'With Development' scenario – this describes the economic impact of the Airport taking a more conservative set of assumptions about its catchment area and market share;
- Higher Growth 'With Development' scenario – this describes the economic impact of our Higher Growth scenario, with faster growth at the Airport following planning approval;
- 'No Development/Fallback' case – this describes the employment impact of the Airport based on development within the confines of the existing infrastructure. As described above, this might include continued expansion of GA activity, development of a small number of express freight movements, a small MRO function, and the continued operation of Lydd Air at current levels.

6.6 As discussed in the previous section, there is a degree of uncertainty about the rate of build up of GA activity in both the With and No Development/Fallback cases. There is a degree of uncertainty about what will happen in the 'No Development/Fallback' case in any event. To provide a consistent basis for assessment, we have assumed that GA activity reaches the level set out in the ES by 2030 under all scenarios, save for the capping of total movements at 40,000 annual movements in the 'With Development' cases.

6.7 Our estimates of the direct on-site employment impact at LAA are based on the following:

- current on-site employment is based on information provided by LAA;
- employment in the 'With Development' scenarios has been derived based on an assumed potential employment density in 2010 of 500 jobs per million passengers per annum. This is based upon an assessment of the likely traffic mix identified in the passenger forecasts and York Aviation's work on the social and economic impact of airports in Europe<sup>47</sup> for ACI EUROPE in 2004. 500 jobs per million passengers per annum is within the range for a low employment density airport and takes account of further falls in employment densities at airports since 2004 due to productivity improvements and the drive to lower costs. This means that the top end of the range for small airports of 600 jobs per mppa is no longer likely to be realistic. The value I have selected is reflective of a relatively small regional airport handling less than a million passengers per annum, which cannot achieve significant economies of scale, but which has a range of primarily domestic and charter services. It should be noted that there is no clear pattern of employment densities at smaller airports with densities ranging from 250 jobs per mppa at the City of Derry Airport to over 1,000 jobs per mppa at Humberside. We believe that 500 jobs per million passengers per annum is a reasonable initial estimate taking into account the expected traffic mix at LAA;
- this employment density is expected to reduce over time as ongoing productivity and efficiency improvements in the industry continue. However, I have also assumed that as LAA will remain relatively a small regional airport and, hence, that its ability to benefit from future economies of scale will be more limited. I have therefore assumed average productivity growth of just over 1% per annum, which is less than the 2-3% typically observed at larger airports. By 2030, this reduces employment density at the developed airport to just over 400 jobs per million passengers per annum. This is consistent with smaller regional airports today currently handling predominantly low fares airlines and having attained some economies of scale;

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<sup>47</sup> covering 58 airports of all sizes based on data for 2002.

- direct on-site employment at LAA in the ‘No Development/Fallback’ case is based on the projected aircraft movements and the current employment per aircraft movement. It is assumed that that the projected movements are achieved by 2030. Based on this limited growth, it is assumed that there will be relatively low productivity growth over the period of around 0.5% per annum;
- I have estimated the indirect (supply chain) and induced (consumer expenditure effect) impacts on the surrounding sub-region based on York Aviation’s research for ACI EUROPE. This identified an average combined indirect and induced multiplier for airports across Europe for sub-regions of 0.5 and consistent with our experience at other smaller UK regional airports.

6.8 Currently, the Airport supports around 72 jobs directly on-site at the Airport (as stated in paragraph 4.6) and around 40 indirect and induced jobs. This makes a total of around 110 jobs related to its operational activity.

6.9 For each scenario, I set out in **Table 6.1** an estimate of the current employment impact of LAA and the employment impact of the Airport at 300,000 passengers per annum and at 500,000 passengers per annum for the development scenarios, including the year in which this level of growth is reached.

6.10 In the Lower Growth Case, LAA supports:

- at 300,000 passengers per annum, 130 direct jobs and around 70 indirect and induced jobs. This total is reached in 2023. This is a total of 90 jobs more than currently supported;
- at 500,000 passengers per annum, 200 direct jobs and around 100 indirect and induced jobs. This total is reached in 2023. This is a total of 190 jobs more than currently supported.

<b>Table 6.1: Employment Impact of Development at LAA</b>					
	<b>Employment Impact</b>			<b>Additional Employment vs Current</b>	
	<b>Current</b>	<b>300,000 pax</b>	<b>500,000 pax</b>	<b>300,000 pax</b>	<b>500,000 pax</b>
<b>Lower Growth With Development</b>					
Year Reached	<b>Current</b>	<b>2023</b>	<b>2028</b>	<b>2023</b>	<b>2028</b>
Direct	72	130	200	60	130
Indirect & Induced	40	70	100	30	60
<b>Total</b>	<b>110</b>	<b>200</b>	<b>300</b>	<b>90</b>	<b>190</b>
<b>Higher Growth With Development</b>					
Year Reached	<b>Current</b>	<b>2021</b>	<b>2024</b>	<b>2021</b>	<b>2024</b>
Direct	72	130	210	60	140
Indirect & Induced	40	70	100	30	60
<b>Total</b>	<b>110</b>	<b>200</b>	<b>310</b>	<b>90</b>	<b>200</b>
Notes. Multiplier effects and forecasts have been rounded to the nearest 10 jobs. Columns may not fully sum due to rounding.					
<b>Source: York Aviation</b>					

6.11 In the Higher Growth Case, London Ashford Airport supports:

- at 300,000 passengers per annum, 130 direct jobs and around 70 indirect and induced jobs. This total is reached in 2021. This is a total of 90 jobs more than currently supported;
- at 500,000 passengers per annum, 210 direct jobs and around 100 indirect and induced jobs. This total is reached in 2024. This is a total of 200 jobs more than currently supported.

6.12 In **Table 6.2**, I set out the number of jobs which the Airport would support in the same years in the ‘No Development/Fallback’ case. However, it should be noted that in the ‘No Development/Fallback’ case, there is a higher degree of uncertainty attaching to these employment estimates, not least due to uncertainties regarding the Airport’s future if development cannot be secured.

6.13 With development, the Airport will support as a minimum 50-60 more jobs at 300,000 passengers a year than under the ‘No Development/Fallback’ case outlined and 140-160 additional jobs at 500,000 passengers a year.

<b>Table 6.2: Employment at LAA in the ‘No Development/Fallback’ Case</b>					
<b>Employment Impact in Comparative Years</b>					
<b>Year</b>	<b>Current</b>	<b>2021</b>	<b>2023</b>	<b>2024</b>	<b>2028</b>
Direct	72	90	100	100	110
Indirect & Induced	40	50	50	50	60
<b>Total</b>	<b>110</b>	<b>140</b>	<b>150</b>	<b>150</b>	<b>170</b>
Notes. Multiplier effects and forecasts have been rounded to the nearest 10 jobs. Columns may not sum due to rounding.					
<b>Source: York Aviation</b>					

6.14 In addition, the Airport has previously estimated in the ES that 4 full-time equivalent jobs would be created during the construction of the runway extension and 28 full-time equivalent jobs during the construction of the new terminal building.

6.15 I have calculated the Gross Value Added (GVA) by the Applications, if approved, on the basis of an average GVA per job created derived from the current average GVA per employee in Kent. This has been derived from two sources:

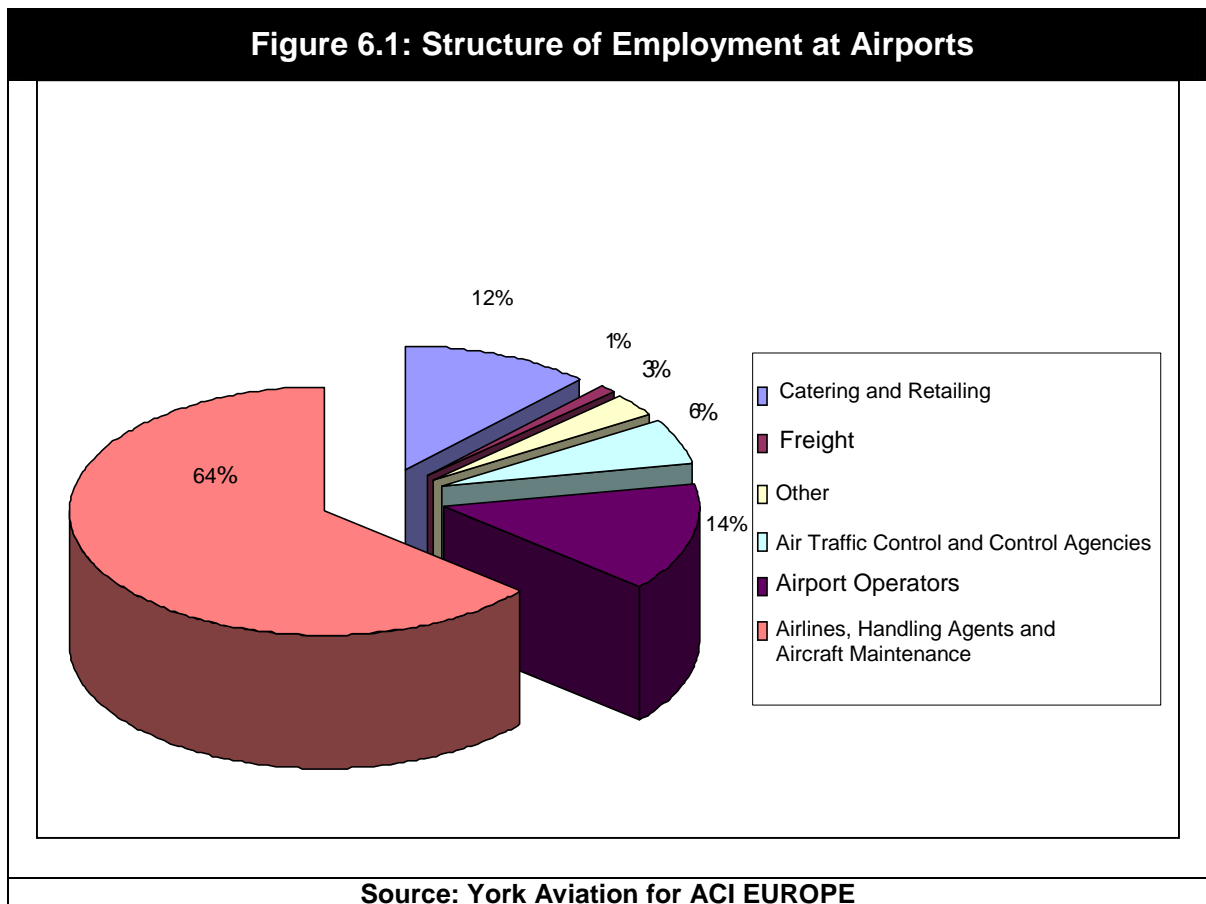
- Total GVA for Kent has been taken from the Office for National Statistics website. The NUTS3 headline GVA for 2008 was £23.9 billion;
- Total employment for Kent in 2008 has been identified using the Annual Population Survey accessed via NOMIS. This identified average employment across year of around 661,000.

This gives at GVA per employee for Kent at 2008 prices of £36,127. I have then adjusted this figure to 2010 prices using the GDP deflator estimates taken from the HM Treasury website. This gives a final GVA per employee of £37,802.



6.16 On this basis, I have estimated that current operations at LAA generate a Gross Value Added (GVA) to the local economy of just over £4 million a year. With Development up to 300,000 passengers per annum, this is likely to rise to around £7.4 to £7.5 million a year at current prices, rising to £11.5 to £11.7 million a year if the new terminal is added and annual passengers reach 500,000. Based on the existing pattern of employee residence, I would expect most of this beneficial impact to be realised in the local area around the Airport.

6.17 The jobs created at the Airport are likely to be across a broad skills range. In **Figure 6.1**, I illustrate the typical employment structure at airports from our 2004 work for ACI EUROPE<sup>48</sup>, which remains broadly valid today based work which I have carried out at other airports, particularly in the UK.



<sup>48</sup> CD11.13, Figure 6.3.

- 6.18 In the context of the existing and projected levels of employment in Romney Marsh and surrounding areas, the ability of the Airport to generate up to 200 new direct jobs if both applications are approved would be highly desirable and make a material contribution to the regeneration of the area. This is particularly the case given the impending loss of jobs at Dungeness.
- 6.19 I understand that the Airport is also proposing a number of initiatives to support local employment, such as local recruitment initiatives and engineering apprenticeships. Such initiatives will help to ensure that beneficial employment impacts are realised locally in the areas in need of regeneration.

### **Inbound Tourism**

- 6.20 As the Airport develops, we expect it to attract domestic scheduled services and some low fare airline services, as set out in the previous section. Such services have the potential to bring new visitors to Shepway and surrounding areas as they develop.
- 6.21 I have estimated the number of inbound leisure passengers expected to use LAA in the two development scenarios based on the proportion of inbound leisure passengers in the local catchment area, as shown in the CAA Passenger Survey, using existing services to and from the projected destinations which are expected to be served by LAA. These comprise both international and domestic visitors.
- 6.22 I have estimated the total additional expenditure accruing from these visitors using data on average expenditure per trip from the International Passenger Survey 2009, accessed via the Visit Britain website, and the Overnight Visitors Survey for Visit England. I have assumed that international visitors come for a holiday, that their expenditure per trip is in line with the average for other visitors from the same country and that their trip length reflects the average trip length for a visitor from the same country (average trip lengths vary between around 5 and 7 days depending on the country). For UK visitors, I have assumed that they travel via air and that their trip length is reflective of the domestic air tourism market (an average stay of around 3 days). These parameters have been used to extract the necessary expenditure per trip from the online databases.

- 6.23 In the Lower Growth scenario at 300,000 passengers, I estimate that LAA will handle around 26,000 international inbound passengers and around 33,000 domestic inbound passengers, making 19% of the total Airport demand. This will support around £8.9 million of expenditure in the catchment area economy. A 2003 study for Visit Britain<sup>49</sup> identified that around £35,800 of expenditure was required to support a job in the tourism industry. Updating the price base to 2010 using HM Treasury GDP deflators, this is the equivalent of £42,800 in current prices. I estimate therefore that the £8.9 million of expenditure will support around 207 jobs in the tourism industry.
- 6.24 In the Higher Growth scenario at 300,000 passengers, I estimate that LAA will handle around 28,000 international inbound passengers and around 36,000 domestic inbound passengers, making 13% of the total Airport demand. This will support around £9.7 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 227 jobs in the tourism industry.
- 6.25 In the Lower Growth scenario at 500,000 passengers, I estimate that LAA will handle around 37,000 international inbound passengers and around 38,000 domestic inbound passengers, making 25% of the total Airport demand. This will support around £11.7 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 273 jobs in the tourism industry.
- 6.26 In the Higher Growth scenario at 500,000 passengers, I estimate that LAA will handle around 38,000 international inbound passengers and around 40,000 domestic inbound passengers, making 16% of the total Airport demand. This will support around £11.9 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 278 jobs in the tourism industry.
- 6.27 The above figures are gross tourism impacts and do not take account of the extent to which these passengers would have visited the area even if services did not operate direct to LAA. By excluding the passengers that would have travelled with or without the development of the Airport, I have identified the number of additional visitors to the area and estimated the additional spend associated with these passengers.

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<sup>49</sup> CD11.21.

- 6.28 In the Lower Growth scenario on reaching 300,000 passengers, I estimate that LAA will handle around 4,000 additional international inbound passengers and around 6,000 additional domestic inbound passengers, making 3% of total Airport demand. This will support around £1.4 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 33 jobs in the tourism industry.
- 6.29 In the Higher Growth scenario on reaching 300,000 passengers, I estimate that LAA will handle around 16,000 additional international inbound passengers and around 10,000 additional domestic inbound passengers, making 9% of total Airport demand. This will support around £4.1 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 96 jobs in the tourism industry.
- 6.30 In the Lower Growth scenario at 500,000 passengers, I estimate that LAA will handle around 6,000 additional international inbound passengers and around 6,000 additional domestic inbound passengers, making 3% of total Airport demand. This will support around £2.0 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 47 jobs in the tourism industry.
- 6.31 In the Higher Growth scenario at 500,000 passengers, I estimate that LAA will handle around 12,000 additional international inbound passengers and around 11,000 additional domestic inbound passengers, making 5% of total Airport demand. This supports around £3.6 million of expenditure in the catchment area economy. On the same basis as before, I estimate that this expenditure would support around 84 jobs in the tourism industry.

### **User Benefits**

- 6.32 I now set out the monetised journey time savings that will accrue to passengers using services from an expanded London Ashford Airport compared to the 'No Development/Fallback' case. This type of analysis is commonly used in transport economics to assess the economic welfare benefits associated with the development of transport infrastructure.

6.33 These estimates are based on the following key assumptions:

- passengers in the different development scenarios are assumed to grow in line with the forecasts set out in Section 5. No commercial passengers are assumed to use the Airport in the 'No Development/Fallback' case other than those forecast to use Lydd Air services;
- passengers are allocated to the individual districts within the catchment area based on the current observed patterns of demand in the CAA Passenger Survey and the assumptions made around market capture;
- charter services to the expected destinations are assumed to carry only outbound leisure passengers;
- international low fares services are assumed to be 10% business and 90% leisure passengers. This based on the current market for these destinations for low fares airlines taken from the CAA Passenger Survey;
- domestic services are assumed to be 30% business and 70% leisure passengers. This is again based on data from CAA Passenger Survey but the percentage of business passengers has been reduced to reflect the relatively limited frequencies on the routes projected at LAA;
- the travel times between the individual districts and LAA and the assumed alternate airport, Gatwick, have been calculated using the AA Journey Planner. Gatwick has been chosen as the alternate as it has the dominant market share in the various catchment area districts based on the CAA Passenger Survey and taking into account the market share assumptions we have made in deriving the forecasts;
- time has been valued using the Department for Transport's values of time for air passengers as used in the *Future of Air Transport White Paper*. The price base has been adjusted to 2010 using HM Treasury GDP Deflators. An hour of a business passenger's time is valued at £74.49 and a leisure passenger's at £11.61. In line with Department for Transport guidance, these values are assumed to grow at 2.03% per annum, reflecting the increasing real of value of time.

6.34 The results of this analysis are presented in **Table 6.3**. Each development scenario is compared to the ‘No Development/Fallback’ case. We have presented the total cumulative journey times through to 2030 and the discounted value of these benefits.

<b>Table 6.3: Cumulative Journey Time Savings 2010 to 2030</b>				
	<b>Lower Growth Scenario</b>		<b>Higher Growth Scenario</b>	
	<b>300,000 pax</b>	<b>500,000 pax</b>	<b>300,000 pax</b>	<b>500,000 pax</b>
Business	£4,525,690	£4,902,813	£5,180,563	£6,858,745
Leisure	£6,222,760	£8,308,671	£6,533,233	£9,647,879
<b>Total</b>	<b>£10,748,450</b>	<b>£13,211,483</b>	<b>£11,713,796</b>	<b>£16,506,624</b>
<b>Discounted</b>	<b>£6,710,998</b>	<b>£8,055,470</b>	<b>£7,393,227</b>	<b>£10,134,914</b>

**Source: York Aviation**

6.35 The development of London Ashford Airport offers significant journey time savings benefits:

- at a maximum of 300,000 passengers per annum, total discounted benefits for the period between 2010 and 2030 range between £6.7 million and £7.4 million;
- at a maximum of 500,000 passengers per annum, total discounted benefits for the period between 2010 and 2030 range between £8.1 million and £10.1 million.

6.36 These journey time savings benefits also reflect reduced journeys on the roads in the county as passengers are able to use their local airport rather than travel to Gatwick or other more distant airports. The implications of this are considered further by LAA’s Transport witness, Keith Sowerby.

6.37 These journey time benefits are benefits to users, which formed a large part of the benefits assessed by the Department for Transport in considering which airport development options were preferred in the preparation of the Future of Air Transport White Paper. I have not assumed there would be any particular air fare savings benefits to passengers from the development of LAA. To the extent that airlines benefit from shorter flying times to destinations to the South by using LAA outside the congested London Terminal Area, airlines might pass some of the cost reductions on in the form of reduced air fares.

6.38 These benefits to users, also potentially convert themselves into wider economic benefits, although care needs to be taken not to double count the benefits, if more convenient access makes the area more attractive to visit or as a place to do business. I have dealt with tourism impacts above. I now go on to comment on the wider benefits.

### **Wider Economic Impacts**

6.39 The development of commercial air services from LAA has the potential to generate wider economic benefits for the area, over and above direct employment impacts and incremental tourism jobs and income. The benefits to users by way of reduced journey times will, to the extent that they accrue to people travelling on business, improve business productivity in the area.

6.40 Improved air service connectivity to the area will also have a wider stimulus effect for the economy. It is for this reason that the local regeneration strategies which I cite in Section 3 of this Proof of Evidence support expansion of air services at Lydd as part of the strategy to make the Shepway and East Kent area better connected and to exploit its advantages.

6.41 Although the range of destinations which it is expected that the Airport will be able to serve as it grows towards 500,000 passengers per annum will not be as great as for a larger regional airport, our assessment of the market suggests that it will support services to key destinations such as Belfast, Dublin, Edinburgh and Glasgow and a number of European cities, all of which will offer improved business connectivity.

6.42 In terms of attracting inward investment, a local airport offering commercial air services is often a pre-requisite to get an area onto a shortlist for potential investors. It is a necessary but not a sufficient condition. The high quality facilities to be provided by the new passenger terminal at LAA will be a further factor.

6.43 Development of more commercial air services from LAA is supported by local business leaders. Representatives from Channel Chamber of Commerce, Kent Invicta Chamber of Commerce and Hastings Chamber of Commerce are strongly supportive of the development of LAA. There is a strong view that LAA will support wider regeneration of the surrounding area through:

- job creation at the Airport;
- local companies benefitting from increased supply chain expenditure;
- upskilling of the labour market as new services and new technologies develop at the Airport; and
- the attraction of new companies to the area to service the Airport.

6.44 The importance of this potential role in the wider regeneration of the area is felt to have been heightened in recent times by the Government's recent announcements in relation to the Dungeness C power station, when added to the other economic difficulties in the local and sub-regional economy. There is felt to be little in the way of alternative, and relatively significant, employment prospects on the Marsh and consequently LAA presents a substantial opportunity that should not be missed.

6.45 It is also considered that LAA will add substantially to the general accessibility offer for Kent and East Sussex. The area already has a number of important connectivity assets, notably Ashford International Station and the M20, and it is considered that a growing commercial airport will complement these existing assets and make the area a more attractive place to locate, visit and live. The growth of LAA will help to signal that the area is open for business and project a dynamic image to potential investors and visitors. The development of LAA should, however, not be seen in isolation. It needs to be supported with continued development of the area's tourism product and business infrastructure if the benefits of the development are to be maximised.

6.46 Overall, I consider that the development of LAA is likely to make a material contribution to regeneration in the local area, going some material way to compensating for the loss of employment, for example, through the closure of the Dungeness power stations. In the context of the relatively poor performance of the area and the identified need for regeneration, this contribution would be likely to be significant.



## Key Points Summary

- 6.47 With the extended runway and the Airport handling 300,000 passengers a year, the operation of the Airport itself will support 130 direct and 70 indirect and induced jobs. This would be net increase over the jobs currently supported of 90 jobs.
- 6.48 With the addition of a new terminal and the Airport handling 500,000 passengers a year, the operation of the Airport itself will support 200-210 direct jobs and 100 indirect and induced jobs. This would be a net increase over the jobs currently supported of 190-200 jobs.
- 6.49 Development of the Airport will also improve the GVA of the area. I estimate that the additional GVA generated by the Airport would be £3.3-3.4 million a year at current prices at 300,000 passengers per annum and £7.4-7.6 million a year at 500,000 passengers per annum.
- 6.50 In addition, the Airport will contribute to attracting additional tourist visits to the area, which could amount to between 3% and 9% of total Airport passengers dependent on scenario. These additional inbound tourist visits would themselves support additional local employment, which I have estimated to be in the range 33 to 96 jobs. This would be in addition to jobs created through the operational activity at the Airport.
- 6.51 Users of the Airport would also benefit from reduced access journeys to the Airport compared to alternatives. Using Department for Transport values of time for air passengers, I have estimated the value of these savings over the period to 2030 to amount to £6.7 to £10.1 million discounted. These savings represent the value to users of the development of air services from LAA and, in the case of business travellers, are equivalent to productivity gains which will contribute to improving business performance in the area.
- 6.52 I summarise the benefits in **Table 6.4**.

<b>Table 6.4: Summary of Economic Impacts</b>				
	<b>Lower Growth Scenario</b>		<b>Higher Growth Scenario</b>	
	<b>300,000 pax</b>	<b>500,000 pax</b>	<b>300,000 pax</b>	<b>500,000 pax</b>
<b>Employment</b>				
Incremental Jobs due to Airport Operational Activity	90	190	90	200
Incremental Tourism Jobs	33	47	96	84
<b>Total Incremental Jobs</b>	<b>123</b>	<b>237</b>	<b>186</b>	<b>284</b>
<b>Gross Value Added</b>				
Incremental GVA (per annum)	£3,317,519	£7,386,810	£3,392,072	£7,635,729
<b>User Benefits</b>				
Cumulative Journey Time Savings 2010-2030 (Discounted)	£6,710,998	£8,055,470	£7,393,227	£10,134,914
<b>Source: York Aviation</b>				

6.53 Hence, through direct job generation and improving the accessibility of the local area, the development of LAA has the potential to make a material contribution to regeneration, going some way to compensating for the loss of employment through the closure of the Dungeness power stations. In the context of the relatively poor performance of the area and the identified need for regeneration, this contribution is likely to be significant.

## 7 CONCLUSIONS

- 7.1 In this Proof of Evidence, I have demonstrated that there is aviation policy support for the development LAA. The Future of Air Transport White Paper, which remains the relevant national policy document regarding the development of airport capacity, supports the role which LAA, along with other smaller airports in the South East of England, can play in relieving pressure on capacity at the main London airports. This is all the more important in the light of the Coalition Government's decision to withdraw support for plans for new runways at Heathrow and Stansted.
- 7.2 Development of services from LAA would also enable a greater proportion of demand for air travel in Kent and East Sussex to be met locally, reducing the need for long surface access journeys, which is consistent with the policies contained in the White Paper.
- 7.3 Economic policies identify the area within which LAA sits as underperforming economically and in need of regeneration. Shepway is underperforming relative to the South East region and the remainder of Kent. The area around the Airport is particularly deprived. The decommissioning of the two Dungeness power stations and the low probability of a new nuclear power station being built on the site before 2025, with significant uncertainty continuing beyond that date, makes it all the more important that new job generating activities are supported in the Romney Marsh area.
- 7.4 Within the context of this need for regeneration, sub-regional and local economic strategies give explicit support for the development of additional air services from Lydd Airport because of the scope for job generation and in the light of the potential to improve the accessibility of the area, acting as a stimulus to other economic activity.
- 7.5 Based on my knowledge of the aviation industry, I believe that it is highly unlikely that the Airport could attain any material growth in commercial passenger services over current levels with its existing runway length restriction. This agrees with the view expressed by the Airport. A longer runway, as proposed in the Applications, will be necessary to allow airlines to be attracted and to give them the flexibility to grow, particularly taking into account the newer and larger aircraft which airlines are introducing into their fleets to improve efficiency and economy.

- 7.6 Growth beyond 300,000 passengers per annum will require a new terminal building to be constructed, which would allow passengers for more than one medium sized jet aircraft flight to be handled simultaneously or more than two flights by smaller aircraft. Indeed, the new terminal is likely to be required some time before the capacity of the existing terminal is reached to ensure that airlines have flexibility to schedule services to meet their commercial needs.
- 7.7 In the event of the Applications not being approved, the future of the Airport is uncertain. Although GA activities may continue to grow, it is unlikely that any additional commercial operations could be attracted except for small parcels freight services and maintenance operations. Both of these types of activity are likely to generate some degree of night movements, which would be precluded if the Applications for the runway extension and new terminal are successful.
- 7.8 I have assessed the build up of demand and the pattern of services expected to use LAA using CAA Survey Data of those passengers whose air journeys currently begin or end in the local area. The overall market for air travel in Kent and East Sussex amounted to some 4.5 million air passenger trips in 2009, of which around 2.5 million originated in or were destined for the more local catchment area to LAA. I have assumed that development of services at LAA would take place alongside development of services at Manston and so have been conservative in my assessment of the extent to which LAA would attract passengers from North Kent.
- 7.9 I have assumed that the overall market for air travel will grow in line with Department for Transport projections, based on a sensitivity test published by the Department in 2009 which took the recession into account, being based on the 2008 Pre-Budget Report economic forecasts.
- 7.10 With the Lower Growth scenario at LAA, I estimate that a throughput of 300,000 passengers would be reached in 2023 and 500,000 passengers in 2028. If I assume that the capacity of the London airports remains constrained and there is a greater level of displacement from the main London airports, principally Gatwick, 300,000 passengers per annum would be reached at LAA in 2021 and 500,000 passengers per annum in 2024.

- 7.11 With the extended runway and the Airport handling 300,000 passengers a year, the operational activity at the Airport will support 130 direct and 70 indirect and induced jobs. This would be net increase over the jobs currently supported of 90 jobs.
- 7.12 With the addition of a new terminal and the Airport handling 500,000 passengers a year, the operational activity at the Airport will support 200-210 direct jobs and 100 indirect and induced jobs. This would be a net increase over the jobs currently supported of 190-200 jobs.
- 7.13 There would also be significant net job growth over any 'No Development/Fallback' scenario in the event of the Applications not being approved. Even assuming that the Airport is able to attract some element of maintenance and freight activity, the net number of incremental jobs would be at least 50-60 jobs at 300,000 passengers a year and 140-160 jobs at 500,000 passengers a year. However, given the uncertainties surrounding what may happen in the event of the Applications not being approved, there is a higher degree of uncertainty attaching to the ability of the Airport to deliver employment growth in the absence of development making these figures likely to be conservative.
- 7.14 The Gross Value Added to the local economy by the operation of the Airport will be £3.3-3.4 million a year at 300,000 passengers and £7.4-7.6 million a year at 500,000 passengers per annum.
- 7.15 As well as the employment and income generated by its operation, the Airport will contribute to attracting additional tourist visits to the area, which could amount to between 3% and 9% of total Airport passengers dependent on scenario. These additional inbound tourist visits would themselves support additional local employment, which I have estimated to be in the range 33 to 96 jobs. This would be in addition to jobs created through the activity of the Airport.

- 7.16 Users of the Airport would also benefit from reduced access journeys to the Airport compared to alternatives. Using Department for Transport values of time for air passengers, I have estimated the value of these savings over the period to 2030 to amount to £6.7 to £10.1 million discounted at today's prices. These savings represent the value to users of the development of air services from LAA and, in the case of business travellers, are equivalent to productivity gains which will contribute to improving business performance in the area.
- 7.17 Hence, through direct job generation and improving the accessibility of the local area, the development of LAA has the potential to make a material contribution to regeneration in the local area, making a material contribution to compensating for the loss of employment through the closure and decommissioning of the Dungeness power stations. In the context of the relatively poor performance of the area and the identified need for regeneration, this contribution is likely to be significant.