LAAG/7/A

Lydd Airport Action Group (LAAG)

Proof of Evidence

Need for Development

Applicant:	**London Ashford Airport Limited (LAAL)**
Location:	**London Ashford Airport Limited, Lydd, Romney Marsh, TN29 9QL**
Applications:	**Y06/1647/SH and Y06/1648/SH**
Proposals:	**294m runway extension and a 150m starter extension plus a new terminal to accommodate up to 500,000ppa**
Inspectorate Reference:	**APP/L2250/V/10/2131934** **APP/L2250/V/10/2131936**
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1.0: Introduction and Purpose

1.1: My name is Louise Barton. I am the principal spokesperson for the action group opposing Lydd Airport's planning application, Lydd Airport Action Group (LAAG).

I have an Agricultural Science Degree (University of Melbourne). I worked for the Australian government's Commission of Inquiry into Rural Poverty and for the Institute of Applied Economic and Social Research on the Australian Economic Review. After moving to the United Kingdom in 1978 I became an investment analyst and spent over twenty years analysing companies and market sectors for fund managers, stock brokers/investment banks. Although retired, I remain a member of the Securities Institute and I am a non-executive director of a small financial software company.

1.2: The purpose of this report is to demonstrate that there is no need for the development of this airport. The report looks at need in terms of supply and demand. The policy framework is covered separately.

2.0: Need for this development

This is a highly speculative development. There is not a pressing requirement for additional airport capacity in Kent to serve the travel needs of residents and businesses, or for cargo services to provide goods and services for distribution across the region, nor can it be argued that the current runway length at Lydd Airport is constraining its ability to cater for demand or that the expansion of Lydd Airport would overcome a regional deficit in the quality of airport capacity. Kent has excess airport capacity, much of it high quality due to the presence of Kent International Airport (Manston Airport) and since1994 has benefited from the train service through the channel tunnel, further reducing the need for a second regional airport in Kent.

3.0: The facts supporting LAAG's case.

3.1: There is excess airport capacity in Kent

3.1.1: Lydd Airport

Lydd Airport is operating at a fraction of its existing capacity. Lydd Airport claims in its planning application that its current terminal (and runway) can cater for 300,000 passengers per annum (ppa)[1]. Yet, since 1992 Lydd Airport has not been able to generate more than 4600 passengers per annum – no more than 1.5% of its existing capacity.

Even when the highest annual throughput of 4600 passengers is weighted against the much smaller capacity ceiling of 125,000 ppa for Lydd Airport determined by the

[1] Terminal Building ES, December 2006, 3.3.2, Page 27

government as part of the background work for the preparation of the Aviation White Paper[2], the utilisation rate is still only 3.7% percent (see table 1 below)..

Note, the 125,000 ceiling capacity determined for Lydd in 2030 from its existing runway took into account local constraints, and assumed maximum use is made of existing runways in the major South East Airports and that no new runway capacity is provided in the region. This estimate falls far short of the airport's estimate of its current terminal capacity of 300,000ppa and even more removed from its current runway capacity which is generally not a constraining factor. This is because the government recognised the very real local constraints faced by the airport – in particular the limited immediate catchment population and poor surface access.

3.1.2: Manston Airport

There is excess capacity at Kent International Airport (Manston Airport) located less than 50 miles away by road. In the documentation supporting the Aviation White Paper[3], Manston Airport was estimated to have a capacity of 3mppa by 2030.This figure was challenged by the new owners of Manston at the time (PlaneStation) and later raised to 4-6mppa as a result of an independent study by Arthur D.Little. The capacity figure of 6mppa was embraced by Kent County Council in the now defunct Kent & Medway Structure plan. As Table 1 below shows, even at peak throughput levels in 2005 of 206,875 when EUjet was virtually giving away fares before it went into liquidation, the airport was operating at only 3.4% of its total capacity.

Looking at the airport in terms of its current terminal capacity which is confirmed by Manston's Airport's Master Plan to be 1million passengers per annum (with minor extensions), the airport's capacity utilisation at peak levels in 2005 was just over 20% - still well short of its total and generated by an unsustainable customer. The latest figures (2009) show utilisation rates of less than 1% for both scenarios

[2] *The Future Development of Air Transport in the United Kingdom: South East Consultation Document, page 92 & 93.* Note in the second edition, February 2003, the pages are 109 &110.

[3] ibid

Table 1: Airport Capacity Utilization – Lydd & Manston Airports

	LYDD AIRPORT			MANSTON AIRPORT		
Year End Dec	No of Passengers	Passengers as Percentage of White Paper Potential Capacity of 125,000ppa	Passengers as Percentage of Terminal (Upper Baseline) Capacity of 300,000ppa	No of Passengers	Passengers as % of White Paper Potential Capacity of 6mppa	Passengers as % of Current Terminal Capacity of 1million ppa
1992	4,592	3.7%	1.5%	7,385	0.1%	0.7%
1993	1,515	1.2%	0.5%	11,848	0.2%	1.2%
1994	195	0.2%	0.1%	5,123	0.1%	0.5%
1995	235	0.2%	0.1%	2,523	0.0%	0.3%
1996	303	0.2%	0.1%	941	0.0%	0.1%
1997	2,596	2.1%	0.9%	2,936	0.0%	0.3%
1998	2,370	1.9%	0.8%	2,269	0.0%	0.2%
1999	3,430	2.7%	1.1%	1,599	0.0%	0.2%
2000	1,522	1.2%	0.5%	7,594	0.1%	0.8%
2001	65	0.1%	0.0%	5,921	0.1%	0.6%
2002	3,088	2.5%	1.0%	92	0.0%	0.0%
2003	4,498	3.6%	1.5%	3,582	0.1%	0.4%
2004	4,018	3.2%	1.3%	101,233	1.7%	10.1%
2005	2,817	2.3%	0.9%	206,875	3.4%	20.7%
2006	2,754	2.2%	0.9%	10,167	0.2%	1.0%
2007	2,696	2.2%	0.9%	16,180	0.3%	1.6%
2008	1,673	1.3%	0.6%	11,657	0.2%	1.2%
2009	588	0.5%	0.2%	5574	0.1%	0.6%

Source: CAA statistics: terminal and transit passengers

3.2: Lydd and Manston airports are loss making

One of the manifestations of low capacity utilisation in high fixed cost organisations is poor profitability. This is clearly illustrated in the table below. The two airports have combined losses of over £7m.

Table 2: Turnover and Losses Made by Lydd and Manston Airports

	Lydd Airport	Manston Airport
Year	Year to December 2008	Year to March 2009
Turnover	**£540,000**	**£5,569,000**
Loss Before Tax	**£1,934,000**	**£5,186,000**

Source: Latest Report and Accounts

3.3: Minimal interest in Lydd Airport's services and recent failures

3.3.1: No response from marketing campaign

After investing in the airport infrastructure and the introduction of the new Instrument Landing System (ILS) in June 2006, Lydd Airport embarked on a major marketing programme[4] to win new customers. It was targeted at a number of the smaller airlines such as Flybe, bmi regional, Aer Arran, Jet 2, Air Southwest, Blue Islands and smaller European airlines with fleet mixes which could operate commercially from the existing runway. It failed. Not a single airline became a customer.

Flybe was a major target and it is interesting to note that Flybe eventually established its first scheduled daily service from Manston Airport to Edinburgh from May 2010 and a six day service to Manchester from September 2010 – both routes are being served by Bombardier Q400 - **aircraft types that can fly commercially from Lydd Airport.** When Flybe announced the service it indicated this was a two year trial, implying that they were not totally convinced of the demand for the service.

3.3.2: Trans Euro Air's failure

On May 11th 2009 Lydd Airport announced that Trans Euro Air had moved from Southend to Lydd Airport, offering a range of passenger and cargo air transport services. For the passenger market the firm offered air taxi hire and air charter for groups of up to 10 people. It also offered an international cargo service. In December 2009 Trans Euro lost its Air Operators Certificate (AOC) although it continued to operate a wet leased ATR42. It appears that Trans Euro Air is now in liquidation – its AOC has not been restored and the aircraft it operated are now up for sale. Had there been demand for its services the company would not be in liquidation.

3.3.3: Jersey service abandoned

On the December 9th 2009 the Jersey based C.I. Travel Group announced the launch of a new air route from Lydd to Jersey using a 50 seat Fokker aircraft operated by CityJet. The service was scheduled to operate every Saturday between July 10th and September 11th 2010. In June (June 10th) C.I. Travel announced that the proposed service was to be scrapped due to lack of demand.

3.4: Runway length and aircraft types are not the limiting factors

3.4.1: Current runway cannot support B737, A319s commercially

Lydd Airport maintains it needs to extend the runway so that it can support aircraft types such as the B737, A319 commercially. Currently these aircraft types can take off and land when empty or with a small payload. There is the implication that the airport's poor performance to date is due to its inability to support these aircraft types and it hopes that its ability to support them will lead to new customers.

3.4.2: The inability to service larger aircraft is not the reason for Lydd Airport's poor performance – other factors are relevant

These are the factors that suggest that the ability to cater for larger aircraft is not a limiting factor.

[4] *London Ashford Airport Ltd, Closer to you, Closer to the Market, (CD11.10 (LAAG))*

3.4.2.1: Flybe went to Manston not Lydd
The new Flybe services at Manston mentioned above in 3.3.1 uses an aircraft type (Bombardier Q400 Dash 8[5]) that is capable of operating commercially from Lydd. Flybe failed to come to Lydd for other reasons.

3.4.2.2: **Other airports have grown supporting aircraft types that can operate commercially (with a full payload) from Lydd Airport's existing runway.**
London City Airport has grown to a passenger throughput of 2.8 million per year using aircraft types that are able to operate commercially from Lydd Airport's existing runway. A more direct comparison (London City has a high proportion of high yielding business travellers) is Southampton Airport (1.8 million passengers in 2009) which has a 1723 metre runway - shorter than the proposed runway at Lydd (1799metres excluding the 150metre starter runway) but larger than Lydd's current 1505m runway. As the table below shows during the busy May to August period this year only 0.1% of the total movements were flown by B737s, and 10.5% by Embraer 195 which might struggle to land on Lydd's current runway, but the balance - almost 90% of commercial aircraft movements - are by aircraft types that could fly commercially from Lydd **using the current runway**

` Table 4: Southampton Airport
Movements by Main Type of Commercial Aircraft: May - August 2010

Aircraft Type	Total Movements (no)	Percentage Share (%)
ATR 42 & 72	456	2.8
BAE146	74	0.5
Boeing 737	10	0.1
British Aerospace Jetstream 31	1326	8.2
British Aerospace Jetstream 41	652	4.0
Bombardier Dash 8 Series	10379	64.4
Embraer 195	1684	10.5
Fairchild Dornier Do.328	11	0.1
Fokker 70	0	0.0
Mk 111 Trislander	1288	8.0
Saab 2000	234	1.5
Total	**16114**	100.0
Source: BAA		

3.5: Will an extended runway at Lydd compensate for shortfalls in the quality of airport capacity in Kent?

The answer is no. The table below clearly shows that there are no features that Lydd offers that Mantson cannot match or exceed. After allowing for Lydd's proposed

[5] Bombardier Aerospace Dash 8 family of turboprop regional airliners includes the 37-passenger Q100 and Q200, the 50 to 60-passenger Q300 and the 70 to 80-passenger stretched Q400. The Q 400 is the newest member of the family, entering commercial service in February 2000

runway extension, Manston remains operationally superior by a wide margin. Manston will continue to have a longer runway which means it can support long haul as well as short haul operators, has instrument approaches to both runways whereas Lydd Airport has an ILS only on one runway, has a standard glide path and ILS, whereas Lydd Airport has non standard procedures – indeed Lydd is the only civil airport with a 5 degree offset ILS. Other features giving Manston a competitive advantage include Radar - Lydd has no radar and no plans for radar despite having significant airspace restrictions in its vicinity due to the proximity of military ranges and nuclear power stations. The scale of restricted airspace at Lydd puts it at a major disadvantage as it reduces the efficiency of the airport, and in this case, raises safety issues due to the airport's close proximity to the Dungeness nuclear power complex.

Table 5: Lydd versus Manston - Operational Features

Feature	*Manston*	*Lydd (current)*	*Lydd (with runway extension and new terminal)*
Runway length (length of runway strip)	2752 metres	1505 metres	1799 metres (plus 150 metre starter extension)
Runway length (maximum take-off distance available)*	3169 metres	1979 metres	1979 metres
Runway length (maximum landing distance available for aircraft usiing ILS)	2752 metres	1470 metres	Theoretically 1799 metres but may be limited to 1470 metres
Runway sufficient for B747 commercial operations	Yes	No	No
Runway length sufficient for B737/A319 commercial operations	Yes	No	Yes, with restrictions
Runway/taxiway width and runway/taxiway/apron strength	Adequate for most operations up to B747 size	Runway 29% narrower than standard. Otherwise adequate for most operations up to B737/A319 size	Runway 29% narrower than standard. Otherwise adequate for most operations up to B737/A319 size
Unrestricted taxiways for commercial aircraft	Some restrictions	Major restrictions	Some restrictions
Instrument approaches to both runways	Yes	Yes	Yes
Approaches possible down to Category 1 minimum of 200 feet above runway	Yes (runway 28 only)	No	No

Instrument Landing System glideslope angle	3° (=standard)	3.5° (=maximum)	3.5° (=maximum)
ILS angle of offset from runway centreline	Nil	5° (=maximum)	5° (=maximum)
Alternative instrument procedures available to commercial airliners if ILS out of service	Two	One	One
Runway lighting category	Full	Intermediate	Not known
Wind limits on availability of airport to B737/A319	No	Yes	Yes
Air traffic control radar	Yes	No	No
Airspace efficiency (direct routings, no holding)	Moderate	Moderate to poor	Moderate to poor
Local airspace restrictions	None	Significant	Significant
Good aircraft stand availability	Yes	Yes (but not connected with terminal facilities)	Yes
Terminal capable of handling one low cost operator	Yes	No	Yes
Owned by a company with experience with low cost operations	Yes	No	No
Experience of low cost operations at this airport	Yes	No	No
Number of passengers in 2009	5,574	588	n/a
Tonnes of freight in 2009	30,038	0	n/a

Source: Spaven Consulting

* Longer than physical runway as includes a flat obstacle-free area beyond the end of the runway

3.6: The availability of alternative forms of transport

Since June 1994 Kent residents and businesses have had the benefit of Eurostar services through the Channel Tunnel, further adding to the overall travel capacity in the region and reducing the need for a second regional airport in Kent. Further train capacity is planned as other train operators (for example, Deutsche Bahn) are likely to provide services through the tunnel to new destinations.

3.7: Planning application is designed for a speculative development

The current planning application is designed for a speculative development. Passenger numbers are capped at 300,000 passengers per annum under the runway extension

permission and at 500,000ppa under the new terminal permission. Yet it is the runway that ultimately determines the capacity of an airport. New terminals can be built to accommodate the increasing number of passengers. Indeed, the proposed new terminal at Lydd is built in a modular fashion so that it can accommodate the airport's true aim which is to achieve a throughput of 2million passengers per annum[6] – a throughput that will not require a further extension of the runway.

If the airport achieves its planned throughput of 500,000ppa it will be the first stage of a much larger development. The extended runway could theoretically cater for a throughput in excess of 2mppa.

Had the developer been confident in the demand for the airport's services, the current planning application would have been for a new terminal and extended runway to cater for 500,000pp or perhaps a new terminal to cater for up to 300,000ppa - to replace the old terminal which has suffered from neglect and will require investment to enable it cater for 300,000ppaa and a runway extension with an initial cap of 500,000ppa.

Instead, Lydd Airport clearly plans to build the runway extension first to give the owner the flexibility to "dig himself out of a hole"[7]. Since Lydd Airport was acquired in 2001 there have been a number of external changes which have reduced the airport's commercial attraction. By having a planning application that is geared to constructing the runway extension first (extending the runway is cheaper than building a new terminal) this gives the owner, Sheikh Fahad el Athel, maximum flexibility - he will minimise his financial risk by first being in a position to test the market with the extended runway before going ahead with the terminal.

4.0: Conclusion

There is no case for the expansion of Lydd Airport based on need. Both Lydd and Manston airports are operating at a fraction of their respective capacities and are heavily loss making. Lydd Airport's inability to commercially cater for B737s/A319s is not the reason for its failure to attract customers – other airports have successfully expanded using aircraft types that could operate commercially on Lydd Airport's existing runway. Expanding Lydd Airport will NOT solve any deficit in the quality of airport capacity in Kent as Manston Airport will continue to be superior operationally to Lydd Airport even after its proposed expansion. Finally, the planning application itself has been designed for a speculative development with the clear intention of minimising the financial risk by first being in a position to test the market with the extended runway before going ahead with the terminal.

[6] LAA, Revised design and access statement (Terminal Building), Chapters 5-9, August 2008

[7] The conditions support this contention. For the runway extension, the original draft of the conditions sort permission to commence development within 5 five years from the date of permission, and within 10 years for the terminal.