

CITY AIRPORT DEVELOPMENT PROGRAMME (CADP)
S73 APPLICATION

Appeal against refusal of Section 73 application 22/03045/VAR

London City Airport Limited
(PINS ref: APP/G5750/W/23/3326646)

Need / Socio-Economics - Proof of Evidence of Louise Congdon

On behalf of London City Airport Limited

7 NOVEMBER 2023



Contents

	Page
1. Introduction	1
1.2 Witness Credentials	1
1.3 The Application	2
1.4 Scope and Structure of this Proof	3
2. Reasons for Refusal	5
2.2 Relevance of Need and Socio-economics	5
2.3 Relationship to Other Evidence	7
3. The Aviation Policy Context	8
3.2 The Economic Importance of Aviation	8
3.3 Balancing benefits and costs	12
3.4 Climate change	13
3.5 Capacity at other airports	18
3.6 Policy Conclusions	19
4. Demand Forecasts and Need	20
4.2 Current Market Performance	20
4.3 Demand Forecasts	24
4.4 Faster and Slower Growth Cases	28
4.5 Conclusions	29
5. The Need for Extended Saturday Opening and Additional Early Morning Flights	31

5.2	Benefits to users	32
5.3	Efficiency Incentives to Re-fleeting	35
5.4	Conclusions on the need for extended opening hours and greater flexibility	44
<hr/>		
6.	Economic Benefits of the Proposed Amendments	45
<hr/>		
6.2	Economic Context	45
6.3	Methodology for Assessing the Economic Impact of Growth at London City Airport	48
6.4	The Operational Economic Impacts of London City Airport	49
6.5	The Wider Economic Impacts of London City Airport	55
6.6	Socio-Economic Welfare Assessment	59
6.7	Construction Impacts	60
6.8	Conclusions on Economic Impact	61
<hr/>		
7.	Response to points made by London Borough of Newham	63
<hr/>		
7.2	Past forecasts and reasonableness of assumptions	63
7.3	Demand risks	64
7.4	Capacity at other Airports	67
7.5	Efficiency incentives from Saturday afternoons	69
7.6	The limitations of LBN's consideration of the economic benefits of the Proposed Development	70
7.7	Conclusions on the weight given to the Need Case in LBN's decision	71
<hr/>		
8.	Response to points made HACAN East	73
<hr/>		
8.2	Leisure Travel	73
8.3	Alleged overstatement of economic benefits	75
8.4	Business Travel Recovery	76
8.5	WebTAG	78
8.6	Conclusions on HACAN East's position on socio-economic matters	78
<hr/>		
9.	Conclusions	79
<hr/>		
9.2	Policy	79

9.3	Demand Forecasts	79
9.4	The need for extended opening hours and greater flexibility	80
9.5	Economic Impact	81
9.6	LBN's Decision in relation to Need	82
9.7	HACAN East	83
9.8	Overall Conclusion	83

1. Introduction

- 1.1.1 This Proof of Evidence deals with the need and socio-economic case for the Section 73 (S73) Planning Application by London City Airport (LCY), to amend the City Airport Development Programme 1 (CADP1) planning permission (the CADP1 Permission), 13/01228/FUL (as varied¹), granted in July 2016, which is the subject of this Appeal.

1.2 Witness Credentials

- 1.2.1 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.

- 1.2.2 I have worked in the air transport industry for over 40 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 one of the leading UK consultancies for the airports sector specialising in:

- ➔ UK and European Aviation Policy Advice;
- ➔ Air Traffic Forecasting;
- ➔ Route Development and Route Planning;
- ➔ Economic & Social Impact Assessment;
- ➔ Economic Appraisal;
- ➔ Privatisation, Funding and Due Diligence;
- ➔ Airport Capacity Analysis and Planning;
- ➔ Airport Master Planning;
- ➔ Airport Business Strategy.

- 1.2.3 York Aviation's recent clients include the Department for Transport, the Scottish Government, Government of Cyprus, Manchester Airports Group, Luton Rising, Bristol Airport, Farnborough Airport, Newcastle Airport, Guernsey Ports, AGS Airports, Ryanair, Airlines UK and many others in the public and private sectors.

- 1.2.4 I have undertaken market demand and/or socio-economic assessments for many airports over the last 20 years, including Belfast City Airport, Birmingham 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 as well as London City Airport.

- 1.2.5 I have worked with London City Airport on assessing its economic impact, its capacity and preparing forecasts of future demand since 2005. Key relevant projects include:

- ➔ Economic Impact Report to inform the 2006 Master Plan;
- ➔ Socio-economic Impact assessment in support of the 2007 Interim Planning Application;

¹ There have been a number of non-material amendments to the application.

- Capacity assessment to underpin the declaration of the Airport as a Schedule Coordinated Airport in 2009;
- Economic Impact Study and Integral to Growth Report 2011;
- Demand forecasts and Socio-economic Assessment in support of the CADP 1 Planning Application, the amendments to which are the subject of this Appeal; and
- The 2020 Master Plan.

1.2.6 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, Belfast City Airport ‘Seat for Sale’ Limit, Stansted Airport 35+ development, Manston Airport Development Consent Order (DCO) and London Luton Airport DCO, as well as evidence in relation to airport economic benefits at inquiries into Lydd Airport, Farnborough Airport, Redhill Airport and Elvington Aerodrome.

1.2.7 The evidence which I have prepared and provide for this appeal reference APP/G5750/W/23/3326646 in this Proof of Evidence is true and I confirm that the opinions expressed are my true and professional opinions.

1.3 The Application

1.3.1 The CADP1 Permission includes the following key operational conditions:

- A passenger cap of 6.5 million passengers per annum (mppa);
- Restricted to a total of 111,000 annual aircraft movements;
- A limit of 45 aircraft movements per hour;
- A restriction of 25 aircraft stands available for commercial (passenger) aircraft;
- Restricted opening times of 0630-2230 Monday to Friday, 0630 – 1230 Saturday and 1230-2230 Sunday, with the last half hour in each case available for late movements only;
- A limit of 400 late movements outside of the core operating hours to allow for flights which are unavoidably delayed; and
- A limit of 6 movements in the half hour between 0630-0659 each day, with a limit of 2 movements in the 0630-0644 period.

1.3.2 The S73 Application is seeking permission for the following proposed amendments:

- An increase in the number of passengers able to use the Airport each year, from 6.5 million currently permitted to 9 million per year (expected to be achieved by around 2031);
- An extension of operational hours on Saturday to allow flights and aircraft maintenance activity to take place through the afternoon up to 1830 hours, with an additional hour for arriving flights up to a maximum of 12 during British Summer Time² and consequential amendments to the number of flights permitted at weekends;

² Which aligns with the IATA Summer Scheduling season from the last Sunday in March each year to the last Sunday in October.

- ➔ An increase in the actual number of flights permitted to land and take-off between 0630 and 0659 (from a maximum of 6 to a maximum of 9), with an increase in the number permitted between 0630 and 0644 from 2 to 4;
- ➔ All movements during additional operating hours and the additional slots in the early morning period for use only by cleaner, quieter, new generation aircraft; and
- ➔ Greater flexibility in the parking locations of the already permitted aircraft to allow for the wider wingspan of new generation aircraft.

There are also minor design changes to the original CADP1 works, including to the forecourt and airfield layout.

- 1.3.3 These changes are referred to as the ‘Proposed Amendments’. The CADP1 scheme as amended by the Proposed Amendments constitutes the ‘Proposed Development’.
- 1.3.4 There will be no change to the number of aircraft movements currently allowed at LCY each year at 111,000; no change to the permitted hourly runway movement rate at 45 movements per hour; and no increase in the number of aircraft stands above 25 or other changes to the airfield infrastructure. The design and layout of the new terminal buildings and further enhancements to the Airport campus, which were approved in 2016 under the CADP1 permission, will remain substantially unaltered and these will be built out commensurate with the recovery of passenger demand, albeit at a slower pace than originally envisaged prior to the onset of the Covid-19 pandemic.
- 1.3.5 The Proposed Amendments will allow the Airport to respond to passenger demand to 2031 in a sustainable way and will hasten the transition to ‘new generation’ aircraft, such as the Embraer-E2 family or Airbus A220 series aircraft, which are cleaner, quieter and more fuel efficient than much of the existing fleet at LCY.

1.4 Scope and Structure of this Proof

- 1.4.1 York Aviation was responsible for producing the Need Case (CD1.60) to support the proposed modifications to conditions and this Proof of Evidence supplements the Need Case, responding in particular to points made in refusal by the London Borough of Newham (LBN). To that end, this Proof also addresses points made the Report of Chris Smith Aviation Consultants Ltd (CSACL) (CD4.5.9) that informed the decision by LBN and are reflected in the Council’s Statement of Case (CD10.2).
- 1.4.2 This Proof also addresses matters raised in the Statement of Case of HACAN East (CD10.3).
- 1.4.3 This scope of this Proof covers:
- ➔ The aviation policy context and any updates since the Need Case;
 - ➔ The demand forecasts and current market trends;
 - ➔ Why weekend opening makes a difference to fleet transition;
 - ➔ The economic benefits and why these matter.
- 1.4.4 I first address these matters, setting out the Appellant’s position on the four key elements of the Need Case.

- 1.4.5 I then go onto to respond to the points made by the Council in its Statement of Case and in the Statement of Case of HACAN East.
- 1.4.6 Lastly, I then set out my overall conclusions.

2. Reasons for Refusal

- 2.1.1 The S73 Application for the Proposed Amendments was refused by the Council (LBN) on two grounds, the substantive reason for refusal being:

“The proposal, by reason of the additional morning and Saturday flights, and reduction of the existing Saturday curfew would result in a new material noise impact which would result in significant harm to the residential amenity of nearby residential properties. This would be contrary to policies D13 and T8 of The London Plan (2021) and policies SP2 and SP8 of the Newham Local Plan (2018).”

- 2.1.2 The other reason for refusal related to the terms of the Deed of Variation to the Section 106 Agreement, heads of terms for which have now been agreed and the drafting of which is being progressed in advance of the inquiry.

2.2 Relevance of Need and Socio-economics

London Borough of Newham

- 2.2.1 Although the absence of a need for the Proposed Amendments was not a cited reason for refusal by the Council, it is clear from the Officers' Report to the Strategic Development Committee of 10th July 2023 (CD4.3.1), that considerations relating to need were factors taken into account in the planning balance that informed the decision to refuse the S73 Application.

- 2.2.2 It is also clear from the Council's Statement of Case (CD10.2) that its ultimate decision to refuse the S73 Application was influenced by the advice received from CSACL (CD4.5.9) and points made by the Greater London Authority (GLA)/Transport for London (TfL) (CD4.5.5). The specific points raised in the Council's Statement of Case are as follows:

5.16 *“Evidence provided by the aviation expert retained by LBN will show that Passenger forecasts provided by the CADP1 application were inconsistent with the aircraft movement forecasts, and was one of the factors that led to the 6.5mppa cap that was applied to that application. LBN shall demonstrate that a reasonable approach needs to be supported by reasonable input assumptions.*

5.17. *The approach adopted by the Appellant requires many input assumptions and the evidence shall show that many of the macro-assumptions (e.g. GDP projections, airline costs) carry material down-side risks. Collectively, and coupled with LCY's slow recovery from the Covid-19 Pandemic, the likely outcome is that the passenger forecasts in the appeal application will prove to be too high.*

5.18. *The evidence will show that consideration of passenger handling capacity at the other London airports indicates that the extra passenger demand of 2.5 mppa sought by this application could be accommodated up to at least 2031 at the other London airports. Although not a ground for LBN's refusal of the application, LBN does note that carbon emissions would be materially lower if this demand were handled at other airports at which aircraft with lower emissions per passenger operate and which LBN's aviation expert considers would have capacity to take up demand.*

5.19. *The Appellant has made the case that the additional operating hours requested would allow airlines to improve their efficiencies by flying their aircraft for more hours each week, and this is acknowledged by LBN.*

5.20. *The Appellant has stated that replacement of existing aircraft types with more efficient and cleaner aircraft types will be incentivised by being able to operate more weekly flying hours. LBN considers that as such types also have lower operating costs there are other incentives for airlines to re-equip.”*

2.2.3 I will address each of these points in turn in **Section 7** of this Proof by reference to key points of the Appellant’s case as set out in **Sections 3, 4, 5 and 6** of this Proof.

2.2.4 A further consideration is the extent to which the economic benefits of the Proposed Amendments were taken fully into account. I do not agree with the position stated by LBN that:

5.14 *“LBN will demonstrate that the economic benefits of the proposal have been considered and weight been given to these benefits as required by Aviation Policy Framework and Airport National Policy Statement. However, that they do not outweigh the negatives identified.”*

I will also refer to:

7.2 *“Policy SP2 relates to healthy neighbourhoods. Part 1. A. iii. Of the policy emphasises:*

“The need to improve employment levels and reduce poverty, whilst attending to the environmental impacts of economic development including community/public safety, noise, vibrations and odour and the legacy of contaminated land as per SP8 and SC1;”

7.3. *LBN considers this part of the policy to be relevant as it emphasises the overarching strategic objective of the local plan to balance benefits to employment and economy with the environmental stresses (including noise) resulting from development. Additionally, it specifically links into Policy SP8 which formed part of the reason 1.”*

Rule 6 Party

HACAN East

2.2.5 In its Statement of Case, HACAN East refers to a number of points relating to the economic value of the Proposed Amendments:

5.1 *The Appeal Proposal is explicitly designed to allow LCA to increase its share of the leisure travel market. HACAN East will lead evidence that this is crucially relevant to the extent of the economic benefits of the Appeal Proposal and that increased leisure travel, especially outbound leisure travel, provides limited regional economic benefits.*

5.2 *Furthermore, such economic benefits as may arise for the wider community from the Appeal Proposal are far from certain and have been overstated by LCA, which should additionally reduce their weight in the planning balance.*

5.3 *Such economic benefits as may arise will in any event be outweighed by the noise and other negative environmental impacts of the Appeal Proposal, even if given considerable weight.”*

- 2.2.6 I will address the first two of these points in **Section 8** of this Proof. The last point relates to the weight to be accorded to the economic benefits in the planning balance and I defer to Sean Bashforth on this matter.

2.3 Relationship to Other Evidence

- 2.3.1 This Proof of Evidence should be read in conjunction with the other evidence submitted on behalf of the Appellant, namely:
- Richard Greer addressing the noise implications of the Proposed Amendments;
 - Sean Bashforth in relation to the overall planning balance (including the appended topic papers).

3. The Aviation Policy Context

- 3.1.1 At the outset, I note that the Officers’ Report to the LBN Strategic Development Committee of 10th July 2023 (CD4.3.1) correctly identified a number of relevant aviation policies against which the application should be considered at paragraphs 41 to 44 but, notably, omitted the key policy underpinning this application namely *Beyond the horizon: making best use of existing runways* (MBU)³.
- 3.1.2 The full aviation policy context for the Proposed Development is set out in Section 2 of the Need Case (CD1.60) and summarised in LCY’s Statement of Case (CD10.1). I do not repeat the full description of these policies here. The broader planning policy context is also set out in the evidence of Sean Bashforth.
- 3.1.3 In this section of the Proof, I address what I consider to be the three key themes of aviation policy, taking into account recent relevant developments in policy since the preparation of the Need Case. The three key themes are:
- ➔ The important economic role played by the aviation industry;
 - ➔ The concept of balancing benefits and costs;
 - ➔ Climate change.
- 3.1.4 Under these themes, I take into account recent policy developments, namely:
- ➔ The updated *Overarching Aviation Noise Policy Objective*⁴;
 - ➔ The *Government’s Responses to the Committee on Climate Change’s Progress Report 2022 and 2023*⁵; and
 - ➔ *Jet Zero Strategy – one year on* (JZOYO)⁶.
- 3.1.5 I also address the weight that should be attached to capacity being brought forward at other airports, which is a point made by CSACL and which informed LBN’s decision taking.

3.2 The Economic Importance of Aviation

- 3.2.1 Government policy has long emphasised the important economic role played by the aviation sector. This is initially stated in the *Aviation Policy Framework* (APF) published in 2013 (CD3.5.1):

“We believe that aviation infrastructure plays an important role in contributing to economic growth through the connectivity it helps deliver. For example, it provides better access to markets, enhances communications and business interactions, facilitates trade and investment and improves business

³ Department for Transport, *Beyond the horizon: making best use of existing runways*, June 2018. (CD3.5.3)

⁴ <https://www.gov.uk/government/publications/aviation-noise-policy-statement/overarching-aviation-noise-policy#:~:text=The%20impact%20of%20aviation%20noise,of%20life%20from%20aviation%20noise>, March 2023. (CD3.5.8)

⁵ HM Government, *Responding to the Climate Change Committee’s (CCC) Annual Progress Report 2022 Recommendations*, March 2023. (CD3.9.18) and HM Government, *Responding to the Climate Change Committee’s (CCC) Annual Progress Report 2023 Recommendations*, October 2023 (CD3.9.23)

⁶ Department for Transport, *Jet Zero – One Year On*, July 2023. (CD3.5.10)

efficiency through time savings, reduced costs and improved reliability for business travellers and air freight operations.”⁷

With a key objective identified to:

“ensure that the UK’s air links continue to make it one of the best-connected countries in the world”⁸

- 3.2.2 It was in the light of these economic benefits that the Government endorsed the principle of airports making best use of their existing runways. The *Airports National Policy Statement (ANPS)*, published in June 2018, stated:

“the Government has confirmed that it is supportive of airports beyond Heathrow making best use of their existing runways. However, we recognise that the development of airports can have positive and negative impacts, including on noise levels. We consider that any proposals should be judged on their individual merits by the relevant planning authority, taking careful account of all relevant considerations, particularly economic and environmental impacts.”⁹

- 3.2.3 These sentiments were reiterated in a Green Paper consultation document *Aviation 2050 – the future of UK Aviation (CD3.5.4)* later in 2018, which highlighted the importance of aviation in the context of wider economic objectives within the global economy:

“Aviation is important for the government’s goal of building a global and connected Britain.”¹⁰

- 3.2.4 The Green Paper elaborated the reasons for the Government’s support for aviation growth:

“Air travel benefits most of us, either directly or indirectly. For many people, it is the means by which they can enjoy a well-earned holiday. It is important for maintaining social and family ties with loved ones who may be based across the world. Business air travel also brings trade and investment to the UK, generating prosperity.

Aviation is also an increasingly important facilitator of our modern lifestyles and the means by which many of the goods that we buy online are flown in to the country before arriving at our doorsteps, as well as the medicines and other vital products that we rely upon. Aviation is, in its own right, a passion that is enjoyed by many. It is also an industry that is at the cutting edge of the development of new and exciting technology, from drones to electric planes and to the edges of space itself.

Aviation is also vital to how the UK is connected to the global economy. The UK’s aviation network is connected to a vast number of international locations accessible through airports across the country. This helps to maintain important social and cultural links and is vital for facilitating an environment for businesses to engage in international opportunities.”¹¹

- 3.2.5 The Green Paper also set out support for the local economic contribution that airports make to the regions within which they are located.

⁷ Department for Transport, *Aviation Policy Framework*, 2013, paragraph 1.2. (CD3.5.1)

⁸ *Ibid*, Paragraph 9.

⁹ Department for Transport, *Airports National Policy Statement*, June 2018, para. 1.39. (CD3.5.2)

¹⁰ Department for Transport, *Aviation 2050*, December 2018, Executive Summary, page 13. (CD3.5.4)

¹¹ *Ibid*, paras. 1.5-1.7.

“Airports are vital hubs for local economies, providing connectivity, employment, and a hub for local transport schemes. The government wants to see, through the Aviation Strategy, that these benefits are maximised, by ensuring that:

- markets are functioning effectively for consumers and local communities*
- airports are delivering the connectivity that regions need to maximise their potential*
- the industry continues to provide high quality training and employment opportunities*
- barriers to the air freight industry are reduced”¹²*

3.2.6 The most recent statement of Government Aviation Policy is *Flightpath to the Future*¹³ (FttF) (CD3.5.6), outlining the *“strategic framework for aviation over the next ten years”¹⁴*. A key aim of the strategy is to secure:

“A future where aviation remains of huge strategic importance to the country post-Brexit allowing tourism, business and trade to thrive. A future where UK aviation becomes synonymous with sustainability, and part of the solution to climate change. And a future where the UK consolidates its position as one of the world’s most important aviation hubs.”¹⁵

3.2.7 Specifically, the Government stresses the link between improving connectivity and achieving competitive advantage for the UK to leverage trade and investment:

“A central aspect of achieving our future ambitions will be to continue to enhance our global aviation impact. At the heart of aviation is facilitating travel internationally to connect people, goods, and businesses across the globe. The UK will promote and improve its global connectivity to facilitate sustainable growth, as well as embracing UK aviation strengths and competitive advantage to deliver our ambitions to incentivise UK trade and investment opportunities.”¹⁶

3.2.8 In FttF, the Government re-confirms its support for airport expansion:

“Airport expansion has a key role to play in realising benefits for the UK through boosting our global connectivity and levelling up. We continue to be supportive of airport growth where it is justified, and our existing policy frameworks for airport planning provide a robust and balanced framework for airports to grow sustainably within our strict environmental criteria. They continue to have full effect, as a material consideration in decision-taking on applications for planning permission. The Government is clear that the expansion of any airport must meet its climate change obligations to be able to proceed.”¹⁷

and:

¹² Ibid, Executive Summary, page 14

¹³ *Flightpath to the Future*, Department for Transport, May 2022. (CD3.5.6)

¹⁴ Ibid, Foreword, page 3.

¹⁵ Ibid.

¹⁶ Ibid, page 18.

¹⁷ Ibid, page 7.

“Airports have a key role to play in boosting our global connectivity and we continue to be supportive of sustainable airport growth. Our existing planning frameworks for airport growth provide a robust and balanced framework for airports that want to grow within our strict environmental criteria.”¹⁸

The existing policy frameworks are defined as the ANPS (CD3.5.2) and *Beyond the horizon: making best use of existing runways* (MBU) (CD3.5.3), which was issued concurrently with the ANPS.

- 3.2.9 The reasons for this ongoing support for airport expansion and the concept of making best use of existing airport capacity is made clear:

“It is also essential that we utilise existing airport capacity in a way that delivers for the UK, putting the needs of users first and supporting our aims to enhance global connectivity.”¹⁹

- 3.2.10 Importantly, Government makes clear that enhancing global connectivity is not solely for business or inbound tourism reasons but is also to allow UK citizens to connect to the world:

“Enhancing our global connectivity, including both making the UK more accessible to visitors, and making the rest of the world more accessible for people living in the UK, is essential for the future success of the sector. The pandemic has demonstrated more than ever the importance of human connection, and the Government is committed to working with the sector to ensure UK aviation delivers the best possible global connectivity.”²⁰

- 3.2.11 The importance of domestic airlinks to support connectivity within the Union is also recognised alongside the more direct local benefits that airports can bring. This is an important consideration given the role that LCY plays in providing connections between the UK nations and London, over and above the direct local contribution to securing needed air connectivity to Europe:

“Aviation plays an important role in many of our local communities. It is essential for the jobs and economic activity it directly supports, as well as supporting other parts of the economy, including business and tourism, and attracting inward investment. We are committed to working with the sector to ensure we recognise the existing comprehensive aviation infrastructure across the UK, and continue to support regional airports and airfields. We will also explore ways aviation can help boost UK domestic and union connectivity.”²¹

- 3.2.12 These wider connectivity benefits are a crucial reason for the Government’s support for airport expansion, although the local importance of airports and aviation is also recognised in FttF, not just in terms of the wider connectivity benefits but also for the direct role that such activity plays in providing jobs and supporting local economic activity and levelling up:

“Aviation also has a central role in delivering local benefits across the UK. This includes championing the levelling up agenda, strengthening union connectivity, boosting economic success, and supporting local jobs. It is important to recognise the role our extensive airport, airfield and aviation infrastructure network plays in providing benefits to local communities, as well as supporting associated supply chains.”²²

¹⁸ Ibid, page 4.

¹⁹ Ibid, page 18.

²⁰ Ibid, page 19.

²¹ Ibid, page 42.

²² Ibid, page 7.

3.2.13 FttF also places an emphasis on meeting the needs of consumers:

“Consumers are at the heart of UK aviation, and ensuring that the sector continues to deliver effectively for all consumers will be essential for its future success. The pandemic has highlighted more than ever the importance of air travel for connecting people around the world, and supporting families, friendships, and enabling global connections to thrive.”²³

This is important in the context of consumer demand for flights from LCY at weekends and the importance of the Airport being able to meet that need.

3.2.14 This principle was confirmed most recently by the Prime Minister on 20th September 2023 in relation to the measures being taken to meet climate change targets, making clear that the Government rejected the concept of imposing new taxes *“to discourage flying or going on holiday”* (CD3.9.22). It is no part of policy that outbound travel, whether for business or leisure purposes, is somehow less valuable and should be discouraged.

3.2.15 It is clear that the Government sees wider benefits from aviation growth, over and above the employment directly and indirectly created locally from the operation of the Airport, and these should be taken into account in the decision making.

3.3 Balancing benefits and costs

3.3.1 It was an important principle of the APF (CD3.5.1) that the costs, particularly environmental costs of airport development, should be balanced against the benefits of growth:

3.3.2 *“The Government’s primary objective is to achieve long-term economic growth. The aviation sector is a major contributor to the economy and we support its growth within a framework which maintains a balance between the benefits of aviation and its costs, particularly its contribution to climate change and noise”.*²⁴

3.3.3 The concept of balancing benefits and costs is reiterated in the MBU policy. At paragraph 1.29 of the MBU policy (CD3.5.3), the Government summarises the policy test:

“Therefore, the government is supportive of airports beyond Heathrow making best use of their existing runways. However, we recognise that the development of airports can have negative as well as positive local impacts, including on noise levels. We therefore consider that any proposals should be judged by the relevant planning authority, taking careful account of all relevant considerations, particularly economic and environmental impacts and proposed mitigations. This policy statement does not prejudge the decision of those authorities who will be required to give proper consideration to such applications. It instead leaves it up to local, rather than national government, to consider each case on its merits.”²⁵

²³ Ibid, page 60.

²⁴ Department for Transport, Aviation Policy Framework, 2013, para. 5. (CD3.5.1)

²⁵ Beyond the horizon – the future of UK Aviation: Making best use of existing runways, Department for Transport, June 2018, para. 1.29. (CD3.5.3)

3.3.4 The MBU policy makes clear²⁶ that, as part of any planning application, airports will, nonetheless, need to demonstrate how they will mitigate against local environmental issues, taking account of relevant national policies as well as demonstrating the economic benefits of making ‘best use’ and how these benefits will be shared with communities around the airport²⁷.

3.3.5 Whilst FttF (CD3.5.6) deferred to the Aviation 2050 Green Paper (CD3.5.4) in relation to the specific objectives in respect of aviation noise, the Government published a new *Overarching Aviation Noise Policy Objective*²⁸ in March 2023, in connection with its consultation on ongoing night flying restrictions at Heathrow, Gatwick and Stansted Airports but making clear that this updated policy objective was applicable to all airports. The policy update now clarifies the specific weight to be placed on economic and consumer benefits in considering the sustainability of growth:

“The government’s overall policy on aviation noise is to balance the economic and consumer benefits of aviation against their social and health implications in line with the International Civil Aviation Organisation’s Balanced Approach to Aircraft Noise Management. This should take into account the local and national context of both passenger and freight operations, and recognise the additional health impacts of night flights.

and

The impact of aviation noise must be mitigated as much as is practicable and realistic to do so, limiting, and where possible reducing, the total adverse impacts on health and quality of life from aviation noise.”

3.3.6 The restated aviation noise policy goes onto make clear that:

“in the context of sustainable growth an increase in total adverse effects may be offset by an increase in economic and consumer benefits. In circumstances where there is an increase in total adverse effects, “limit” would mean to mitigate and minimise adverse effects, in line with the Noise Policy Statement for England.”

3.3.7 In this context, the decision maker must take fully into account both the mitigations proposed in relation to environmental effects but also the full spectrum of economic benefits. It is also clear that consumer interests must be fully taken into account in considering the extent to which any changes in the noise climate may be balanced by countervailing consumer and economic benefits.

3.4 Climate change

3.4.1 LBN correctly identified at paragraphs 217 to 233 of the Officers’ Report (CD4.3.1) that carbon emissions from aircraft are a matter to be addressed by Government at a national level. This matter is addressed further in the topic paper from Matthew Ösund-Ireland, appended to the evidence of Sean Bashforth. This is consistent with the Government’s position as set out in the ANPS (CD3.5.2):

“Any increase in carbon emissions alone is not a reason to refuse development consent, unless the increase in carbon emissions resulting from the project is so significant that it would have a material

²⁶ Ibid, para. 1.26.

²⁷ Ibid, para. 1.22.

²⁸ Department for Transport, Overarching Aviation Noise Policy, March 2023, <https://www.gov.uk/government/publications/aviation-noise-policy-statement/overarching-aviation-noise-policy> (CD3.5.8)

impact on the ability of Government to meet its carbon reduction targets, including carbon budgets.”²⁹

3.4.2 This sentiment was reiterated in the MBU policy (CD3.5.3):

“There are, however, some important environmental elements which should be considered at a national level. The government recognises that airports making the best use of their existing runways could lead to increased air traffic which could increase carbon emissions.”³⁰

3.4.3 Following consultation, the Government published its *Jet Zero Strategy* (Jet Zero) (CD3.5.7) in July 2022³¹. This strategy sets out how the Government intends to ensure that it meets the target of net zero flying by 2050, consistent with its broader decarbonisation agenda and the requirements of the Paris Agreement. The strategy is underpinned by a commitment to adopt a CO₂ emissions reduction trajectory based on its ‘High Ambition’ scenario³². This will require the setting of binding CO₂ emission limits, which airlines will need to work within. The High Ambition scenario assumes a combination of the use of sustainable aviation fuels (SAFs), zero emission aircraft (e.g. hydrogen, electric), general fuel efficiency savings from engine technologies and airspace modernisation, as well as the impact of the UK Emissions Trading Scheme (ETS) and CORSIA in reducing carbon emissions. Jet Zero assumes that the residual emissions, in line with the targets, will be addressed by abatement outside of the aviation sector to achieve a net zero position by 2050.

3.4.4 The ETS covers all UK domestic flights and those within the European Economic Area (now including Switzerland for this purpose) and requires operators to have allowances³³ and these allowances will be adjusted downwards as aviation is brought within the 6th Carbon Budget from 2033 and in line with the targets set out in the Jet Zero Strategy. Given the nature of flying at LCY, the vast majority, 98%, of flights are covered by the ETS requirements and will have to comply with the carbon budgets. In addition, there is a requirement for airlines to offset their carbon under the provisions of CORSIA³⁴, which covers virtually all flights from the airport due to the CORSIA state signatories. The only exceptions in both cases are a small number of flights to the Channel Islands and Isle of Man.

3.4.5 I describe in the next section how the demand projections underpinning the S73 Application have been developed consistent with the Jet Zero High Ambition scenario.

3.4.6 Notwithstanding these ambitious targets, Jet Zero (CD3.5.7) sets out how the Government supports continued growth of aviation, repeating language from FttF including the continued relevance of the ANPS (CD3.5.2) and MBU (CD3.5.3) policies:

“The Government remains committed to growth in the aviation sector and working with industry to ensure a sustainable recovery from the pandemic. In our recently published strategic framework for the future of aviation – ‘Flightpath to the Future’ – we recognise that airport expansion has a role to play in realising benefits for the UK through boosting our global connectivity and levelling up. The

²⁹ Department for Transport, Airports National Policy Statement, para. 5.82. (CD3.5.2)

³⁰ Department for Transport, Beyond the horizon: making best use of existing runways, para. 1.11. (CD3.5.3)

³¹ Jet Zero Strategy – delivering net zero aviation by 2050, Department for Transport, July 2022. (CD3.5.7)

³² Jet Zero illustrative scenarios and sensitivities, Department for Transport, July 2022, Scenario 2 High Ambition. (CD3.5.12)

³³ Permitting the emission of 1 tonne of CO₂.

³⁴ CORSIA – Carbon Offsetting and Reduction Scheme for International Aviation set up by the International Civil Aviation Organisation to which 114 countries are already signed up.

framework is clear that we continue to be supportive of airport growth where it is justified, and our existing policy frameworks for airport planning provide a robust and balanced framework for airports to grow sustainably within our strict environmental criteria. We have also been clear expansion of any airport in England must meet our climate change obligations to be able to proceed.”³⁵

and:

“We will support airport growth where it can be delivered within our environmental obligations. The aviation sector is important for the whole of the UK economy in terms of connectivity, direct economic activity, trade, investment, and jobs. Before COVID-19, it facilitated £95.2 billion of UK’s non-EU trade exports; contributed at least £22 billion directly to GDP³⁶; directly provided at least 230,000 jobs across all regions of the country and underpins the competitiveness and global reach of our national and our regional economies. We are committed to enabling a green recovery of the sector, as well as sustainable growth in the coming years. The Government’s existing planning policy frameworks, along with the Jet Zero Strategy and the Flightpath to the Future strategic framework for aviation, have full effect and are material considerations in the statutory planning process for proposed airport development.”³⁷

3.4.7 Jet Zero (CD3.5.7) makes clear that the Government considers that it is possible to:

“achieve Jet Zero without the Government needing to intervene directly to limit aviation growth. The analysis uses updated airport capacity assumptions consistent with the latest known expansion plans at airports in the UK. The analysis indicates that it is possible for the potential carbon emissions resulting from these expansion schemes to be accommodated within the planned trajectory for achieving net zero emissions by 2050, and consequently that our planning policy frameworks remain compatible with the UK’s climate change obligations.”³⁸

It is important to note that the airport capacity assumptions adopted for the Government’s Jet Zero modelling made allowance for LCY’s growth plans as set out in the Airport’s Master Plan 2020 of up to 151,000 annual aircraft movements and up to 11 mppa³⁹. This goes beyond the growth assumptions in relation to the Proposed Amendments, which seek permission for growth to 9 mppa within the existing consented annual aircraft movement limit of up to 111,000. Hence, the growth sought by the Proposed Amendments is well within the growth allowed for in the Jet Zero modelling.

3.4.8 One of the key targets within Jet Zero is for airport operations to achieve zero carbon by 2040. The Government has indicated that it will issue a further call for evidence later this year to enable it to develop detailed implementation plans for this element of the strategy. LCY is already addressing this through its Sustainability Road Map: *Above and Beyond*⁴⁰.

3.4.9 The position in relation to carbon emissions, climate change and airport capacity growth was confirmed in a number of High Court Judgments following judicial review in connection with:

³⁵ Jet Zero Strategy – delivering net zero aviation by 2050, Department for Transport, July 2022, para. 3.56. (CD3.5.7)

³⁶ GDP – Gross Domestic Product: a measure of the size and health of a country’s economy.

³⁷ Jet Zero Strategy – delivering net zero aviation by 2050, Department for Transport, July 2022, para. 3.61

³⁸ Ibid, para. 3.57

³⁹ Department for Transport, Jet Zero: modelling framework, March 2022, paras. 3.16-3.20 and Annex D. (CD3.5.13)

⁴⁰ London City Airport, *Above and Beyond; Our Road Map to a Sustainable Future*, 2022. (CD5.2)

- ➔ Southampton Airport (pre-dating the Jet Zero Strategy);⁴¹
- ➔ Bristol Airport;⁴² and
- ➔ Manston Airport.⁴³

In all cases, it was accepted that carbon from increased air traffic is to be controlled at a national level by non-planning policies and measures and that it is not Government policy to limit airport capacity in order to meet carbon budgets and the ‘net zero’ target in 2050.

- 3.4.10 This position is reflected in the Secretary of State for Transport’s decision to grant development consent order for Manston Airport:

“However, the Secretary of State is satisfied that Government’s Transport Decarbonisation Plan and the Jet Zero Strategy, which set out a range of non-planning policies and measures that will help accelerate decarbonisation in the aviation sector, will ensure Government’s decarbonisation targets for the sector and the legislated carbon budgets can be met without directly limiting aviation demand.”⁴⁴

and reiterated by the Secretaries of State in relation to the recent decision in respect of the application by London Luton Airport to grow to 19 mppa:

“In addition, the aviation emissions arising from the proposal would be within assumptions within the Government’s policies and strategies, particularly the Making Best Use of existing runways (MBU) and Jet Zero Strategy (JZS), no material adverse effects would arise. Therefore, the proposal would not impede the Government in achieving its emissions reductions targets, including through the sixth Carbon Budget and the Jet Zero trajectory, either by itself or in combination with other expansion proposals (IR15.69.”⁴⁵

The same position would apply in respect of the assumptions underpinning the S73 Application, which are consistent with those adopted in the MBU (CD3.5.3) and Jet Zero (CD3.5.7) policy and strategy.

- 3.4.11 In March 2023, the Government responded⁴⁶ to the Climate Change Committee’s (CCC) recommendation, in its *2022 Progress Report to Parliament*⁴⁷, that there should be no net increase in airport capacity until there was demonstrable evidence that the carbon commitments were being met. At #197, the Government stated its position:

“We remain committed to growth in the aviation sector where it is justified. Our analysis in the Jet Zero Strategy shows that the sector can achieve net zero carbon emissions from aviation without the government needing to intervene directly to limit aviation growth. Our scenarios show that we

⁴¹ [2022] EWHC 1221 (Admin), Case No: 2465/2021, Judgement, 23rd May 2022. (CD8.10)

⁴² [2023] EWHC 171(Admin), Case No: CO/928/2022, Judgement, 31st January 2023. (CD8.8)

⁴³ [2023] EWHC 2352 (Admin), Case No: CO/3570/2022, Judgment, 22nd September 2023. (CD8.7)

⁴⁴ Department for Transport, Decision Letter – Application for Proposed Manston Airport Development Consent Order, 18th August 2022, paragraph 149. (CD8.4)

⁴⁵ Department for Levelling Up, Housing & Communities, Department for Transport, Decision Letter - Application made by London Luton Airport Operations Ltd (LLAOL) APPLICATION REF: 21/00031/VARCON, 13th October 2023, paragraph 21. (CD8.6)

⁴⁶ HM Government, Responding to the Climate Change Committee’s (CCC) Annual Progress Report 2022 Recommendations, March 2023. (CD3.9.18)

⁴⁷ Climate Change Committee, Progress Report to Parliament, June 2022. (CD3.9.19)

can achieve our targets by focusing on new fuels, technology, and carbon markets and removals with knock-on economic and social benefits. Our 'high ambition' scenario has residual emissions of 19 MtCO₂e in 2050, Airport growth has a key role to play in boosting our global connectivity and levelling up in the UK. Our existing policy frameworks for airport planning provide a robust and balanced framework for airports to grow sustainably within our strict environmental criteria. We do not, therefore, consider restrictions on airport growth to be a necessary measure.”

- 3.4.12 The CCC reiterated its position in its 2023 *Report to Parliament* (CD3.9.2) and again the Government has responded⁴⁸ making clear that it does not consider it necessary to change its position in relation to the policy frameworks in place for considering airport growth:

“We are anti-aviation emissions, not flying, and want to deliver sustainable flying for everyone to enjoy holidays, visit friends and family overseas and to travel for business. We remain of the view that our existing policy frameworks for airport planning – the Airports National Policy Statement and Beyond the horizon, the future of UK aviation: Making best use of existing runways - provide a robust and balanced framework for airports to grow sustainably within our strict environmental criteria.

Our analysis in the Jet Zero Strategy continues to demonstrate that the sector can achieve net zero carbon emissions by 2050 without the government needing to intervene directly to limit aviation growth. The analysis uses updated airport capacity assumptions consistent with the latest known expansion plans at airports in the UK. Planning decision-makers and applicants should consider all relevant Government policy, including the Jet Zero Strategy, when considering airport expansion proposals.

The Government has always been clear that the expansion of any airport must meet our climate change obligations. Any planning application submitted by an airport will be judged by the relevant planning authority, taking careful account of all relevant considerations, including environmental impacts and proposed mitigations.

We will review our Jet Zero Strategy every five years to ensure the aviation sector is on track to achieve net zero by 2050, and, if appropriate, we will consider reviewing our policy frameworks for airport planning to ensure they remain compatible with achieving our net zero target.”

- 3.4.13 In July 2023, the Department for Transport published a progress report on Jet Zero, *Jet Zero – One Year On* (JZOYO) (CD3.5.10). In the Foreword, the Government made clear that:

“The Strategy focuses on the rapid development of technologies in a way that maintains the benefits of air travel, whilst maximising the opportunities that decarbonisation brings for the UK.”

⁴⁸ HM Government, Responding to the Climate Change Committee’s (CCC) Annual Progress Report 2023 Recommendations, October 2023. (CD3.9.23)

- 3.4.14 JZOYO (CD3.5.10) goes on to outline the steps being taken and the progress made on achieving this objective. It is clear from this update report, that the emphasis remains on securing growth through action taken to reduce the carbon impact. This report also references⁴⁹ updated demand forecasts produced in connection with a cost benefit analysis of the proposed UK Sustainable Aviation Fuel Mandate⁵⁰, the implications of which I consider in the next section.

3.5 Capacity at other airports

- 3.5.1 A key principle underpinning this support for airports making best use of their runways is competition and the benefits to consumers of a competitive aviation sector. Policy recognises that airports will compete to attract airlines and passengers and that it is not a feature of policy that airport capacity elsewhere must be fully used before consent is granted for growth at another airport as each airport is recognised to meet the needs of its own market. This was confirmed in the decision on the Manston Airport DCO (CD8.4)⁵¹. At paragraph 37, it is stated that:

“The Secretary of State agrees with the Applicant that the ANPS does not provide an explanation of ‘sufficient need’. He also agrees that the MBU policy, which is relevant to this Application, does not require making best use developments to demonstrate a need for their proposals to intensify use of an existing runway or for any associated Air Traffic Movements (“ATMs”). The Secretary of State notes, however, that the MBU policy states that a decision-maker, in taking a decision on an application, must take careful account of all relevant considerations, particularly economic and environmental impacts and proposed mitigations (MBU paragraph 1.29). The Secretary of State considers that the benefits expected from a proposed development would materialise if there is a need for that development. Therefore, in order to assess whether the expected economic benefits will outweigh the expected environmental and other impacts from this Development, the Secretary of State has considered need in the context of identifying the likely usage of the Development from the evidence submitted in the Examining Authority’s Report, the Independent Assessor’s Report and the representations submitted by Interested Parties during the redetermination process.

- 3.5.2 The decision goes on to provide further clarification at paragraph 47:

“The MBU policy is clear that it does not prejudge the decision of the relevant planning authority which must take into consideration all relevant matters, in particular the economic and environmental impacts that are expected as a result of a development and proposed mitigations (MBU paragraph 129). The MBU policy does not limit the number of MBU airport developments that might be granted and does not include a cap on any associated increase in ATMs as a result of intensifying use at MBU developments.”

⁴⁹ Department for Transport, Jet Zero Strategy – One Year On, page 11. (CD3.5.10)

⁵⁰ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1147351/uk-sustainable-aviation-fuel-mandate-consultation-stage-cost-benefit-analysis.pdf, March 2023. (CD3.9.20)

⁵¹ Department for Transport, Application for the Proposed Manston Airport Development Consent Order, Decision, 18th August 2022. (CD8.4)

- 3.5.3 It is clear that the existence or potential existence of spare capacity at other airports is not, of itself, a reason for refusal of an MBU application, and that each proposal should be judged on its merits having regard to the need for the development, by reference to the demand that it is expected to attract, and its local environmental impacts. Constraining capacity at one airport until it was ‘needed’ because all others serving the area were full would not be consistent with ensuring a functioning competitive market. The consequences of such an approach would be higher fares and restricted services available to passengers contrary to policy in a broader sense.

3.6 Policy Conclusions

- 3.6.1 There is strong policy support for airport growth to meet the needs of consumers, whether for business or leisure travel. The Government is clear that support for airports making best use of their existing runways is not contingent on other airports being full but on individual airports setting out the case for development by reference to the demand that they can attract, the economic benefits of them doing so and having regard to the local environmental impacts.
- 3.6.2 As I will go onto explain the Proposed Amendments at London City Airport are aimed at enabling it to better meet the local demand for air travel and to deliver economic benefits both locally and across London.
- 3.6.3 I set out key economic policies that underpin this application in **Section 6**.
- 3.6.4 I will address, in **Section 7** of this Proof, how LBN failed to take proper account of key aspects of aviation policy and, indeed, failed to give adequate weight to the broader economic objectives that underpin aviation policy as a whole.

4. Demand Forecasts and Need

4.1.1 In this section of my evidence, I will set out why there is demand for growth at LCY and how the Proposed Amendments relate to the achievability of that growth.

4.2 Current Market Performance

4.2.1 In the 12 months to the end of August 2023, LCY handled 3.4 mppa on just under 50,450 scheduled passenger air transport movements⁵². This represents recovery to 66% of the volume of passengers handled in 2019, when the Airport handled 5.1 mppa on 80,000 scheduled air transport movements.

4.2.2 Recovery to pre-pandemic passenger levels at LCY, at 66% of 2019 levels, is currently lagging behind that at the other London airports, which have reached 89% of 2019 passenger levels in the rolling year to the end of August. The performance is not consistent across the London airports however, with Stansted and Heathrow doing better than the average and Gatwick and Southend performing below the average. Overall, the average recovery in passenger demand was 88% across the UK as whole.

4.2.3 There are four reasons why recovery at LCY has lagged behind the market overall:

- ➔ recovery of business travel, which latterly made up 46% of passenger demand at the Airport, has been slower than that of leisure travel;
- ➔ LCY has not been able to penetrate the faster recovering leisure market to the same extent as other airports in large part due to the limited operating hours on Saturdays;
- ➔ pre-pandemic, LCY gained new routes and services on core routes serving business and leisure demand that were displaced from Heathrow as slots there were fully used but Heathrow is currently operating below full capacity; and
- ➔ there have been specific aircraft delivery, operational and maintenance issues impacting airlines' ability to operate the full range of services planned to operate from LCY in 2023.

4.2.4 I deal with each of these points in turn, although they are to some degree interrelated.

Business Travel

4.2.5 In the first 6 months of 2023, using data from the Civil Aviation Authority Departing Passenger Survey showed that the point to point (i.e. excluding those passengers transferring between flights principally at Heathrow) leisure passenger numbers across the London airports had recovered to 99% of 2019 levels, whereas business passenger recovery on the same basis was 72%. If transfer passengers are included, the recovery percentages are 95% and 69% respectively.

4.2.6 In the case of LCY, the recovery of business demand had reached 67% of 2019 levels, close to the average, but the performance varied across different segments of the market, as shown in **Table 4.1**.

⁵² Civil Aviation Authority Airport Statistics.

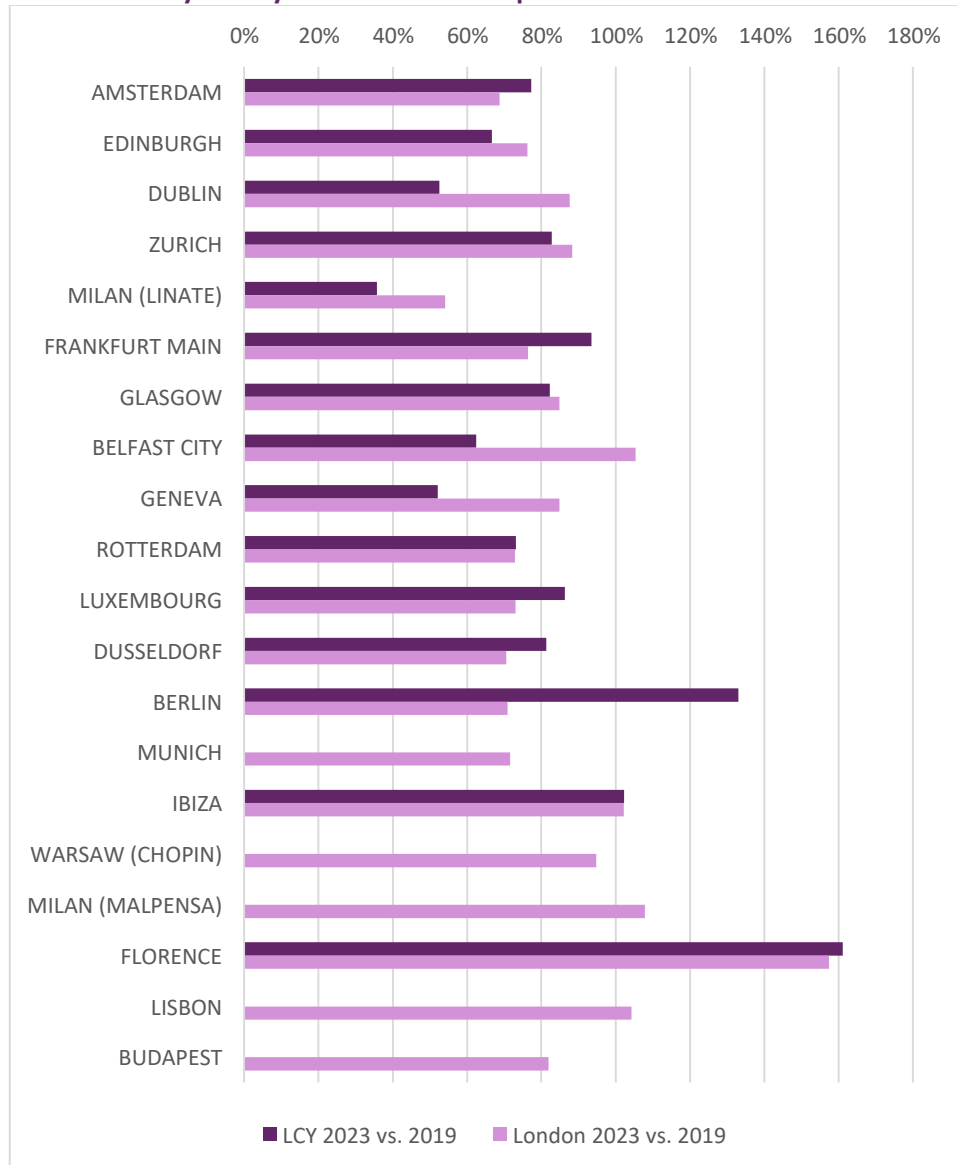
Table 4.1: Proportionate Recovery in Business Travel at LCY first half of 2023 compared to first half of 2019 by market segment

	Domestic	Europe	All
Recovery %	94%	59%	67%

Source: CAA Departing Passenger Surveys 2019/2023

- 4.2.7 It is evident that, on domestic routes within the UK, levels of business travel are virtually back to 2019 levels, exceeding the average recovery in domestic business travel markets across the London airports as a whole of 75%. This indicates strongly that where airlines have reinstated services, demand to use LCY remains strong.
- 4.2.8 However, it is clear that not all routes that previously operated to LCY have been reinstated at yet. This is illustrated in **Figure 4.1**, which examines the extent to which the market has recovered on Top 20 routes served by LCY in 2019 compared to the proportionate recovery at the other London airports.

Figure 4.1: Level of Recovery on Key Routes at LCY compared to the London Market as a whole



- 4.2.9 I believe that the reason for the current slower recovery at LCY is largely related to the fact that some key routes have not yet been restarted by the airlines rather than a lack of demand to use LCY when routes are operated. There are key markets such as Amsterdam, Frankfurt, Luxembourg and Berlin where LCY is performing better than the market average. However, some key business routes are missing from the network currently, including Munich and Warsaw and there is a shortfall of capacity to Milan.
- 4.2.10 As I will go on to explain, there are reasons why some routes have not yet restarted from the Airport and this is a temporary situation.
- 4.2.11 I am confident that these routes will recommence from LCY in the near future and so reinstate services in core business markets enabling the Airport to catch up to previous market levels as the underlying base of demand for business travel recovers. I address the recovery of business travel further in **Section 8** in relation to HACAN East's points about the overstatement of the benefits expected to arise from the Proposed Amendments.

Leisure Markets

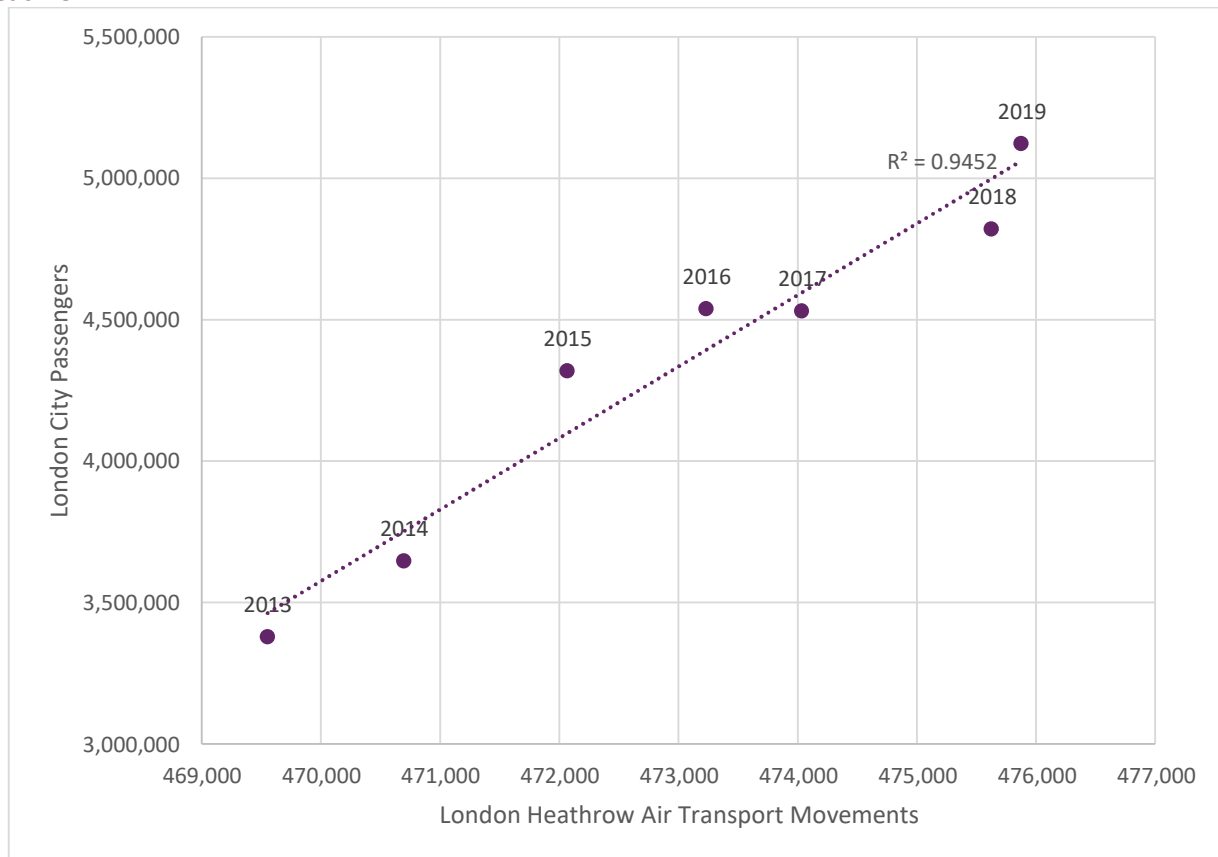
- 4.2.12 Looking at LCY's own performance, its rate of market recovery is broadly similar across both the business and leisure markets, indicating that it has not been able to penetrate the leisure market to the same extent as other airports. This is a direct result of the limitations on its operating hours at weekends, which permitting extended hours on Saturday afternoons would go a long way to addressing. I explore this important consideration further in the next section.
- 4.2.13 I am confident that extended opening hours on Saturdays would enable LCY to better serve its local leisure travel market and meet consumer demand locally, in line with Government policy.

The Heathrow Effect

- 4.2.14 In the period 2013-2019, LCY benefited significantly from Heathrow approaching its annual runway movement limit of 480,000 annual aircraft movements, imposed as a condition on the grant of planning approval for Terminal 5. This is evident in **Figure 4.2** overleaf. This shows a strong correlation between growth at LCY and Heathrow approaching its consented movement limit in the period 2013-2019.
- 4.2.15 Whereas, before the pandemic, Heathrow was operating close to its capacity, the number of movements using that airport fell during the pandemic. In 2019, Heathrow averaged just under 40,000 air transport movements a month. In 2022, the average number of monthly air transport movements was only 31,500 but by September 2023, the number of movements in the month exceeded 2019 levels⁵³, suggesting that the factors that led to airlines increasing services at LCY in core European markets, with a focus on business travel, are likely to re-emerge from now onwards.

⁵³ Heathrow Airport Statistics.

Figure 4.2: Relationship between Passenger Growth at LCY and the number of Aircraft Movements at Heathrow



Source: Heathrow Airport Statistics/CAA Airport Statistics

- 4.2.16 A further factor is that, as air travel has recovered from the pandemic, ongoing travel restrictions have hampered recovery in some markets, particularly Asia and the Far East. This has meant that there has been spare capacity at Heathrow and this has allowed airlines to consolidate operations there during the recovery period from the pandemic. A further factor is that if airlines do not use slots allocated to them 80% of the time⁵⁴, they must return them to the pool to be allocated to other airlines. Given the high value of slots at Heathrow, it is not in the airlines' interest to do this, particularly when they expect to use them again in future. As a result, airlines have an incentive to use available slots at Heathrow for short haul services, which has impacted on them reinstating services at LCY. This practice is called 'slot sitting'. I am confident that as Heathrow nears its annual aircraft movement limit again in the very near future, the same factors that drove rapid growth in passenger traffic at LCY in the 2013-2019 period will re-emerge and the Airport catch up to the market recovery seen elsewhere across the UK.

⁵⁴ Airports Slot Allocation Regulations 2006. (CD3.5.14)

Short Term Factors

- 4.2.17 There have been other specific factors that have impacted on LCY's performance this year and these, to some degree, are reflected in the routes that have not recommenced yet or those where the current rate of passenger recovery is lagging as I illustrated in **Figure 4.1**. A key issue impacting on the reinstatement of the full pattern of services has been problems with the delivery and serviceability of Pratt and Whitney engines that power Embraer-E2 and A220 aircraft. These are key aircraft that are able to operate at LCY and the issues have resulted in some airlines reducing frequencies of service or ceasing some routes altogether. For example, Italian state airline ITA did not operate at all at LCY during July 2023 due the lack of suitable aircraft and the delays to delivery. In addition, the need to take aircraft out of service for engine checks has impacted on other carriers such as KLM.
- 4.2.18 Overall, I am confident that the current slower recovery of demand at LCY compared to the other London airports stems from:
- ➔ Relatively slower recovery in the business travel market;
 - ➔ Issues affecting engines on A220 and Embraer-E2 variants of aircraft resulting in aircraft being grounded for inspection;
 - ➔ Airlines operating more short haul services at Heathrow in order to maintain slots until full recovery in long haul markets; and
 - ➔ The inability of LCY airlines to exploit the strong recovery in the leisure markets given the inefficiency of operations on Saturdays due to the closure in the afternoon.
- 4.2.19 In my view, this last issue is a material factor in LCY's slower recovery.

4.3 Demand Forecasts

- 4.3.1 The passenger forecast methodology and assumptions are presented Section 5 of the Need Case, with the methodology and assumptions set out in detail in Appendix D in the Need Case. In summary, the forecasts were prepared using a semi-bottom-up approach. In the first instance, the underlying demand for air travel within the area served by LCY was projected forward, taking into account expected economic growth and future changes in the cost of air travel, such as carbon costs.
- 4.3.2 An assessment is then made of LCY's share of the market having regard to the specific characteristics of the Airport, including limitations on the size of aircraft that can operate and their payload/range as well as the physical capacity available at the Airport. The model looks at LCY's ability to capture a share of the market (the market capture rate) based on past performance and taking into account changes in surface access such as the Elizabeth Line, as well as the potential implications of slot capacity at Heathrow becoming limited again until additional runway capacity can be provided.

- 4.3.3 The use of a semi-bottom up approach is considered reasonable over the 10 year timeframe for this S73 Application and having regard to the underpinning market forecasts from which the bottom up route by route forecasts have been derived. I note that this approach was considered reasonable by CSACL in its advice to LBN⁵⁵:

“Although not ideal, York’s approach is the most appropriate method to apply to LCY given its particular circumstances”.

Overall levels of demand

- 4.3.4 The underlying market growth rates, used to establish expected future levels of demand within the Airport’s wider catchment area, are derived from an econometric model, developed using Monte Carlo⁵⁶ techniques, to assess the expected level of growth in the underlying market dependent on income, measured by GDP⁵⁷, and the cost of flying, which takes into account the costs associated with carbon and its abatement. The growth rates are derived using DfT growth elasticities⁵⁸, but use updated economic data and the latest values for the cost of carbon⁵⁹. The inclusion of updated carbon costs is consistent with the Government’s latest Jet Zero assumptions, which assume a trend from current traded value to BEIS appraisal values⁶⁰ by 2050 for markets covered by the UK Emissions Trading Scheme. It is important to note that the BEIS appraisal values are set at a level that would be required to achieve the broader carbon targets, i.e. to incentivise decarbonisation, and so allow for the costs of abatement, which would include the costs associated with the use of sustainable aviation fuels to the extent that these are higher than current aviation fuel.
- 4.3.5 The Monte Carlo simulation generates a range of forecast outcomes using different permutations of higher and lower economic growth, and higher or lower cost factors to allow for future uncertainties. The mid-point (50th percentile) has been adopted as the ‘most likely’ forecast of future underlying demand to inform the Development Case, with the 80th percentile used to inform the Faster Growth Case and the 20th percentile the Slower Growth Case. In this way, the forecasts allow for potential uncertainties in the market, including the cost of carbon and its abatement. The methodology for producing the overall market demand forecasts is the same as used in the connection with Bristol Airport expansion to 12 mppa and the London Luton Airport Development Consent Order.
- 4.3.6 A small uplift to the growth rates has been applied for core districts in the east of London to reflect faster than average population growth to the east, as projected by the Greater London Authority (GLA), with the underlying market grow rates for Newham and Tower Hamlets uplifted in proportion to the faster expected population growth rate than over London as a whole.

⁵⁵ CSACL, London City Airport, Review of Need Statement, June 2023, paragraph 2.7. (CD4.5.9)

⁵⁶ Monte Carlo simulation is a mathematical technique based on probabilities of occurrence of the various input assumptions. The simulation runs the potential different combinations of inputs, weighted by their probabilities, many times to determine a broad range of growth rates for each year for the forecast.

⁵⁷ GDP assumptions for the UK and overseas are sourced from the Office for Budget Responsibility, March 2022 and OECD.

⁵⁸ Department for Transport, Jet Zero: modelling framework, March 2022. (CD3.5.13)

⁵⁹ Department for Transport, Jet Zero: further technical consultation, March 2022 (CD3.5.15) and are derived from the most recent appraisal guidance from Department for Business, Energy and Industrial Strategy, Valuation of greenhouse gas emissions: for policy appraisal and evaluation, September 2021. (CD3.5.16)

⁶⁰ Ibid.

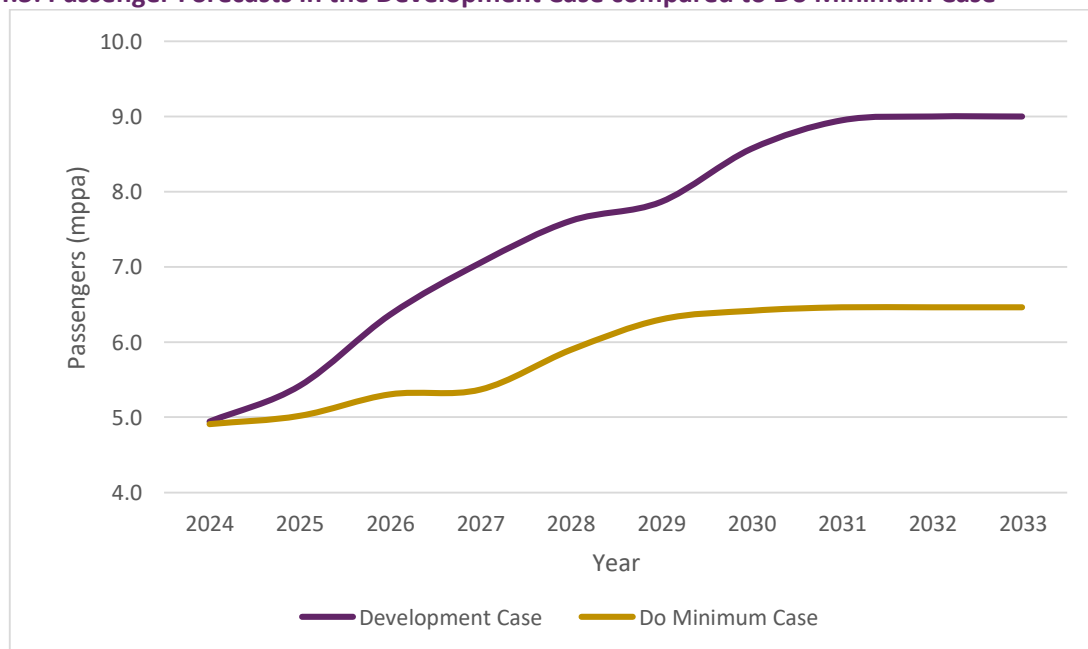
Assessing LCY's share

- 4.3.7 The forecasts are then built bottom up, taking into account the level of underlying demand within the Airport's catchment area and whether it would be sufficient on a route-by-route basis, by adding new routes within each forecast year and making assumptions about:
- ➔ the likely aircraft type/capacity that would operate each route;
 - ➔ the expected daily frequency of service; and
 - ➔ conversion of the daily frequency to a total annual number of aircraft movements and seat capacity for each route based on typical busy day to annual passenger ratios.
- 4.3.8 A bottom up approach is adopted in this case because of the challenges of using a passenger allocation model to estimate LCY's share of the market given the limitations on the size of aircraft that can use the Airport, which cannot easily be replicated in the modelling. Prior to the pandemic, this bottom up approach proved to be robust in projecting passenger demand at LCY (see Figure 3.1 of the Need Case (CD1.60)), albeit changes in the structure of the airlines using the Airport and the aircraft types used meant that this throughput of passengers was achieved with a materially lower number of aircraft movements.
- 4.3.9 Based on typical market capture rates of passengers from each catchment area district observed for existing routes at LCY, the forecasting model indicates the likely demand that would use each route if it was operated and this is, then, checked to see if it is sufficient to make the routes viable and at what frequency. Routes are then capped at a reasonable upper bound load factor to derive the estimated passenger volume that would use LCY. Increases of frequency and changes to aircraft types on existing routes are modelled in the same way, with frequencies added to new routes in some cases where the likely demand is projected to exceed the capacity at reasonable load factors.
- 4.3.10 Some further uplift in LCY's share of the local market has been assumed across core forecast districts to reflect the Airport attracting a higher proportion of overall passenger demand on the routes it serves as constraint bites at other London airports, particularly Heathrow, over the period to the early 2030s. The uplift in assumed market capture rates is modest at only 1% of the market capture rate per annum⁶¹ but, when combined with new routes that will clawback demand from other airports, this is assumed to lead to LCY increasing its share of the London short haul market over the period to 2031. Overall, this is expected to lead to an increase in LCY's share of the overall passengers using the London airports from around 3% in 2019 to 4% by 2031. This is considered reasonable given the limited available capacity at the other airports over the period.
- 4.3.11 However, it is important to note that realising these forecasts does depend on extended operating hours on Saturday afternoons, creating the incentives for the airlines using LCY, particularly based airlines like British Airways CityFlyer (BACF), to re-fleet more quickly than would otherwise be the case enabling them to meet more of the local demand. I discuss this further in the next section of this Proof. The re-fleeting not only provides a change to more fuel efficient and quieter aircraft but also provides an uplift in seating capacity. Hence, without this accelerated re-fleeting passenger volumes would be lower for any given number of annual aircraft movements.

⁶¹ If LCY captured 30% of the demand historically, the market capture uplift assumed in each year of the forecast would be only 0.3%.

- 4.3.12 The core Development Case forecast, as described in detail in the Need Case and Environmental Statement, indicates that the Airport will reach 9 million passengers and 111,000 movements in 2031. At a compound annual growth rate (CAGR) of 4.8% per annum from 2019, this is lower than historic growth rates observed of 7.0% CAGR from 2014 to 2019 or 6.2% CAGR from 2009 – 2019. I consider this, too, to be reasonable.
- 4.3.13 Without the uplift in the passenger cap and the change to opening hours, growth would be materially slower as the Airport would not be able to meet the increasing local requirement for outbound leisure travel. Overall, the effect of the current constraint in operating hours would mean that the Airport is not expected to reach its consented 6.5 mppa until 2029 in the Do Minimum Case, as considered in detail in the Need Case.
- 4.3.14 The passenger forecast results for the core Development Case and the Do Minimum Case can be seen in **Figure 4.3**.

Figure 4.3: Passenger Forecasts in the Development Case compared to Do Minimum Case



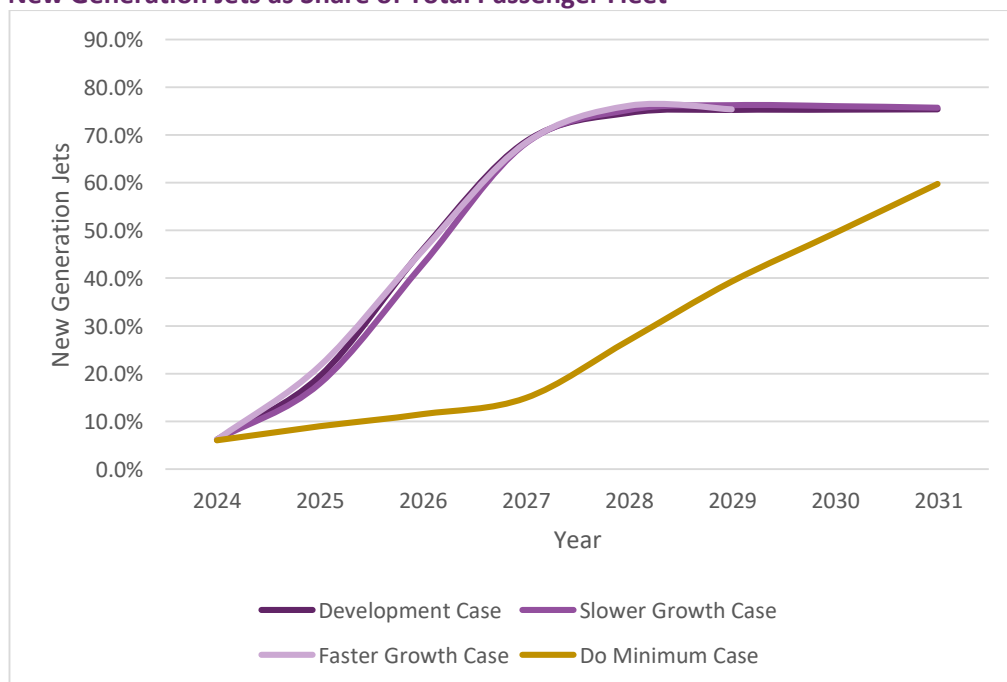
Source: York Aviation

- 4.3.15 In the Development Case, all of the consented 111,000 annual aircraft movements are used for commercial passenger services by the time that the Airport reaches 9 mppa.
- 4.3.16 In the Do Minimum Case, 6.5 mppa would be reached in 2029, using only around 85,000 annual aircraft movements, due to changes in the mix of airlines and aircraft types using the Airport since the original CADP1 forecasts were prepared. This would mean that the Jet Centre, for business aviation flights, would be expected to continue to be used and could support another 9,000 business aviation flights. This would still leave the consented 111,000 annual movements underused and, arguably, would not make best use of existing runway capacity.

4.4 Faster and Slower Growth Cases

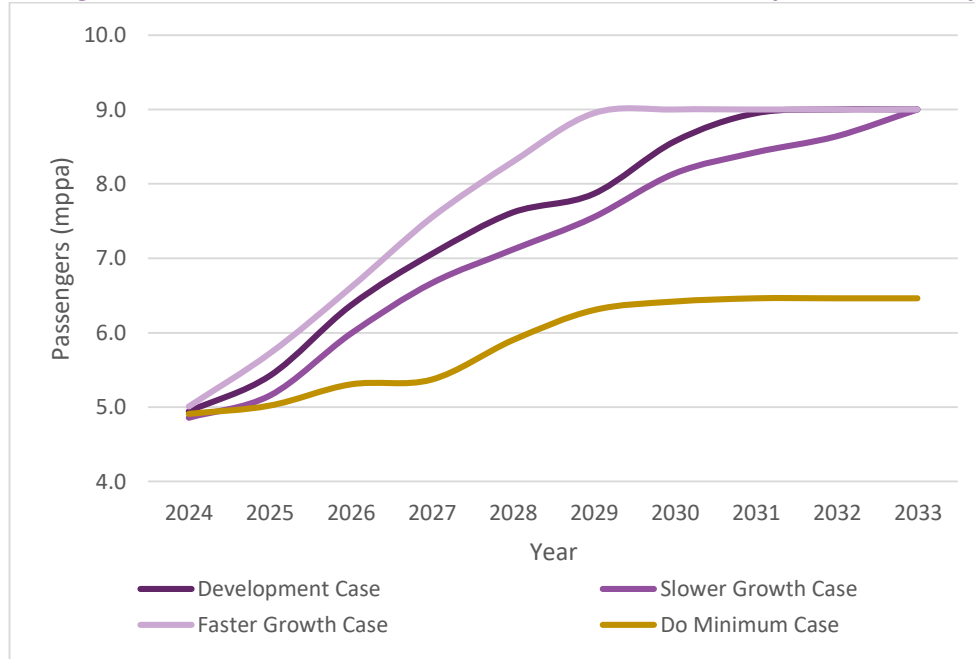
- 4.4.1 Reflecting the inevitable uncertainties inherent in projecting future demand, particularly in the current circumstance of recovery from the pandemic, two sensitivity test cases were prepared to reflect a reasonable range of time over which the Airport could reach 9 mppa if the Proposed Amendments are approved. The detail for each of these cases is presented in the Need Case.
- 4.4.2 The Faster Growth Case indicates the Airport could reach 9 mppa in 2029, with a CAGR of 5.8%, if the economy recovers more quickly than expected. It is worth noting that the latest March 2023 economic projections from the Office for Budget Responsibility are slightly higher over the period 2024-2030 than the central case adopted for the purpose of the application forecasts. The Slower Growth Case reflects slower economic growth and the possibility of higher costs of carbon/abatement. In this case, LCY is projected to reach 9 mppa in 2033, with a CAGR of 4.1% per annum.
- 4.4.3 Inherent in these different cases are slight variations in the rate of re-fleeting to new generation aircraft as this is either accelerated by faster underlying market growth or slowed if the market grows more slowly. However, the extent of new generation aircraft in the fleet is expected to be broadly the same at 9 mppa, albeit the slower growth case would be expected to see some further 'natural' re-fleeting over the extended timeframe. The difference in the expected pace of re-fleeting is shown in **Figure 4.4**.

Figure 4.4: New Generation Jets as Share of Total Passenger Fleet



- 4.4.4 The difference in the rate of passenger growth is shown in **Figure 4.5**, with rates of movement growth largely mirroring passenger growth allowing for some increase in passengers per aircraft as the fleet transitions to new generation aircraft, and the fleet expectations in **Table 4.2**.

Figure 4.5: Passenger Forecast for the Faster and Slower Growth Cases compared to Development Case



Source: York Aviation

Table 4.2: Fleet Transition Comparison by Development Case

	Core Development Case		Faster Growth		Slower Growth	
	Total Passenger Movements	% New Generation Jets	Total Passenger Movements	% New Generation Jets	Total Passenger Movements	% New Generation Jets
2024	73,500	6%	73,500	6%	73,500	6%
2025	78,000	19%	80,500	22%	76,000	18%
2026	85,500	46%	88,500	46%	82,500	43%
2027	92,000	69%	96,500	68%	89,000	68%
2028	97,000	75%	103,000	76%	92,500	75%
2029	99,000	75%	111,000	75%	96,500	76%
2030	106,000	75%	-	-	102,500	76%
2031	111,000	75%	-	-	105,500	76%
2032	-	-	-	-	107,500	76%
2033	-	-	-	-	111,000	77%

4.5 Conclusions

- 4.5.1 Notwithstanding the current slower recovery being experienced by LCY compared to other airports across the London system, I am confident that the range of demand forecasts set out by the Faster and Slower Growth Cases remain robust for the circumstances where the Proposed Amendments are granted and the Airport is permitted to operate for a longer period on Saturdays, enabling it to meet more of the local demand in its catchment area, particularly to leisure destinations, and creating the economic incentive for airlines to re-fleet and grow.
- 4.5.2 There are other factors that have led to slower recovery, including a lag in the recovery of business travel, airlines ‘slot sitting’ at Heathrow and specific technical issues with some aircraft types and engines that have impacted disproportionately on operations at LCY.

- 4.5.3 The forecasts for the Proposed Amendments have been prepared using a methodology that has been applied by York Aviation in relation to LCY for over 10 years, with a track record of accurately projecting passenger demand growth at the Airport.
- 4.5.4 Hence, I am confident that the demand forecasts represent a realistic assessment of the demand to use LCY and timescales over which the Airport could attain 9 mppa, using its currently consented 111,000 annual aircraft movements having regard to the Development Case and the Faster and Slower Growth Cases as presenting a reasonable range for when 9 mppa would be reached. However, achieving this throughput and delivering the benefits that derive from it is inextricably linked to the Proposed Amendments.

5. The Need for Extended Saturday Opening and Additional Early Morning Flights

- 5.1.1 Extended opening hours are essential both to enable airlines to serve demand, particularly for weekend leisure flying, and also to incentivise the main airline operators at LCY to accelerate their investment in cleaner, quieter, new generation aircraft as well as to increase their fleets of aircraft deployed at LCY. These new generation aircraft carry more passengers and can serve an extended range, so opening up new destinations and helping to better meet the demand from passengers as well as offering substantially enhanced noise and emissions performance.
- 5.1.2 I note that, in part at least, LBN appears to have accepted (paragraph 5.19 of its Statement of Case) (CD10.2) that extended operating hours on Saturdays would improve the efficiency of airline operations at LCY but then goes on to assert (paragraph 5.20) that re-fleeting will happen anyway, regardless of whether the Proposed Amendments are granted or not. Whilst this might be correct over the much longer term, the inefficiency caused by the current heavily restricted weekend operations are an impediment to early re-fleeting of a substantial proportion of the aircraft operating at LCY during the remainder of the decade.
- 5.1.3 The Airport is proposing a commitment that only cleaner, quieter, new generation aircraft⁶² will be allowed to operate in any newly extended hours on a Saturday as well as for any additional flights (above the six currently permitted) in the first half hour of the day as outlined below. This will require airlines to replace their older fleets with cleaner, quieter, new generation aircraft in order to benefit from any increased flexibility. This applies particularly to airlines that base aircraft at LCY as they would need to have new generation aircraft available to operate on Saturday afternoons or to operate additional services in the early morning period. Having acquired a new generation aircraft to operate during those periods, it would make no sense not to operate the aircraft for the rest of the week, so replacing an older aircraft.
- 5.1.4 This, in turn, will result in the benefits of quieter aircraft being experienced throughout the week. It is expected that there would be a gradual build-up of services on Saturdays over the forecast period as any remaining older generation aircraft that cannot fly during this period are phased out and new generation aircraft are introduced, operating not just on Saturdays but through the rest of the week. I explain the incentives to re-fleeting further later in this section.
- 5.1.5 In my view, the restriction to new generation aircraft for these extended operations will provide a powerful incentive to airlines to re-fleet at LCY as re-fleeting will be necessary to enable airlines to avail of growing leisure markets that require operations on a Saturday afternoon and will be a requirement for any material growth in early morning operations by based aircraft. Given the anticipated growth in air travel demand within the Airport's catchment area, airlines will be motivated to respond to that demand by growing their operations at LCY. To a large extent, this growth will only be possible if new generation aircraft are deployed, particularly for airlines with aircraft based at the Airport, such as BACF. Adjusting the operating hours on a Saturday to facilitate this growth would deliver benefits to the travelling public.

⁶² New generation, quieter aircraft that operate within the defined noise criterion set out in Chapter 8, section 8.5 of the ES will be permitted to operate in these periods.

- 5.1.6 Growth to 9 mppa, in line with expected demand by passengers to use the Airport over the anticipated timeframe to 2031, is unlikely to be achievable unless airlines are incentivised to grow and re-fleet to new generation aircraft such as the E190/195-E2s or A220 aircraft. Not only would this re-fleeting to higher capacity new generation aircraft facilitate growth, these aircraft have a materially better environmental performance than the previous generation of aircraft that they would replace. These new aircraft carry more passengers and offer an extended range and so can help the Airport to better meet the needs of local passengers. Although other new and existing airlines are expected to grow their services to/from LCY, particularly given the capacity constraints at the other London airports over the remainder of this decade, BACF, as the largest airline currently operating at LCY and with a substantial fleet of based aircraft, is expected to be a key driver of the growth in services to ensure that the Airport can maximise its contribution to meeting local demand and delivering local benefit.
- 5.1.7 I deal first with an explanation of why extended operating hours on Saturday afternoons will make a material difference to the incentives on airlines to re-fleet and then go on to outline the benefits to users of extended operating hours and additional early morning flights.

5.2 Benefits to users

- 5.2.1 An important part of the reason for encouraging airports to seek to make best use of their existing runways is to deliver benefits to users. In the case of the Proposed Amendments, these benefits will derive in three principal ways:
- ➔ longer operating hours on a Saturday leading to more destinations being served, particularly in leisure markets;
 - ➔ more early morning departures, facilitating improved global connectivity through hub airports; and
 - ➔ importantly, improving the efficiency of operations at LCY so as creating the conditions whereby airlines are incentivised to re-fleet and grow so as to be able to deliver a broader range of services more generally.
- 5.2.2 I deal with the first two of these points before moving on to the efficiency incentives to airlines, which is inextricably linked to delivering the growth forecasts up to 9 mppa.

Saturday afternoon opening

- 5.2.3 Extending the operating hours on a Saturday will not just lead to new aircraft movements in the afternoon but will be a driver for growth across the whole day as airlines will be able to operate comprehensive schedules throughout Saturday, which will include some additional services in the morning as aircraft will be able to return in the afternoon enabling new markets to be served and with longer sector lengths. This particularly applies to airlines that base their aircraft at LCY such as BACF and other airlines that may base aircraft at the Airport in the future⁶³.

⁶³ Note that VLM, CityJet and Flybe have previously had based operations at the Airport.

- 5.2.4 These additional operations will be particularly beneficial for outbound leisure passengers, as many of the key leisure points in the Mediterranean cannot be easily served by a return service within the current operating hours on a Saturday. Hence, being able to operate on a Saturday afternoon is fundamental to such destinations being served. Allowing the Airport to stay open for longer on Saturdays will enable the airlines to operate a broader range of services to places, such as the Balearic Islands, France and Northern Italy, as well as enabling a wider range of leisure destinations to be served, such as Faro, Lanzarote, Split, Tenerife and Zakynthos that cannot currently be served on a Saturday with the restricted hours. These longer sectors could not be operated on weekdays without impacting on the ability to maintain the core business related schedule during the week as this requires aircraft available in the morning and late afternoons to meet business needs. There will also be opportunities to offer a broader range of services to city and domestic destinations as well, improving the level of service offered to passengers within the catchment area of the Airport. Achieving these benefits in terms of the range and frequency of destinations served will require opening to 18:30 on Saturdays year round, with an extra hour for arriving flights only (limited to 12) during the Summer⁶⁴.
- 5.2.5 Extended opening hours on Saturdays will be attractive not only to based airlines, such as BACF, but also to a number of other airlines operating at LCY, bringing benefits for local passengers, particularly the ability to improve hub connections from the east of London, allowing passengers to make a wider array of connections from their local airport on a Saturday to meet late afternoon and evening departures globally. Airlines such as KLM and Swiss typically charge less for flights to global destinations via a European hub than would be charged for direct services from a London airport, particularly Heathrow. As a result, additional opportunities on Saturdays and early in the morning with such airlines can offer real fare saving benefits to those local passengers that would find it convenient to use LCY to connect via a hub. This is expected to be particularly attractive to leisure passengers living in the vicinity of the Airport who are likely to prefer such connections compared to a more expensive direct flight using Heathrow or Gatwick. When combined with greater flexibility in the first half hour (see later in this section), the ability to operate convenient hub connections will encourage further airlines to launch such services to LCY over time, bringing further competition, lowering fares and increasing network breadth to the local community.
- 5.2.6 Extended hours on Saturdays will make operating to/from LCY more attractive to all airlines allowing a much broader range of services to operate and making it more attractive for airlines to serve the Airport, specifically those with new generation aircraft able to make use of the additional operating period on a Saturday afternoon and the additional slots in the early morning period. The benefits of extended Saturday opening arise in three principal ways:
- ➔ Allowing based airlines to achieve greater utilisation from the fleet of aircraft based at LCY so incentivising earlier replacement of current generation aircraft and growth, including incentivising more airlines to base aircraft at LCY. It is likely that the current limited operating hours at weekends are a deterrent to more airlines considering basing aircraft at the Airport;
 - ➔ Enabling airlines serving hubs to improve their ability to offer a wide range of global connections to/from LCY that work in both directions over the week; and

⁶⁴ British Summer Time - aligning with the IATA Summer Scheduling season from the last Sunday in March each year to the last Sunday in October.

- ✈ Offering point to point airlines more opportunities to serve LCY and its local market with a more consistent schedule 6 days a week, making initiating new routes and services more viable.

5.2.7 Overall, I consider that the availability of an extended operating period on Saturday will lead to an enhanced range and frequency of services being offered to consumers. By incentivising re-fleeting to new generation aircraft with higher seating capacities, more consumers will be able to benefit from flying from their local airport. Given the growing population in East London, this will enable them convenient access to a wider range of business and leisure destinations. Facilitating such improvement in service to consumers is entirely consistent with the Government's policies in support of aviation growth. It is my understanding that the benefits to consumers of additional flights on Saturday afternoons are not disputed by LBN and these form an important component of the Need Case, in terms of delivering benefits to consumers.

Early Morning Operations

- 5.2.8 Greater flexibility for movements in the first half hour of the day (both weekdays and Saturdays) is also required to ensure that airlines can meet passenger demand. As a based airline, BACF has increased the number of aircraft overnighing at LCY and, on many days of the year, the permitted limit of 6 movements in the first half hour is now fully scheduled⁶⁵ meaning that additional based aircraft would have to delay their first departure so wasting potential flying time and aircraft utilisation. This, of itself, is a disincentive for any airline to base more aircraft at LCY. Additional inbound flights also cannot be scheduled in this first half hour period.
- 5.2.9 Allowing increased movements in the early morning period enables the airlines to better meet the needs of the local market, offering increasing outbound business destinations on some weekdays and maximising the leisure opportunities on Saturdays and at quieter times of the year (for business travel). This increases scheduling flexibility for the airlines, enabling them to achieve improved utilisation and higher load factors by being better able to schedule aircraft activity to meet the demand. Ultimately, this is related to creating the conditions whereby the airlines are incentivised to grow and to delivering the benefits that come with this growth.
- 5.2.10 As well as facilitating additional based aircraft, additional early morning arrivals or departures to/from the UK for airlines, such as KLM, Lufthansa and Swiss would improve the range of connections available through European hub airports, improving global connectivity and supporting the needs of businesses to access long haul markets in particular. This will also bring benefits to local leisure passengers, increasing their options for air travel via these hubs at lower typical fares compared direct services from London.

⁶⁵ Even though 6 movements are scheduled, the actual number of movements on the runway, as controlled by the current condition, on average is lower due the time that it takes for departing aircraft to taxi to the runway.

- 5.2.11 Increasing early morning operations will also contribute to re-fleeting incentives as the 3 additional actual runway movements⁶⁶ proposed, over and above the 6 movements currently allowed, in this early morning period will also be restricted to cleaner, quieter, new generation aircraft only as with the additional hours on a Saturday. Hence, airlines wishing to operate additional flights at this time will have to operate quieter aircraft and this is likely to influence their fleet deployment choices at LCY. Coupled with the improved operating efficiency at LCY, this would provide a strong incentive for airlines, including based airlines such as BACF or those overnighing aircraft at LCY, to accelerate re-fleeting. Hence, the proposed change to the number of flights allowed in the first half hour of the day is also aimed at incentivising the airlines to operate the quietest possible aircraft to LCY at all times and an essential component of the overall package of the Proposed Amendments aimed at ensuring that the Airport can better meet local demand and in line with the MBU policy.

5.3 Efficiency Incentives to Re-fleeting

- 5.3.1 The key point that I seek to address in this section of my Proof is the extent to which additional operating hours on a Saturday afternoon would create the necessary incentives for airlines to re-fleet at an earlier date than would otherwise be the case, which has been challenged by LBN in its Statement of Case. As well as delivering noise benefits, as set out in the evidence of Richard Greer, the improved operating efficiency and increased seating capacity of these newer aircraft would increase the range and choice for consumers.
- 5.3.2 In terms of based airlines and incentives to re-fleet, a key consideration is the position of BACF, which accounted for just over 50% of the operations at the Airport (in terms of seat capacity – see Figure 3.7 in the Need Case) in 2019. However, it is important to recognise that similar considerations would apply to any other airline basing or considering basing aircraft at LCY in the future.
- 5.3.3 BACF is important to LCY because of the scale of its operation at the Airport but the converse is also true for BACF as flights to/from LCY represent over 95% of BACF's operation. Because BACF's operation is concentrated at LCY, investment decisions on fleet replacement and growth are closely related to opportunities available at LCY. Similarly, the decisions taken by BACF will have a proportionately significant impact on the pattern of growth and operations at LCY. However, these considerations would apply to any other airline in future with a substantial base of operations at LCY.
- 5.3.4 BACF is clear in its support for the Proposed Amendments and how they would incentivise both growth and re-fleeting. A letter from its Chief Executive Officer, appended as **Appendix 1** (APP/1/B/1) to this Proof. In the letter, BACF highlights a number of key points:

"It is in this context that extended operating hours are particularly important to Cityflyer, as the current closure on Saturday afternoons prevents the airline from operating a range of leisure services where there is high demand in the catchment area around the airport."

"As a result of the extended closure on weekends, Cityflyer positions some of its crew and aircraft away from base to operate scheduled and charter services from a number of other UK airports over the weekend. Although this allows Cityflyer to serve other UK airports, it reduces choice and connectivity for customers in the LCY catchment area. If Cityflyer could operate from LCY on

⁶⁶ The actual number of slots scheduled on any given day may exceed 9 reflecting the difference between scheduled time of operation and actual runway time.

Saturday afternoons, this would allow the airline to better serve the local market, help improve efficiency of the LCY base operation and offer greater customer benefits in the long term.”

“The operation at LCY is also critically dependent on the efficient use of aircraft throughout the week. Having the option to depart more of its flights in the 06:30-06:59 period is important, as earlier departure options can enable higher aircraft utilisation and offer more schedule choice for passengers.

The current LCY opening hours creates some challenges with both growing the operation and in justifying investment cases for more fuel-efficient, newer generation aircraft”

- 5.3.5 Although it is correct to note that fuel efficiencies and the anticipated increasing costs associated with carbon and its abatement provide an incentive to re-fleet, these are not of themselves sufficient in the near term given the current operational inefficiencies at LCY caused by restricted opening times at weekends. It is also material that BACF is part of the IAG group of airlines and, whilst the re-fleeting trajectory across the Group is expected to follow general industry trends, these expensive new generation aircraft will be deployed first where there is the greatest gain. Given the inefficiencies inherent in the current based operation at LCY, this means that decisions to re-fleet at LCY are currently likely to be later, unless extended operations on a Saturday are allowed, rather than earlier as I go onto discuss.

Inherent Inefficiencies in the Current Operation

- 5.3.6 In order to illustrate the issues that the current restricted operating hours at LCY have in terms of the efficiency of aircraft operations, I have examined the pattern of operations of BACF in more detail.
- 5.3.7 In common with many airlines, BACF is reaching a decision point as to when to retire its older aircraft and re-fleet, including the extent to which it should plan for increasing passenger demand in its decisions as to which and how many aircraft to order and over what timeframe. New aircraft are expensive and, whilst they offer operating cost benefits in terms of lower fuel burn and lower carbon costs, they represent high fixed costs. Whilst the efficiency and the environmental performance of new generation aircraft are beneficial to the airline and provide an incentive to re-fleet as aircraft age and the costs of maintenance increase, the ability to achieve additional utilisation of aircraft is critical to justify significant investment decisions by airlines, particularly at an early date. Otherwise, it is likely that older aircraft would be maintained in the fleet for longer and there would be less incentive to invest in increasing capacity through larger aircraft or through adding aircraft to the fleet.

Aircraft Utilisation

- 5.3.8 **Table 5.1** shows the utilisation of aircraft by BACF in 2019 and then compares this to the utilisation achieved by the broader BA Mainline short haul fleet. Utilisation is measured in terms of block hours⁶⁷ and average number of aircraft rotations⁶⁸ daily. By way of comparison, I have also included the utilisation achieved by easyJet. This lower utilisation by BACF means that the fixed costs of owning or leasing the aircraft need to be spread over a smaller number of revenue passenger kilometres (rpkm), which is a common measure of utilisation in the airline industry.

Table 5.1: Average Block Hours by Day or Week for BACF Aircraft

Day of Week	LCY Operations Only		Other Airport Operations		Total	
	Average Daily Block Hours per Aircraft	Average Daily Rotations per Aircraft	Average Daily Block Hours per Aircraft	Average Daily Rotations per Aircraft	Average Daily Block Hours per Aircraft	Average Daily Rotations per Aircraft
Weekday Average	8.7	2.8	0.0	0.0	8.7	2.8
Saturday	2.1	0.6	1.5	0.3	3.6	0.9
Sunday	4.8	1.4	0.8	0.2	5.6	1.5
BACF Total	7.2	2.3	0.3	0.1	7.5	2.3
<i>BACF CAA Data Hours</i>					6.9	2.2
<i>BA Mainline Short Haul</i>					8.5	2.1
<i>easyJet</i>					10.1	2.4

Note: differences on BACF between OAG and CAA caused by differences in definition of hours.

Source: BA Cityflyer from OAG or CAA Statistics (where marked), BA from CAA Statistics

- 5.3.9 This table shows that block hour utilisation on Saturdays is 52% below the weekly average and rotations per day are 63% below a typical weekday. The effect of this lower utilisation is that it creates a disincentive to re-fleet and to grow. There would be a significant efficiency gain from extended opening on a Saturday which would incentivise fleet replacement and also, potentially, enable airlines to offer lower fares to local travellers.
- 5.3.10 Overall, due to the constraints on its operating pattern, BACF uses its aircraft at only 81% of the utilisation⁶⁹ of the rest of the BA Mainline short haul fleet. This inefficiency, coupled with slower recovery in business passenger demand and BACF's inability to serve the faster recovering leisure market appropriately at weekends, has been a factor in their reducing the size of the LCY based fleet from 24 aircraft to 20 aircraft currently as the case for a larger fleet would rely on these inefficiencies being overcome pending the full return of business travel.

⁶⁷ Block hours means the number of hours during which the aircraft is in revenue service, measured from the time it leaves the gate until the time it arrives to the gate at destination. Block hours means the elapsed time between an aircraft leaving an airport gate and arriving at an airport gate.

⁶⁸ A return trip by an aircraft.

⁶⁹ Using comparable CAA data, 6.9 hours a day compared to 8.5 hours a day

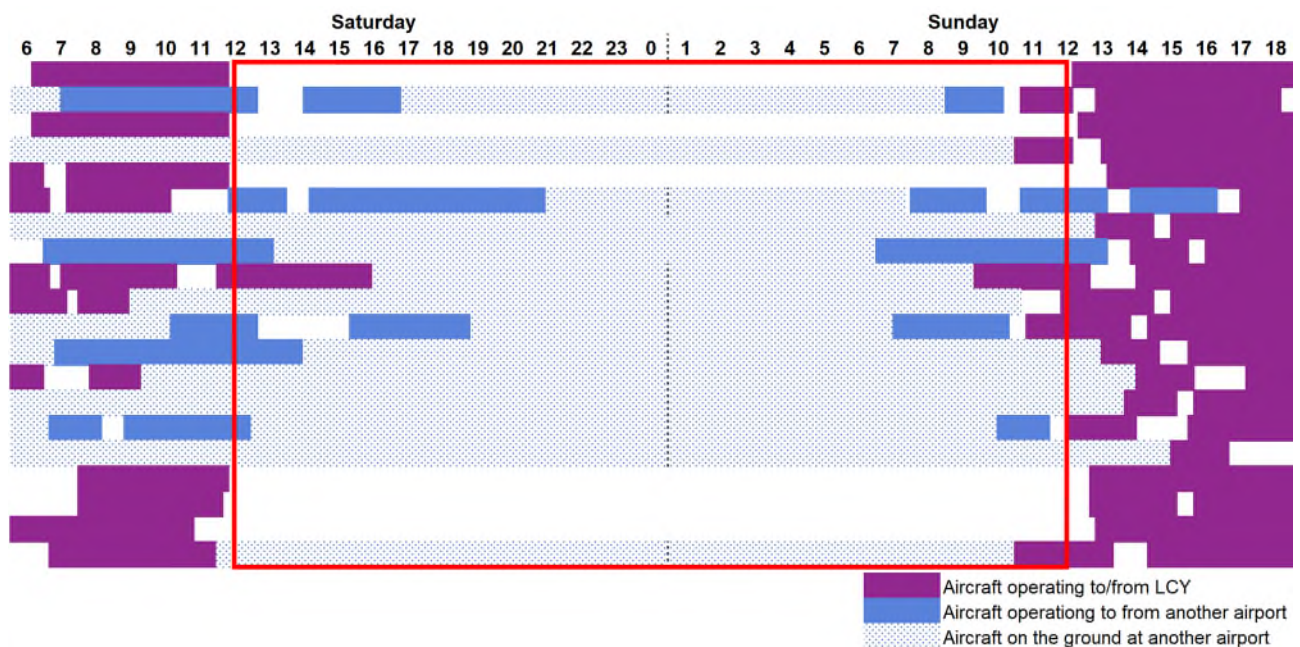
Current Operating Pattern

5.3.11 The inefficiency to BACF, or any other airline considering basing aircraft at the Airport, extends beyond simply the consideration of its block hours, as I have discussed above. Because of the restrictions on weekend operations at LCY, aircraft are positioned away from the Airport on Friday evenings and Saturday mornings, returning on Sunday afternoon. The pattern in 2019 (pre-pandemic) is shown in Figure 4.1 of the Need Case (CD1.60). **Figure 5.1** updates this pattern to 2023. This indicates that:

- ➔ 6 aircraft were scheduled to be overnight at LCY over Saturday night and these aircraft were unable to be productively used for 24 hours, meaning that the revenue earning potential was entirely foregone;
- ➔ 6 aircraft operated leisure type services from/to other airports, such as Southampton or Edinburgh, of which only the latter was part of the normal pattern of operations in terms of aircraft, although additional services were operated in order to position aircraft there solely for the purpose of weekend flying;
- ➔ 8 aircraft were parked up elsewhere, e.g. Glasgow, some positioning out on a Friday night, or at European airports to which flights were operated on a Friday evening or Saturday morning with the return flight on Sunday afternoons, meaning that these aircraft are not productively used through the whole or most of Saturday or Sunday morning.

Figure 5.1: Indicative Weekend Operating Pattern in 2023

Source: OAG



- 5.3.12 There are several flights that, although carrying passengers, are operated primarily for the purpose of positioning aircraft out so that they can be on operational standby through the weekend or operate leisure services. This would include flights to destinations such as Glasgow that are not strictly necessary to meet demand on the route, albeit they do carry passengers, but are solely for the purpose of positioning aircraft. CSACL, in its advice to LBN, was completely wrong, therefore, in its characterisation of there being a low level of aircraft positioning activity at LCY⁷⁰.
- 5.3.13 A further important consideration in terms of inefficiency is the rostering of crew. Whereas under its former pattern of operations, focussed substantially on flying passengers into LCY in the mornings, a proportion of crew were based away from LCY in Edinburgh. This crew base was closed in 2020 and all crew are now based at LCY. This means that when aircraft are positioned out, crew also have to be positioned out, incurring additional hotel and other costs. Even in the case of operations from Southampton or Stansted (in 2019), additional costs are incurred in ferrying staff to these airports. This all adds to the costs and relative inefficiency of the current operating pattern at LCY.
- 5.3.14 This pattern of operation, with a large number of flights simply for the purpose of positioning aircraft and crew, coupled with aircraft and crew not being productively used for revenue earning flights for a substantial period of the week is simply economically inefficient, as I discuss further below.

The Economics of Fleet Renewal

- 5.3.15 For any airline to re-fleet, it needs to balance the lower ownership costs of older aircraft against higher operating costs. Operational inefficiencies are a material consideration and can impact on the willingness of an airline to invest in new generation aircraft as well as their willingness to serve an airport.
- 5.3.16 This is evidenced by BACF's letter regarding the impact of the current operating restrictions at LCY on its re-fleeting decisions. This would require the Proposed Amendments to be approved. Otherwise, the investment required in new aircraft is considered not to be economic in the near term, notwithstanding the potential savings in operating costs. It is accepted that these comprise:
- ➔ Around 20% more fuel efficient (and consequently less carbon);
 - ➔ A noise departure footprint around 60% less than the older jet aircraft that they would replace;
 - ➔ More seats per aircraft, hence automatically offering more efficient operations; and
 - ➔ Lower maintenance costs.
- 5.3.17 Whilst these benefits mean that the existing fleet would eventually be replaced, it is unlikely to occur early enough to enable demand at LCY to be met and the noise benefits of re-fleeting realised at an early date without the Proposed Amendments. Based on the typical life of aircraft in BACF's fleet, the timing of replacement could be expected to be in the late 2020s if the aircraft were retained to their full depreciation life, which is the assumption underpinning the Do Minimum Case with a slower transition to new generation aircraft assumed across the whole fleet operating at LCY.

⁷⁰ CSACL, London City Airport, Review of Need Statement, June 2023, paragraph 3.16. (CD4.5.9)

- 5.3.18 The inefficiencies in aircraft utilisation highlighted above are a key factor and, without the ability to make better use of aircraft, this would impact on decisions as to the size of the future fleet at the point in time of replacement as well as the timing of replacement. This is particularly so as the value of the existing fleet of aircraft is largely written down whereas new aircraft come at a substantial cost in the first instance. The same considerations would apply to any other airline with a substantial operation now or in future at LCY.
- 5.3.19 The incentive to re-fleet early is, however, contingent on the ability of BACF to operate their aircraft for more of the week to and from LCY without the need to position these aircraft to other airports to operate or leave them on the ground over the weekend. Overall, allowing operations on Saturday afternoons is fundamental to creating the conditions for BACF to re-fleet at an early date and meet the growing local demand for air travel from LCY.
- 5.3.20 Below, I have set out a demonstration of the incentives acting on BACF, by way of illustration of the factors that would apply to any airline, as regards fleet renewal at LCY. It should be emphasised that this is a simple demonstration based on published data. It is not a detailed analysis of a potential investment decision by BACF or any other airline. What it demonstrates is the general incentive on an airline stemming from increased fuel efficiency and, consequent reduced carbon costs over time, alongside the impact of renewal on ownership costs and revenues.
- 5.3.21 The analysis assumes the following:
- Average fuel burn and carbon emissions for an Embraer E190 taken from the EMEP/EEA air pollutant emission inventory guidebook 2023 (CD3.9.20) published by the European Environment Agency assuming an average sector length for LCY operations calculated from OAG (685 km). An E195-E2 is assumed to be 16% more efficient based on research by TrueNoord Regional Aircraft Leasing⁷¹;
 - The price for a tonne of jet fuel has been sourced from Platts for October 2023;
 - Typical maintenance costs for an E190 of £0.02 per available seat kilometre⁷²;
 - The current cost of carbon allowances in the UK ETS and EU ETS from Ember for September 2023. These are assumed to converge with the BEIS long term carbon prices for appraisal published in September 2021⁷³;
 - Current aircraft ownership costs for an E190 are based on analysis of BACF's published accounts. The annual costs of ownership of an E195-E2 are based on estimated lease costs set out in the above Truenoord research:
 - The current number of seats per aircraft on an E190 has been based on BACF's existing fleet (98). In the future, an E195-E2 is assumed to be configured with 132 seats, in line with existing operators. Revenue per passenger is assumed to be around £93 one-way, in line with current average fares; and

⁷¹ Crossover Jets Market Report – Truenoord Regional Aircraft Leasing (2021). (CD3.5.19)

⁷² IATA Aircraft Costs Data 2021. (CD3.5.20)

⁷³ Department for Business, Energy and Industrial Strategy, Valuation of greenhouse gas emissions: for policy appraisal and evaluation – Department for Business, Energy and Industrial Strategy, September 2021. (CD3.5.16)

- ✈ It assumes that opening LCY on Saturday afternoons will enable BACF to increase the number of rotations per aircraft per day to 2, approximately mid-way between utilisation on Sunday and a weekday.

5.3.22 **Table 5.2** sets out the results of my analysis. It shows the costs and revenues associated with the operation of an aircraft at LCY initially on a cost per seat basis before considering on an aircraft basis over a calendar year for three scenarios:

- ✈ Based on the costs associated with the existing E190 operation looking forward, including an allowance for operations at weekends from other airports;
- ✈ Based on an E195-E2 operation without weekend opening; and
- ✈ Based on an E195-E2 operation with weekend opening.

5.3.23 This simplified analysis demonstrates that rising fuel and carbon costs are, ultimately, a growing incentive for an airline to re-fleet to newer aircraft over time. An E195-E2 operation would already be cheaper to operate on a per seat basis but, clearly, this saving has not yet reached a threshold sufficient to trigger investment for a based airline due to the inefficiencies of weekend operations. As the savings increase over time, at some point that threshold will be reached.

Table 5.2: Costs and Revenues for E190/195 Operations at LCY

	Current	2025	2030	2035
Current E190 Costs per Seat				
Fuel	£12.79	£13.59	£15.79	£17.99
Carbon	£3.95	£4.88	£8.26	£14.00
Maintenance	£6.07	£6.07	£6.07	£6.07
Aircraft Ownership	£6.21	£5.54	£3.85	£2.17
Total	£29.02	£30.07	£33.97	£40.22
E195 E2 Costs per Seat No Saturday Afternoons				
Fuel	£8.5	£9.0	£10.5	£11.9
Carbon	£2.6	£3.2	£5.5	£9.3
Maintenance	£4.9	£4.9	£4.9	£4.9
Aircraft Ownership	£10.3	£9.8	£8.5	£7.3
Total	£26.21	£26.86	£29.30	£33.30
E195 E2 Costs per Seat With Saturday Afternoons				
Fuel	£8.5	£9.0	£10.5	£11.9
Carbon	£2.6	£3.2	£5.5	£9.3
Maintenance	£4.9	£4.9	£4.9	£4.9
Aircraft Ownership	£9.6	£9.2	£8.0	£6.8
Total	£25.6	£26.2	£28.8	£32.8
Costs per Seat Savings				
E195 E2 No Saturday Afternoons vs Current E190	-£2.80	-£3.21	-£4.67	-£6.91
E195 E2 With Saturday Afternoons vs Current E190	-£3.45	-£3.83	-£5.21	-£7.37
Annual Cost Saving Per Aircraft				
E195 E2 No Saturday Afternoons	-£627,474	-£719,188	-£1,044,297	-£1,547,105
E195 E2 With Saturday Afternoons	-£825,033	-£915,379	-£1,243,532	-£1,761,376

- 5.3.24 There are also other costs penalties incurred by an airline based on the current pattern of operation, namely the additional costs for transporting crew to alternative bases and/or hotel and related costs for those aircraft that are positioned away from their home base. These are not included in the analysis above but are also material factors.

- 5.3.25 However, a more important fact is the loss of utilisation, which costs the airline revenue. The impact of opening LCY on a Saturday afternoon impacts not just on costs, in the form of reduced ownership costs per seat through greater utilisation but also on revenues, with the aircraft flying more sectors. This brings in more revenue, with revenues potentially over £1 million higher per aircraft supporting the balance in terms of re-fleeting. Indeed, the revenue implications of the lack of aircraft utilisation on a Saturday afternoon goes some way to explaining why BACF has not yet reinstated its full fleet of 24 aircraft to LCY as the market recovers from the effects of the pandemic. This has a detrimental effect on consumers in so far as the smaller fleet limits the number of routes and services that can be operated to meet local demand.
- 5.3.26 It is also significant that the BACF still chooses to operate all of its fleet from LCY from Sunday to Friday rather than continuing to operate elsewhere. This is a firm indication of the strength of the LCY market overall. This reinforces my confidence that with extended operating hours on Saturdays will make a material difference to incentivising airlines to re-fleet materially earlier than would otherwise be the case and also to increase the range of services operated at LCY to better meet local demand for air travel.
- 5.3.27 By way of illustration of the consequences of the current restricted operating hours, BACF is alone amongst its major competitors in not having reached the point where any new generation aircraft are in operation or on order. **Table 5.3** shows the composition of the short haul fleets of a number of key competitor airlines that are based at airports where such severe limitations on operating times do not exist.

Table 5.3: Comparative Airline Fleet Orders

Airline	New Generation		Old Generation
	In Service	On Order	In Service
BA CityFlyer			20
Rest of BA Short Haul	30	22	109
ITA Airways	18	51	44
KLM cityhopper	18	8	47
Lufthansa CityLine	4		47
Swiss	40	15	18
Luxair	2	14	19
Grand Total	112	106	304

Source: CH Aviation

5.4 Conclusions on the need for extended opening hours and greater flexibility

- 5.4.1 Delivering growth to meet the needs of local passengers requires the conditions to be created for the airlines to both modernise and grow their fleets of aircraft based at LCY. This requires extended operating hours on a Saturday to reduce the current inefficiency in terms of aircraft utilisation of having to park aircraft for 24 hours over a weekend or to position the aircraft away from LCY to operate from other airports without restricted operating hours. Modernisation of aircraft fleets is key to delivering real noise benefits, which would see noise levels of individual aircraft reduce on average compared to current levels, even with growth. Without a change to the operating hours, not only would growth be significantly slower, but the modernisation of the fleets would take longer to achieve, so delaying the noise benefits. By incentivising earlier re-fleeting, the Proposed Amendments will drive an improvement in the noise performance of the Airport overall and so allow beneficial growth without corresponding increases in noise, as discussed in the evidence of Richard Greer.
- 5.4.2 Greater flexibility for operations in the early morning period is also a key element of securing this growth and delivering economic benefits. Allowing for an increase in movements in the first half hour of the operating day is essential to ensure that the airlines can deliver an enhanced range of air services to meet consumer demand. By limiting additional operations in this period to new generation aircraft only, this will provide a further incentive to re-fleeting.
- 5.4.3 The Proposed Amendments will allow the airlines to grow their route network, increasing frequencies of service to existing destinations and services to new destinations. Specifically, longer operating hours on Saturdays would create more opportunities for local residents to use their local airport for leisure as well as business purposes, with a greater range of holiday destinations available at weekends, to places such as the Eastern Mediterranean, including the Greek Islands, or the Canary Islands, which currently cannot be served on Saturdays as the Airport shuts too early for the return flight to operate. Importantly, the changes will also allow better connections to hubs, such as Amsterdam, to provide onward connections to global points facilitated by increased early morning and Saturday afternoon operations. The changes will also support inbound tourism.
- 5.4.4 The Proposed Amendments are essential to enabling growth at the Airport in line with the underlying demand from passengers to use it. If the Airport remains restricted to its existing operating hours, growth would be slower and the economic benefits locally realised more slowly. Whilst growth might continue over the longer term if the 6.5 mppa cap is lifted, without changes to operating hours and greater flexibility to increase the number of movements in the early morning period, growth is likely to be curtailed and reaching 9 mppa would be significantly delayed. The Airport might only reach around 8.8 mppa by 2039, with a loss of economic and consumer benefits in the meantime.

6. Economic Benefits of the Proposed Amendments

- 6.1.1 In this section of the Proof, I summarise the socio-economic benefits of the Proposed Amendments. The full details are set out in Section 6 of the Need Case (CD1.60).

6.2 Economic Context

- 6.2.1 The economic case for the development is founded in the contribution that its growth can make to the local economy around the airport, focussing in particular on the ‘Local Study Area’⁷⁴ as defined in the existing Section 106 Agreement and more broadly to delivering enhanced connectivity to support the London economy as a whole. In particular, the benefits of the development have the potential to make a material contribution to levelling up in Newham and surrounding areas and economic recovery more generally.
- 6.2.2 It is important to stress that this contribution goes beyond simply issues of local recruitment, referenced by LBN in its Report to Committee (CD4.3.1) but also to the underpinning aviation connectivity required to support the attraction of other key businesses to the area in support of economic growth more generally.

Levelling Up

- 6.2.3 Levelling up is a key part of the Government’s Build Back Better strategy⁷⁵. Levelling up is not just about the UK regions but about improving the economic prospects and productivity of all underperforming parts of the country. The Levelling Up White Paper recognises that disparities in the performance of areas within cities can be just as great as disparities between regions and seeks to address economic underperformance wherever it arises:

“Even in high productivity cities, such as London, there are areas with low productivity”⁷⁶

- 6.2.4 East London is a priority area for levelling up, including key parts of the Local Study Area⁷⁷:
- ➔ Four local authorities are in the highest priority category for levelling up (Newham, Barking & Dagenham, Hackney and Waltham Forest) and three in priority 2 (Havering, Redbridge and Tower Hamlets)⁷⁸;
 - ➔ The high priority is driven primarily by unemployment/lack of jobs – five of the seven authorities are in the top 20 for highest unemployment; and
 - ➔ The Government has backed this with money - £40m for Newham and £10m for Tower Hamlets in Round 1 of the Levelling Up Fund.

⁷⁴ This Local Study Area comprises the London boroughs of Barking and Dagenham, Bexley, Greenwich, Hackney, Havering, Lewisham, Newham, Redbridge, Southwark, Tower Hamlets, Waltham Forest and Epping Forest in Essex.

⁷⁵ Build Back Better: our plan for growth, HM Treasury, March 2021.

⁷⁶ Levelling Up the United Kingdom, HM Government, February 2022, para 1.2.1. (CD3.2.3)

⁷⁷ A Local Study area has been defined for assessing the local economic impact of the Airport based on the area defined in the S106 Agreement (CD12.1). This comprises the London boroughs of Barking and Dagenham, Bexley, Greenwich, Hackney, Havering, Lewisham, Newham, Redbridge, Southwark, Tower Hamlets, Waltham Forest and Epping Forest in Essex.

⁷⁸ Levelling Up Fund round 2 – list of local authority areas by priority category, Department of Levelling Up, Housing and Communities, March 2022. (CD3.2.4)

- 6.2.5 Further details of the specific economic context in Newham are contained in paragraph 2.20 of Sean Bashforth’s Proof.
- 6.2.6 LCY has an important role to play, not just in providing employment but in delivering aviation connectivity vital to supporting the growth in areas of London that need to grow and deliver improved productivity. The growth of the Airport will contribute directly to levelling up through the employment and income that it brings to the local area and also by providing more local air connections making the area more attractive for investment and driving productivity growth. This would contribute directly to broader economic objectives for the areas as I discuss further below. Enhanced local air connections will also contribute to attracting talented individuals to live locally so enhancing the local talent pool to support innovation and growth more generally, particularly where these individuals need to maintain social connections to friends and family and where the ability to travel is seen as an important social benefit.

London Plan

- 6.2.7 The London Plan⁷⁹ is focussed on ensuring that London’s economic growth benefits all and that growth is more evenly spread across the capital. This is pertinent to the application as the growth of East London has lagged other parts of the capital.
- 6.2.8 Policy T8 (Aviation) of the London Plan is supportive of the role aviation plays in the economy:
- “London’s major airports provide essential connectivity for passengers and freight, support vital trade, inward investment and tourism, generate prosperity, and provide and support significant numbers of jobs.”⁸⁰*
- 6.2.9 The Plan goes on to note the linkage between airports and the identified Opportunity Areas in London:
- “The Mayor supports the role of the airports serving London in enhancing the city’s spatial growth, particularly within Opportunity Areas well connected to the airports by public transport and which can accommodate significant numbers of new homes and jobs.”⁸¹*
- 6.2.10 The Plan also makes clear the priority to make best use of existing airport capacity and that a priority is placed on airports with good quality rail access.
- “It is important, in the first instance, to make best use of existing airport capacity”⁸²*

⁷⁹ The London Plan, Mayor of London, March 2021 (CD3.3.1).

⁸⁰ Ibid, para. 10.8.2.

⁸¹ Ibid, Policy T8 Aviation, A.

⁸² Ibid, para. 10.8.3.

Royal Docks and Beckton Riverside Opportunity Area Planning Framework 2023

- 6.2.11 In March 2023, the Mayor of London approved the Royal Docks and Beckton Riverside Opportunity Area Planning Framework. This recognised the Airport as one of the key “*anchor economic assets*”⁸³, which are of regional and international importance. The Framework relies, to an extent, on leveraging the value of these assets, including the Airport, to secure growth. Significantly, the Framework supports the “*continued success*” of LCY as one of the “*anchor assets*” of the Opportunity Area⁸⁴. It is difficult to see how the Airport could continue to succeed and fulfil this role if constrained by its current operating conditions.
- 6.2.12 As I have set out above, the Airport is identified as a key strategic asset and employment hub for the local area in LBN’s Local Plan, which refers to the Airport as “*a catalyst for investment within the Area*”⁸⁵. Hence, delivering employment and local benefit is a key priority. This also relates to the specific role the Airport plays within the Royal Dock and Beckton Riverside Opportunity Area. The position of Newham as a priority area for levelling up further highlights the important role that LCY can play in delivering employment growth and supporting local GVA. Despite this, these important factors were not reflected in the LBN Officers’ Report to Committee (CD4.3.1).
- 6.2.13 Furthermore, allowing growth at the Airport from 6.5 mppa to 9 mppa would also support a number of more local economic strategies and objectives within the Local Study Area as identified in Appendix A to the Need Case (CD1.60).

Why Aviation Connectivity Matters

- 6.2.14 As is made clear in **Section 3**, aviation connectivity is seen as vital by Government and underpins the approach to aviation policy set out in MBU (CD3.5.3) and FttF (CD3.5.6). This is a primary reason why policy continues to support the growth of aviation and increases in airport capacity where these are justified.
- 6.2.15 Specifically, the London Plan and the local plans for the boroughs surrounding the Airport highlight the importance of connectivity in delivering broader economic objectives. The presence of the Airport contributes greatly to both the international connectivity of East London and also to the connectivity to the rest of the UK. If LCY is not able to deliver growth, requiring passengers to use alternative London airports would not support the broader economic objectives for the local area including levelling up of a part of London still in need of regeneration. LCY is ideally placed to support the Council in improving the economic performance of Newham.
- 6.2.16 Connectivity must also be considered as a dynamic element in underpinning growth, i.e. the level of connectivity available to businesses in an area has to keep pace with that available to competitor regions. This is important in the context of the need for the Airport to be able to grow its connectivity in the future to ensure that the areas it serves, remain competitive and that it is able to support the broader objectives, particularly of the Opportunity Area, to be an innovative place and an international economy. Hence, enabling growth in passenger throughput at LCY is essential to ensuring that the relative connectivity of London and East London keeps pace with its competitor regions.

⁸³ Royal Docks and Beckton Riverside Opportunity Area Planning Framework, Mayor of London, March 2023, Section 1.1. (CD3.10.1)

⁸⁴ Ibid, Section 3.3, page 112.

⁸⁵ London Borough of Newham, Newham Local Plan 2018, paragraph 1.23. (CD3.4.1)

6.2.17 The ways in which air connectivity provided by airports impacts on economic performance in the wider economy (often known as catalytic impacts) include:

- attracting **Foreign Direct Investment**;
- supporting **Trade**;
- supporting **the Labour market**;
- facilitating **Agglomeration**; and
- facilitating **Tourism**.

6.2.18 Hence, I consider the economic case for growth at the Airport in terms of the contribution it can make to the local economy in a broader sense, including these wider catalytic impacts, by reference to areas in need of levelling up such as Newham as well as in terms of the contribution that a growing LCY can make to the economy of London as a whole.

6.3 Methodology for Assessing the Economic Impact of Growth at London City Airport

6.3.1 The economic benefits of the Airport have been assessed within a commonly used and well accepted framework for analysis that is considered best practice. This framework splits the economic impacts of an airport into a series of effects, which, in broad terms, can be classified as either relating to the operation of an airport as an economic activity providing air transport services and the functions that support the provision of those services (operational impacts), or wider economic impacts that accrue to the users of air transport services (passengers or freight) from the connectivity offered by an airport enabling them improved access to the regions around the airport (often called catalytic impacts). These wider economic impacts can manifest themselves through channels such as increased trade, more inward investment, agglomeration effects, labour market benefits or increased tourism making an area a more attractive place in which to live, work and establish a business. Both the direct benefits from the operation of the Airport and the connectivity it provides flow through to the broader economy through supply chain (indirect) and induced effects.

6.3.2 The different economic impacts considered are set out in Table 6.1 of the Need Case (CD1.60) and summarised in **Table 6.1** below.

Table 6.1: Economic Impact Analysis Framework

Category of Effect	Effect	Definition
Operational Impacts	Direct	Employment and GDP ⁸⁶ are wholly or largely related to the operation of the Airport and generated at the airport or in the immediate vicinity.
	Indirect	Employment and GDP generated in the chain of suppliers of goods and services to the direct activities.
	Induced	Employment and GDP generated by the spending of incomes earned in the direct and indirect activities.
Wider Impacts	Business Productivity	Employment and GDP supported by the role that the Airport plays in enabling business travel and air freight, which in turn supports increased trade, increased inward investment, greater competition and better access to supply chains and knowledge sources.
	Inbound Tourism	Employment and GDP supported by the Airport's role in helping to bring new and additional visitors to the region. Expenditure by these visitors boosts economic activity and supports jobs and prosperity.

Source: York Aviation

6.3.3 I also set out a high-level socio-economic cost benefit analysis to consider the broad impact of the development on socio-economic welfare. Whilst this assessment cannot be combined with the GDP and employment impacts identified, it does provide an alternative perspective on the economic benefits of the development.

6.3.4 In the next section, I outline the impacts of the Airport with and without the Proposed Amendments under three headings: Operational Economic Impacts, Wider Economic Impacts and Socio-economic Welfare Effects. I note that the level of economic benefits that would flow from the Proposed Amendments have been accepted by LBN in the Statement of Common Ground (CD11.2)

6.4 The Operational Economic Impacts of London City Airport

6.4.1 I deal first with the operational impacts of the Airport, which are already an important driver of the Newham and the wider East London economy. The Airport provides significant employment and prosperity via its on-site activities and more broadly through supply chain purchases (indirect) and income expenditure (induced) effects. Growth to 9 mppa offers a significant opportunity to further grow the Airport's operational economic impact, in support of the policy and strategy goals described above.

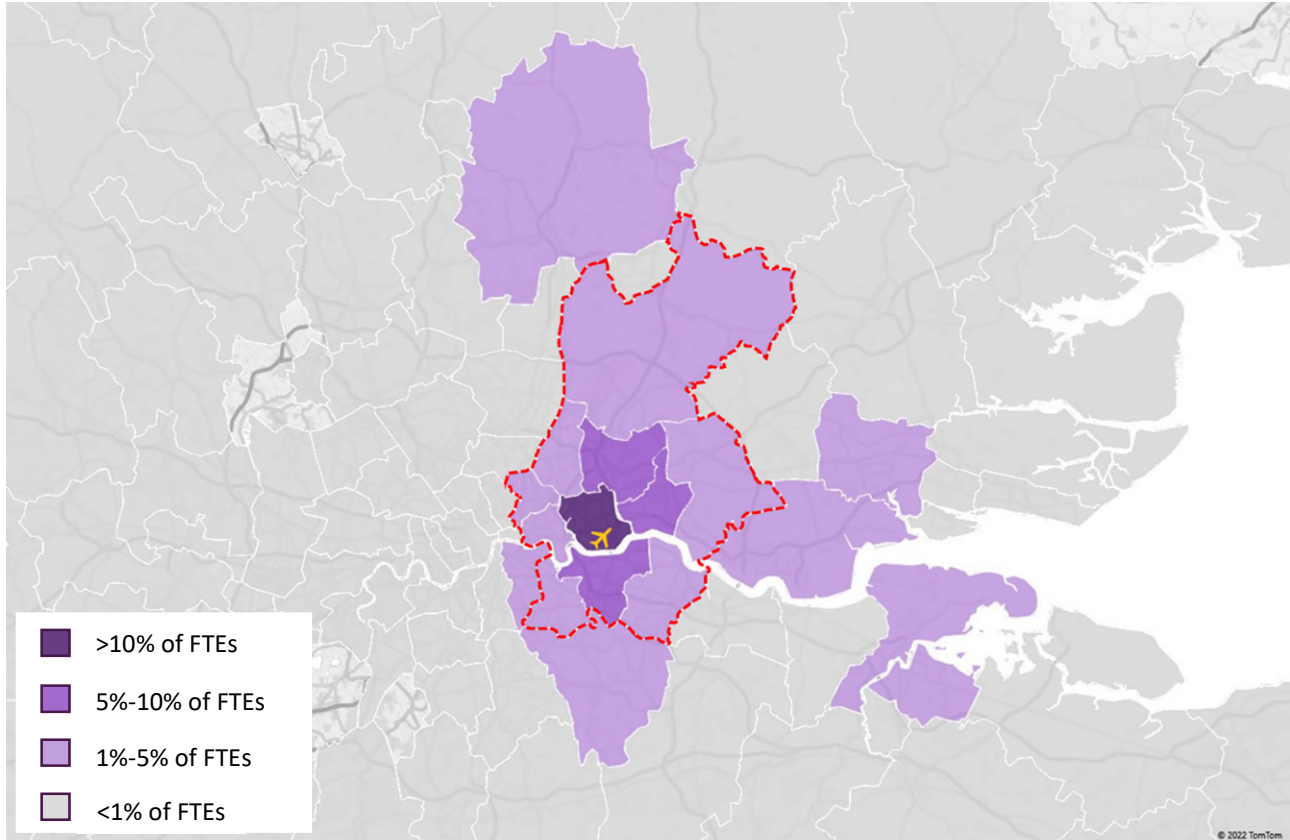
Operational Economic Impact in 2019

6.4.2 In 2019, there were 2,310 people employed on-site at the Airport or 2,060 full-time equivalent (FTE) jobs. This direct on-site employment contributed over £170 million in Gross Value Added (GVA) to the local economy. Although there has been some reduction in employment during the pandemic, the number of people employed at the Airport is expected to recover to pre-pandemic levels as demand recovers.

⁸⁶ Gross Domestic Product

6.4.3 **Figure 6.2** shows the distribution of direct employment across London based on the residence of workers at the Airport. There is close alignment between the residential location of employees and the defined target area for local recruitment in the S106 Agreement (CD12.1). The Local Area defined for the purpose of monitoring employment is shown in red.

Figure 6.1: Distribution of Direct Airport Employment by Area of Residence in 2019



Source: London City Airport

6.4.4 There is close alignment between the residential location of all employment at the Airport and the recruitment targets set out in the S106 Agreement for:

- 40% of on-site and 50% of LCY's own new recruits to live in Newham; and
- 70% of on-site new recruits to live in the defined Local Area.

It is important to note that these are aspirational 'reasonable endeavours' targets⁸⁷ and not a binding commitment to minimum levels of local recruitment.

6.4.5 It is significant, then, that in 2022, LCY achieved 39% of recruitment from Newham, and this was the same across the whole site, and 83% from the Local Area (79% across the whole site)⁸⁸ and levels of local recruitment have generally been rising since CADP1 was approved with the exception of during the Covid-19 pandemic.

⁸⁷ S106 Agreement, Schedule 11 (CD12.1)

⁸⁸ London City Airport, Annual Performance Report 2022. (CD9.2)

- 6.4.6 This suggests that the Airport’s initiatives to support local recruitment and employment are effective, notwithstanding that LBN reported shortfalls to meeting the targets in its Committee Report (CD4.3.1). This includes funding in the CADP1 S106 Agreement (CD12.1) of £5.78 million for local training and recruitment, which would be increased by a further £1.9 million should the Proposed Amendments be approved to support people in gaining entry into work associated with the Airport, (including through Newham Workplace), and to ensure local residents are given the opportunity to access jobs at the Airport. Although the Airport has fallen just short of the aspirational targets set in the S106 Agreement in certain years, it is clear that the Airport makes a substantial contribution to employment in Newham and surrounding areas, which is significant in the context of an area in need of more opportunities for employment locally to secure levelling up.
- 6.4.7 In addition, there are supply chain initiatives aimed at maximising local procurement, including working through Newham Workplace and annual Meet the Buyer events. As a result, in 2019 the operation of the Airport also supported additional economic activity in the surrounding areas through its supply chain (indirect effect) and secondary rounds of spending (induced effect), which supported a further 850 total jobs (730 FTE⁸⁹ jobs) in the local study area or 1,370 total jobs (1,190 FTE jobs) across London. In turn, these jobs contributed an additional £74 million and £130 million of GVA to the Local Study Area or London economy respectively. This is a substantial local contribution.
- 6.4.8 These operational impacts in 2019 are set out in **Table 6.2**. It shows that, in 2019, LCY supported a total of 3,160 total jobs (2,790 FTE jobs) and £246 million in GVA in the Local Study Area and 3,680 total jobs (3,250 FTE jobs) and £302 million in GVA across London as a whole. This is a substantial contribution to employment and prosperity in Newham and across the wider East London area.

Table 6.2: Summary of Operational Economic Impacts in 2019 (at 2022 prices)

Measure	Effect	Local Study Area	London
GVA (£ million)	Direct	£172	£172
	Indirect & Induced	£74	£130
	Total	£246	£302
Total Jobs	Direct	2,310	2,310
	Indirect & Induced	850	1,370
	Total	3,160	3,680
FTE Employment	Direct	2,060	2,060
	Indirect & Induced	730	1,190
	Total	2,790	3,250

Source: York Aviation

⁸⁹ FTE – full time equivalent

Operational Economic Impact of the Proposed Amendments

- 6.4.9 Allowing growth at LCY up to 9 mppa will offer significant operational economic benefits. It will enable the Airport to substantially expand its role as an employer in Newham, supported by initiatives, as I have identified in paragraph 6.4.6 above to ensure that local residents are best placed to take up the new employment opportunities, and across the Local Study Area in particular. This will enable the Airport to support the efforts of stakeholders to generate jobs, address deprivation and improve prosperity. The ability of the Airport to contribute to realising these goals will be significantly limited if the Airport is not allowed to grow above 6.5 mppa as the scale of contribution in terms of jobs and GVA would be less and, to the extent that the Airport grows above the levels of traffic seen in 2019, this growth would be materially slower in terms of delivering any economic benefits. Overall, constraining the Airport at the existing passenger cap of 6.5 mppa and/or continuing limitations on the operating hours would limit the Airport's future economic contribution as a source of employment, not least as productivity gains in the future erode the need for labour with growth constrained, removing employment opportunities from the labour market and making the task of addressing deprivation in the areas around the Airport harder.
- 6.4.10 As set out in the Need Case (CD1.60), the economic impact assessment examined the future growth in operational economic benefits in relation the Development Case scenario and the Do Minimum Case. The latter reflects the future baseline if the Airport remains limited to 6.5 mppa and, to a large extent, reflects the constraint on growth imposed by the current operating hours through the rest of the decade and beyond. The difference between the two cases represents the operational economic benefits over the period associated with the Proposed Amendments. The assessment also considered the extent to which operational economic impacts grow relative to the Airport's contribution in 2019⁹⁰, demonstrating the benefits of fulfilling the need to grow.

Local Study Area Impacts

- 6.4.11 **Table 6.3** sets out the forecast operational economic benefits to the Local Study Area. It shows the impacts for the Development Case, the Do Minimum Case, the difference between the two in 2031, and the growth in both over 2019. It also includes a comparison to the equivalent economic impacts assessed for CADP1⁹¹. All GVA figures are in 2022 prices.
- 6.4.12 In the Do Minimum Case (with no cap increase or extended hours), direct GVA grows to around £212 million in 2031 and direct employment is forecast to grow to around 2,420 total jobs (2,160 FTE jobs) in the Local Study Area. This represents an increase of £40 million in GVA and 110 total jobs (100 FTE jobs) compared to 2019 as the airport grows to 6.5 mppa. When indirect and induced effects are included as well, the total impact of the Do Minimum Case increases to £307 million in GVA, 3,390 total jobs (2,990 FTE jobs), an increase of £61 million in GVA and 230 total jobs (200 FTE jobs).

⁹⁰ The Need Case also set out the impacts relative to those originally assessed as part of the CADP1 application but these are not repeated here.

⁹¹ Total jobs were not estimated in the CADP1 application.

Table 6.3: Operational Economic Impacts in the Local Study Area

		2019	Development Case 9 mppa in 2031	Do Minimum Case 6.5 mppa in 2031	Development Case compared to Do Minimum Case	Development Case compared to 2019
GVA (£m)	Direct	£172	£316	£212	+£104	+£144
	Indirect & Induced	£74	£135	£95	+£40	+£61
	Total	£246	£451	£307	+£144	+£205
Total Jobs	Direct	2,310	3,650	2,420	+1,230	+1,340
	Indirect & Induced	850	1,380	970	+410	+530
	Total	3,160	5,030	3,390	+1,640	+1,870
FTE Jobs	Direct	2,060	3,230	2,160	+1,070	+1,170
	Indirect & Induced	730	1,190	830	+360	+460
	Total	2,790	4,420	2,990	+1,430	+1,630

Source: York Aviation

- 6.4.13 The Development Case sees direct GVA grow to around £316 million in 2031, which is £104m more than in the Without Development Case and £144m more than in 2019. Direct employment is forecast to grow to around 3,650 total jobs (3,230 FTE jobs) in the Local Study Area in 2031, which is 1,230 more jobs (1,070 FTE jobs) more than in the Without Development Case or 1,340 (1,170 FTEs) more than in 2019. This contribution to direct employment in Newham is substantial, particularly having regard to the initiatives taken by the Airport to ensure that the benefits of on-site employment are realised locally, particularly in Newham.
- 6.4.14 When indirect and induced effects are taken into account, the impact is even greater; GVA growth of £144m a year compared to the Without Development Case and £205m more than in 2019. The employment impact is also substantial with an increase in employment of 1,640 jobs (1,430 FTE jobs) With Development compared to Without Development or 1,870 jobs (1,630 FTEs) compared to 2019. It is hard to understand why such substantial increases in local employment were discounted by LBN simply because aspirational local recruitment targets had been marginally underachieved in specific years, particularly during the Covid-19 pandemic.

London-wide Impacts

- 6.4.15 In **Table 6.4**, I set out the forecast operational economic benefits to the London economy. Again, it shows the impacts for the Development Case scenario, the Do Minimum Case, the difference between the two in 2031, and the growth in both over 2019. The economic footprint of the Airport's operation is greater across London than in the Local Study Area but it is evident that the majority of the impact of the operation of the Airport is realised in the local area and Newham in particular. This is important in the context of the need for levelling up in these areas.

Table 6.4: Operational Economic Impacts in London

		2019	Development Case 9 mppa in 2031	Do Minimum Case 6.5 mppa in 2031	Development Case compared to Do Minimum Case	Development Case compared to 2019
GVA (£m)	Direct	£172	£316	£212	£104	£144
	Indirect & Induced	£130	£235	£95	£71	£105
	Total	£302	£551	£307	£175	£249
Total Jobs	Direct	2,310	3,650	2,420	1,230	1,340
	Indirect & Induced	1,370	2,200	970	670	830
	Total	3,680	5,860	3,390	1,910	2,180
FTE Jobs	Direct	2,060	3,230	2,160	1,070	1,170
	Indirect & Induced	1,190	1,920	830	590	730
	Total	3,250	5,150	2,990	1,660	1,900

Source: York Aviation

Faster and Slower Growth Cases

- 6.4.16 As I have explained earlier in this Proof, there are inevitable uncertainties as to the precise rate at which growth would occur at LCY so Faster and Slower Growth cases have also been considered. The full details are set out in Appendix H to the Need Case (CD1.60) but I present the specific differences in terms of the Local Study Area in **Table 6.5** below. This demonstrates that the effect of different rates of growth to 9 mppa have a very limited effect on the operational socio-economic impacts of the Proposed Amendments and the benefits remain broadly of the same magnitude even if growth is faster or slower than our core assessment case.

Table 6.5: Operational Economic Impacts of the Faster and Slower Growth Scenarios in the Local Study Area in 2031

Annual Impact		Development Case	Faster Growth		Slower Growth	
		Impact	Impact	Difference	Impact	Difference
GVA (£m)	Direct	£316	£316	0	£298	-£18
	Indirect & Induced	£135	£135	0	£126	-£9
	Total	£451	£451	0	£424	-£27
Total Jobs	Direct	3,650	3,650	0	3,500	-150
	Indirect & Induced	1,380	1,380	0	1,290	-90
	Total	5,030	5,030	0	4,790	-240
FTE Jobs	Direct	3,230	3,230	0	3,090	-140
	Indirect & Induced	1,190	1,190	0	1,110	-80
	Total	4,420	4,420	0	4,200	-220

Source: York Aviation

6.5 The Wider Economic Impacts of London City Airport

- 6.5.1 The assessment of wider economic impacts considers the GVA and employment impacts that accrue to the Local Study Area and London as a result of the connectivity offered by LCY. This is important in the context of the role that LCY plays in supporting other businesses in the economy and supporting broader initiatives to level up Newham.
- 6.5.2 LCY is a vital part of an airport eco-system that makes London one of the best-connected cities in the world. This international connectivity is central to London's position as one of the top two world cities; a leading financial and business centre and world renowned tourism destination. The Airport plays a vital niche role, providing business connectivity to the City and East London and, in this sense, playing a major role in supporting the objectives of the Royal Docks and Beckton Opportunity Area. This connectivity is also important in offering leisure connectivity to the growing population in East London. Growth of the Airport in line with the Development Case would allow it to continue to enhance the role that it provides in the London airport system, so increasing connectivity for business travellers to important European centres and global hubs and enabling improved access to central and the east of London for visitors as well as enhancing its local role in supporting the social advantages of outbound travel. As with the operational footprint of the Airport, the main beneficiaries of the connectivity benefits delivered by the Airport will be passengers and businesses in the local area around it.
- 6.5.3 For passengers travelling on business, the connectivity offered by the Airport means that they are able to interact more effectively with global markets. This makes trade easier, opening up export markets and allowing access to overseas goods, supply chains and knowledge. It also enables investment flows. In terms of inward investment, connectivity makes an area more attractive as it is easier and more efficient for overseas companies to manage and grow their interests in the area. Conversely, it enables 'local' companies to invest overseas with greater confidence knowing that they will be able to manage and grow their overseas operations. The result is a more open, competitive and productive local economy.

- 6.5.4 For inbound travellers, the Airport offers fast access to London for business and leisure visits. This injects expenditure to the economy, supporting the inbound tourism sector and its supporting functions.
- 6.5.5 There are also social benefits from facilitating convenient outbound travel, even for leisure purposes, as it satisfies a local need and reduces surface access journeys to alternative airports.

Wider Economic Impact in 2019

- 6.5.6 **Table 6.6** shows the estimated wider economic impacts associated with the Airport in 2019. It should be remembered that these impacts are over and above those stemming from the operation of the Airport (direct, indirect and induced impacts). In the Local Study Area, the connectivity provided by the airport is estimated to support around £139 million in GVA by boosting business productivity, which supports an estimated 650 total jobs (540 FTE jobs). The airport also brought a significant number of tourists to the Local Study Area, supporting £131 million in GVA and supporting 1,300 total jobs (1,020 FTE jobs). In total, in 2019, the airport was estimated to support £270 million in GVA and 1,950 total jobs (1,560 FTE jobs) in the Local Study Area through wider economic impacts.

Table 6.6: Summary of Wider Economic Impacts in 2019

Measure	Effect	Local Study Area	London
GVA (£ million)	Business Productivity	£139	£299
	Inbound Tourism	£131	£332
	Total	£270	£631
Total Jobs	Business Productivity	650	1,350
	Inbound Tourism	1,300	3,300
	Total	1,950	4,650
FTE Employment	Business Productivity	540	1,150
	Inbound Tourism	1,020	2,610
	Total	1,560	3,760

Source: York Aviation

- 6.5.7 Across London, business productivity effects support around £299 million in GVA and 1,350 total jobs (1,150 FTE jobs). At the same time inbound tourism into London coming through the airport supported around £332 million in GVA and 3,300 total jobs (2,610 FTE jobs). In total, therefore, across London, in 2019, LCY supported around £531 million in GVA and 4,650 total jobs (3,760 FTE jobs) through productivity and tourism effects.

Wider Economic Impacts of the Proposed Amendments

- 6.5.8 Connectivity is central to a global economy such as London. Growth of LCY to 9 mppa will enable the airport to expand its connectivity and that of London, increasing business productivity and bringing more visitors. If the Airport is not able to grow beyond 6.5 mppa, this additional connectivity will not be delivered making London a less attractive place to do business, to trade with and to visit.
- 6.5.9 As with operational impacts, the economic impact assessment examined the future growth in wider economic benefits in relation to the Development Case and the Do Minimum Case and the difference to 2019.

Local Study Area Impacts

- 6.5.10 **Table 6.7** shows the projected future wider economic impacts in the Local Study Area in 2031 for Do Minimum Case and the Development Case and provides a reference back to 2019. These benefits are a reflection of the extent to which the Airport and its ability to grow can make a substantial contribution to supporting broader growth in economic activity in the area.
- 6.5.11 In the Development Case in 2031, the Airport is forecast to generate £240 million in GVA and 950 total jobs (790 FTE jobs) relating to increased business productivity stemming from the improved connectivity it will be able to offer with growth to 9 mppa under the Proposed Amendments. This is a growth of £101 million in GVA and 300 total jobs (250 FTE jobs) compared to 2019. Inbound tourism impacts are expected to grow to £218 million in GVA and 1,900 total jobs (1,520 FTE jobs) by 2031, this is £87 million in GVA and 600 total jobs (500 FTE jobs) more than 2019. In total, the Development Case is forecast to support £458 million in GVA and 2,850 total jobs (2,310 FTE jobs) through the airport's wider economic impacts by 2031. This is an increase of £188 million in GVA and 900 total jobs (750 FTE jobs) compared to 2019.
- 6.5.12 In 2031, the wider economic impact of the development in the Local Study Area, the Development Case minus the Do Minimum Case, is expected to be an additional £45 million in GVA and 190 total jobs (160 FTE jobs) from business productivity impacts, and £59 million in GVA and 510 total jobs (410 FTE jobs) from inbound tourism. In total, the wider economic impact is expected to be around £103 million in GVA and 700 total jobs (570 FTE jobs). These impacts would make a substantial contribution to the local need for levelling up of the economy.

Table 6.7: Wider Economic Impacts in the Local Study Area

		2019	Development Case 9 mppa in 2031	Do Minimum Case 6.5 mppa in 2031	Development Case compared to Do Minimum Case	Development Case compared to 2019
Annual Impact	GVA (£m)					
	Business Productivity	£139	£240	£195	+£45	+£101
	Inbound Tourism	£131	£218	£159	+£59	+£87
	Total	£270	£458	£354	+£103	+£188
Total Jobs	Business Productivity	650	950	760	+190	+300
	Inbound Tourism	1,300	1,900	1,390	+510	+600
	Total	1,950	2,850	2,150	+700	+900
FTE Jobs	Business Productivity	540	790	630	+160	+250
	Inbound Tourism	1,020	1,520	1,110	+410	+500
	Total	1,560	2,310	1,740	+570	+750

Source: York Aviation

London-wide Impacts

- 6.5.13 Unsurprisingly, the wider economic impacts across London are substantially greater across the whole of London, in contrast to the position with the Operational Impacts of the Airport. This is because of the role that the Airport plays in supporting business in the City of London and Westminster more generally. **Table 6.8** shows the projected future wider economic impacts in London in 2031 for Do Minimum Case and the Development Case and provides a reference back to 2019.

Table 6.8: Wider Economic Impacts in London

		2019	Development Case 9 mppa in 2031	Do Minimum Case 6.5 mppa in 2031	Development Case compared to Do Minimum Case	Development Case compared to 2019
Annual Impact						
GVA (£m)	Business Productivity	£299	£526	£430	+£96	+£227
	Inbound Tourism	£332	£559	£400	+£159	+£227
	Total	£631	£1,084	£830	+£255	+£453
Total Jobs	Business Productivity	1,350	2,050	1,670	+380	+700
	Inbound Tourism	3,300	4,900	3,480	+1,420	+1,600
	Total	4,650	6,950	5,150	+1,800	+2,300
FTE Jobs	Business Productivity	1,150	1,740	1,420	+320	+590
	Inbound Tourism	2,610	3,890	2,780	+1,110	+1,280
	Total	3,760	5,620	4,200	+1,430	+1,860

Source: York Aviation

- 6.5.14 In the Development Case in 2031, the Airport is forecast to generate £526 million in GVA and 2,050 total jobs (1,740 FTE jobs) relating to increased business productivity stemming from improved connectivity across London. This is a growth of £227 million in GVA and 700 total jobs (590 FTE jobs) compared to 2019. Inbound tourism impacts are expected to grow to £559 million in GVA and 4,900 total jobs (3,890 FTE jobs) by 2031, this is £227 million in GVA and 1,600 total jobs (1,280 FTE jobs) more than 2019. In total, the Development Case is forecast to support £1,084 million in GVA and 6,950 total jobs (5,620 FTE jobs) in wider economic impacts by 2031. This is an increase of £453 million in GVA and 2,300 total jobs (1,860 FTE jobs) compared to 2019 indicating substantial wider economic benefits to be delivered across London through the increased connectivity that the airport would be able to provide at 9 mppa.
- 6.5.15 In 2031, the wider economic impact of the development in London, the Development Case scenario minus the Do Minimum Scenario, is expected to be £96 million in GVA and 380 total jobs (320 FTE jobs) from business productivity impacts, and £159 million and 1,800 total jobs (1,110 FTE jobs) from inbound tourism. In total, the additional wider economic impact of the airport is expected to be of the order of £255 million in GVA and 1,800 total jobs (1,430 FTE jobs). This represents a significant effect on the regional economy by 2031.

6.6 Socio-Economic Welfare Assessment

- 6.6.1 In addition to the assessment of the impact of the development on key economic indicators, namely GVA and employment, the Need Case (CD1.60) also presented an assessment of the socio-economic welfare impacts via a high-level socio-economic cost benefit analysis.
- 6.6.2 The purpose of the cost benefit analysis is to consider the broader effects on socio-economic welfare associated with the development and it places the emphasis on whether the expansion of the Airport will result in a more efficient allocation of resources across the economy. It examines whether the key actors (passengers, producers, and the Government) in the market will be better or worse off as a result of LCY's growth in line with the Development Case as opposed to the Do Minimum Case. This approach is the same in concept as the economic elements of the DfT's WebTAG appraisal approach. It should, however, be emphasised that it is not a WebTAG appraisal and is not intended to be one. The purpose of this analysis is to provide a proportionate assessment of the impacts of the development from a socio-economic welfare perspective. Furthermore, it is worth noting that WebTAG is not intended for assessing the impact of private sector investments and is not a commonly used standard in assessing airport socio-economic effects in relation to planning decisions.
- 6.6.3 The analysis considers a number of different impacts on socio-economic welfare:
- Passenger Surface Access Time Savings – the monetised value of time saved by LCY passengers compared to the next most popular alternative option;
 - Passenger Surface Access Cost Savings – the surface access cost advantage from using LCY compared to the next most popular alternate;
 - Passenger Air Fare Savings – the air fare cost of using LCY compared to the next most popular alternate;
 - Airport Company Benefits – the additional operating profits associated with stimulated passengers at LCY;
 - Air Passenger Duty (APD) – the additional APD associated with stimulated passengers at LCY;
 - Construction Costs – the costs of the works to complete the Proposed Development compared to the Do Minimum Case; and
 - Carbon Costs – the value of industry investment required to reduce additional carbon emissions to zero.
- 6.6.4 The method for calculation of each of these impacts is set out in Appendix I of the Need Case (CD1.60).

- 6.6.5 The Net Present Value (NPV) of the Proposed Amendments is calculated over a 60 year appraisal period. The NPV is shown including and excluding carbon costs. This is for a number of reasons. The cost of carbon is already accounted for within the demand forecasts, as described above, and, consequently, these costs are already allowed for within the passenger demand forecasts and assumed to be internalised within the aviation industry with the costs passed onto passengers within the air fare so impacting the rate of growth within the forecast scenarios. Hence, to include them again within the socio-economic cost benefit analysis is to double count their effect. Inclusion within the socio-economic cost benefit is also problematic because it does not allow for the potential use of aircraft capacity elsewhere, either in the UK or overseas. It is, therefore, very difficult to know to what extent the carbon emissions are truly net additional and, hence, the extent of carbon costs associated with them. Furthermore, Government has made quite clear through the Jet Zero Strategy (CD3.5.7) that the cost of carbon is a national and global issue that should be dealt with at a national, not a local level. These issues suggest that the relevant NPV is that which excludes carbon costs. However, the NPV including carbon costs is included to demonstrate that, even if these are included, the Proposed Amendments still result in a positive contribution to socio-economic welfare.
- 6.6.6 As shown in **Table 6.9**, excluding carbon costs, the Proposed Amendments offer a broader socio-economic welfare benefit with an NPV of £371 million. Even if carbon costs were to be included, this would be reduced to around £204 million, which still demonstrates the substantial socio-economic welfare benefits that would be derived from the development but for the reasons explained above, the inclusion of carbon costs is effectively double counting such costs as these are already accounted for within the demand forecasts.

Table 6.9: Results of the Socio-Economic Cost Benefit Analysis

	Present Values (£m)
Passenger Surface Access Time Savings	£1,767
Passenger Surface Access Cost Savings	£216
Passenger Air Fare Savings	-£1,674
Airport Company Benefits	£119
Air Passenger Duty	£12
Construction Costs	-£70
Carbon Costs	-£167
NPV excluding carbon costs	£371
NPV including carbon costs	£204

Source: York Aviation

6.7 Construction Impacts

- 6.7.1 A further benefit to be realised locally would be employment in construction as the remainder of the CADP1 development is built out. Within the Local Study Area, the construction programme is expected to support around £220 million in GVA and 1,940 person years of employment. This rises to £257 million in GVA and 2,310 person years of employment across London as a whole. This represents a substantial if transient opportunity to support employment and prosperity during the building programme.
- 6.7.2 Should the Proposed Amendments not be approved, the construction of the remaining CADP1 works would be substantially delayed. To the extent that there is ongoing productivity improvement in the construction industry, this would result in slightly lower construction employment but would not materially impact on the GVA benefit from the construction activity.

6.8 Conclusions on Economic Impact

- 6.8.1 As I discussed at the outset of this section, there is strong imperative to secure growth in Newham and the surrounding areas in support of the objective of levelling up areas that have high levels of deprivation and are underperforming economically. This is highlighted in the *Royal Docks and Beckton Riverside Opportunity Area Planning Framework* (CD3.10.1), which identifies the Airport as an “anchor asset”.
- 6.8.2 For the Airport to continue to play this important role in the local economy, it must be allowed to grow and meet the local need for air travel, be that for business or leisure reasons. If growth at the Airport is constrained through retention of the passenger cap and continued strict limitations on its operating hours on Saturdays, it will not be able to support the future economic growth envisaged for the local area.
- 6.8.3 As well as meeting the passenger demand to travel, growth to 9 mppa will deliver substantial benefits to the economy of London and the areas around the Airport in particular, as represented by the Local Study Area:

- ➔ Across the Local Study Area, growth to 9 mppa will deliver 1,870 new jobs (1,630 FTE jobs), of which 1,340 total are direct jobs at the airport (1,170 FTE jobs), which will be available to local people supporting the levelling up agenda in Newham and neighbouring boroughs;
- ➔ Across London, it will deliver 2,180 additional jobs (1,900 FTE jobs) (over 2019), of which 1,340 total are direct jobs at the airport (1,170 FTE jobs);
- ➔ In the wider economy, the Airport will support 2,050 jobs (1,740 FTE jobs) through supporting the business travel needs of a wide range of sectors and 4,900 jobs (3,890 FTE jobs) through bringing inbound tourists to the city. This is a total of 2,300 jobs (1,860 FTE jobs) in the London economy over and above those supported by direct, indirect and induced impacts;
- ➔ Provide a boost to business productivity, supporting the growth of and investment in key sectors in the local economy equivalent to £526 million a year by 2031 (£227 million more than in 2019);
- ➔ Support tourist expenditure in London of £558 million a year by 2031, (£227 million more than 2019);
- ➔ Provide a net positive impact on socio-economic welfare of £371 million over the next 60 years;
- ➔ Support the Levelling Up and economic recovery agendas; and
- ➔ Provide a boost to the Local Study Area economy of £220 million in GVA and 1,940 person years of employment as a result of the construction programme between 2025 and 2031.

These benefits will not be delivered without the greater operational flexibility provided by the Proposed Amendments and if the Airport is constrained to only handling 6.5 mppa.

- 6.8.4 Enabling these benefits is particularly important in the context of the need for growth and regeneration in East London, in particular to support levelling up initiatives in Newham and neighbouring boroughs. Furthermore, allowing LCY to grow would support broader initiatives to grow the UK economy and that of London in particular, in support of ‘Build Back Better’.

- 6.8.5 As I have demonstrated in this Proof, the additional jobs and GVA that would be generated, either through the operational footprint of the Airport or through its wider economic and connectivity effects, would be substantial and make a material contribution to the levelling up of the area. I consider this applies whether or not the Airport has precisely met its local recruitment targets or not. I note that LBN does not dispute the level of economic benefits that would be generated by the Proposed Amendments but appear to place more weight on whether the aspirational 'reasonable endeavours' local recruitment targets had been met in individual years than on the level of potential economic benefits to Newham overall, including the potential to create a substantial number of new jobs.

7. Response to points made by London Borough of Newham

- 7.1.1 In this section, I address the key points in relation to the need for the Proposed Amendments and the socio-economic evidence raised by LBN in its Statement of Case. In the Officer's Report to the Strategic Development Committee (CD4.3.1), the position in relation to need was summarised as follows:

"In summary, whilst there is some dispute regarding how fast demand at the airport would grow, it is agreed that growth is expected and that the proposal would be a method of meeting this demand. Similarly, it is acknowledged that the expansion of flights into Saturday afternoon would enable the airport to make more efficient use of existing infrastructure and runways.

However, it is considered that existing airports within the wider London area have sufficient capacity to meet demand within the timeframe of the application and would be able to do so with larger aircraft in a more sustainable matter. For the reasons outlined above LBN officers attach limited weight to the need case."

- 7.1.2 LBN's decision was informed by a report from CSACL⁹² commenting on the demand forecasts, as summarised in paragraphs 73 to 88 of the Officers' Report (CD4.3.1). There were a number of errors made in the analysis by CSACL that were addressed in a note (CD4.2.5) submitted to LBN in June 2023⁹³. These comments were not referenced in the Officers' Report and I remain of the view that the conclusions reached by CSACL are not robust, including the more recent points referred to in the Statement of Case (CD10.2), as referenced in Section 4.
- 7.1.3 This section of my Proof focuses on the points made in LBN's Statement of Case (CD10.2) that derived from the work of CSACL and the extent to which they are robust, given that LBN gave little weight to the need for the Proposed Amendments in its Officers Report to Committee (CD4.3.1).

7.2 Past forecasts and reasonableness of assumptions

5.16 "Evidence provided by the aviation expert retained by LBN will show that Passenger forecasts provided by the CADP1 application were inconsistent with the aircraft movement forecasts, and was one of the factors that led to the 6.5mppa cap that was applied to that application. LBN shall demonstrate that a reasonable approach needs to be supported by reasonable input assumptions.

- 7.2.1 As I have noted at paragraph 4.3.8, prior to the pandemic, the forecasts that underpinned the CADP1 Application had proved to be highly robust, as evidenced in Figure 3.1 of the Need Case (CD1.60). The reasons why these overall passenger forecasts were realised with a smaller number of aircraft movements than envisaged is also explained in the Need Case. The principal reasons were:

- ➔ failure of CityJet resulting in its operations being replaced by those of other airlines operating higher capacity aircraft and with higher load factors;
- ➔ strong growth in general at the Airport by BACF;

⁹² CSACL, London City Airport: Review of Need Statement, June 2023. (CD4.5.9)

⁹³ York Aviation, Response to CSACL Comments on the Need Statement for the London Borough of Newham, June 2023. (CD4.2.1)

- ➔ the anticipated growth in the UK regional network by Flybe, using lower capacity turboprop aircraft did not materialise and the airline eventually ceased operations completely at the start of the pandemic; and
- ➔ higher load factors more generally.

7.2.2 These changes in airline behaviour have been factored into the latest forecasts.

7.2.3 The fact that the overall passenger forecast proved to be robust, demonstrates the overall validity of the assumptions within the model as to LCY's share of the market. Hence, it is unclear the point that LBN is seeking to make in this regard or its materiality to the current Appeal in so far as it relates to the aircraft movement projections rather than the need for extended operating hours and greater flexibility, which are the relevant matters for this Appeal.

7.3 Demand risks

5.17. The approach adopted by the Appellant requires many input assumptions and the evidence shall show that many of the macro-assumptions (e.g. GDP projections, airline costs) carry material down-side risks. Collectively, and coupled with LCY's slow recovery from the Covid-19 Pandemic, the likely outcome is that the passenger forecasts in the appeal application will prove to be too high.

7.3.1 In its report to LBN of June 2023 (CD4.5.9), largely replicating an earlier draft from April 2023, CSACL asserted that the demand forecasts underpinning the S73 Application are not robust. I note that this appears to be based on a view that the overall UK air passenger forecasts produced by the Department for Transport are not robust and should not be relied on. First of all, it is important to reiterate that, the demand forecasts underpinning the application are not directly based on DfT's UK Aviation Forecasts⁹⁴ but are worked up from first principles using updated assumptions (from March 2022, when the forecasts were prepared) and using DfT's underlying demand elasticities as set out in the Jet Zero Modelling Framework⁹⁵.

7.3.2 A key part of CSACL's contention that the forecasts are over-optimistic appears to be based on the higher cost of sustainable aviation fuels (SAFs) relative to kerosene and whether this was adequately taken in to account in the demand forecasts. However, CSACL does not appear to have taken into account that the forecast modelling for the S73 Application uses the same assumption as in the Jet Zero modelling. As made clear in the *Jet Zero: further technical consultation* of March 2022⁹⁶, these applied carbon values trend from current UK ETS traded values to BEIS's long term carbon appraisal values⁹⁷. These values were deliberately set by Government at a level aimed at incentivising the adoption of carbon reduction technologies, such as SAFs or zero emission aircraft. Hence, by adopting Jet Zero consistent carbon assumptions with the forecasts for the S73 Application, the effective higher costs of SAFs or other new technologies are accounted for. As I have explained in **Section 4**, 98% of LCY flights are covered by the UK ETS, with the only exceptions being flights to the Channel Islands and Isle of Man, which for modelling purposes have the same growth rates applied as UK domestic routes.

⁹⁴ Department for Transport, UK Aviation Forecasts 2017. (CD3.5.17)

⁹⁵ Department for Transport, Jet Zero: modelling framework, March 2022. (CD3.5.13)

⁹⁶ Department for Transport, Jet Zero: further technical consultation, March 2022. (CD3.5.15)

⁹⁷ Department for Business, Energy and Industrial Strategy, Valuation of greenhouse gas emissions: for policy appraisal and evaluation – Department for Business, Energy and Industrial Strategy, September 2021. (CD3.5.16)

- 7.3.3 CSACL sought information in this regard from the DfT in a Freedom of Information (FOI) request and we have reviewed the DfT’s FOI response to CSACL (attached as **Appendix 2 APP/1/B/2**). I note that the DfT has effectively confirmed that the effect of higher SAF prices can be considered as accounted for in the modelling on the basis they “*do not exceed the costs they [the airlines] face in using kerosene, including the relevant carbon costs*”. The validity of this assumption is confirmed in the subsequent paragraph from the DfT FOI letter where they state that they expect that, subject to some uncertainty, “*some cheaper forms of SAF could become cost-competitive with kerosene plus carbon pricing by around 2030*”. Hence, the carbon costs applied in the development of the demand forecasts have been set at a level considered to be high enough to incentivise the use of SAFs or zero emission aircraft in line with the Jet Zero assumptions for take up. By including these target carbon costs fully within the modelling, the anticipated higher cost of SAFs is fully accounted for in the forecasts. This is in line with the DfT’s FOI response.
- 7.3.4 I also note that CSACL, in its report to LBN (CD4.5.9) relied on the updated DfT projections of overall UK air passenger growth published in March 2023 as part of the consultation on the SAF Mandate⁹⁸. Although these do indicate slightly lower levels of passenger demand growth, particularly over the longer term, it is important to highlight that these were based on UK economic projections from November 2022, which have since been revised upwards by the Office for Budget Responsibility for the near term. A comparison of the forecast GDP growth rates from 2023-2050 are shown in Table 7.1 below. This shows that the economic projections have been revised upwards again overall and are closer to those used in our projections for LCY. I would expect any revised forecasts from DfT to be similarly revised upwards and be closer to those used in the original Jet Zero modelling and the national growth projections that underpin the specific projections for LCY.

Table 7.1: Updated GDP Growth Rates

Year	Need Case Assumptions	OBR November 2022 and TAG Data Book January 2022	OBR March 2023 and TAG Data Book May 2023
2023	1.8%	-1.4%	-0.2%
2024	2.1%	1.3%	1.8%
2025	1.8%	2.6%	2.5%
2026	1.7%	2.7%	2.1%
2027	1.5%	2.2%	1.9%
2028	1.5%	1.8%	1.8%
2029	1.5%	1.7%	1.8%
2030	1.5%	1.7%	1.7%
2031 to 2050	1.5%	1.4%	1.5%

Source: Office for Budget Responsibility⁹⁹, TAG Data Book

98

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1149891/sustainable-aviation-fuel-mandate-dataset.ods (CD3.9.20)

⁹⁹ Office for Budget Responsibility, Economic and Fiscal Outlook, March 2023. (CD3.5.18)

- 7.3.5 The main thrust of CSACL’s analysis was to suggest that the demand forecasts may have been overstated and that growth might be slower than projected. It was for this reason that, to reflect uncertainty, Faster and Slower Growth Cases were presented in the Need Case (CD1.60, Figure 5.12). CSACL’s original conclusion in its June Report (CD4.5.9, paragraph 2.8) was that 9 mppa could be reached at LCY. I remain confident that the demand forecasts for LCY take fully into account the cost of carbon and its abatement including any increase in fuel prices associated with the use of SAFs.

Change of Position

- 7.3.6 During the preparation of the Statement of Common Ground (CD11.2), CSACL changed its position from having previously agreed that 9 mppa would be reached at LCY, albeit considering that this would be achieved later than 2031. The position appears to have changed now to one where CSACL no longer believes that the Airport will ever attain 9 mppa in the light of its short term performance during the summer of 2023, in particular the fact that LCY handled fewer passengers in July 2023 than in July 2022.
- 7.3.7 I do not believe that it is appropriate to base judgements on future growth on short term trends at the Airport as suggested by CSACL. It is already acknowledged within our forecasts that LCY will be slower to recover than others in the UK, with fewer passengers forecast in 2024 than were actually handled in 2019 (Need Case (CD1.60), Figure 5.1).
- 7.3.8 A key aspect of LCY’s slower recovery was always expected to be the continued ‘slot sitting’ witnessed by British Airways and others at London Heathrow, as I have discussed in **Section 5** of this Proof.
- 7.3.9 Furthermore, CASCL’s comparison between July 2022 and July 2023 is not appropriate because there were a number of factors which make a comparison between the two unreasonable:
- ✈ Firstly, there were strikes at Heathrow in July 2022, which meant that a substantial number of British Airways’ passengers shifted to using services from LCY, inflating the underlying number of passengers. Based on the difference between normal load factors for BACF and those seen in July 2022, it is estimated that around 14,000 additional passengers were handled in this month; and
 - ✈ Secondly, Italian national airline, ITA Airways, did not operate at LCY at all in July 2023 as the contract with the airline operating to London City on its behalf had ended and a contract with a new supplier airline had not begun. Based on normal performance of the airline, this saw a reduction in throughput of around 13,000 passengers in July 2023.
- 7.3.10 July 2023 had around 23,000 fewer passengers than the equivalent month in 2022, but when these two factors are taken into account, July 2023 would have been around 4,000 passengers above July 2022 if operations had been normal in each year. This upward trend continued into August 2023 but, even then, passenger levels were impacted by cancellations due to crew shortages as well as issues with air traffic control. Some of the above issues are continuing into autumn 2023.
- 7.3.11 The traffic in individual months at LCY can also be disproportionately affected by the number of weekend days in the month, given the lower passenger volumes at weekends.

- 7.3.12 Overall, I do not consider it robust to reach conclusions about the trends in traffic growth at an airport based on data for individual months. For the reasons set out in **Section 4**, drawing long term conclusions from short term performance is misleading and takes no account of the specific circumstances that have impacted on LCY's recovery from the effects of the pandemic during 2023.

7.4 Capacity at other Airports

5.18. The evidence will show that consideration of passenger handling capacity at the other London airports indicates that the extra passenger demand of 2.5 mppa sought by this application could be accommodated up to at least 2031 at the other London airports. Although not a ground for LBN's refusal of the application, LBN does note that carbon emissions would be materially lower if this demand were handled at other airports at which aircraft with lower emissions per passenger operate and which LBN's aviation expert considers would have capacity to take up demand.

- 7.4.1 This appears to be the underpinning reason why LBN dismissed the need for the Proposed Amendments, rather than any doubts about the potential for the Airport to attain 9 mppa within a reasonable timeframe after 2031.
- 7.4.2 In its report to LBN (CD4.5.9), CSACL includes a table (Table 3.8) that purports to show that there is sufficient airport capacity across the other London airport to meet demand without the need for additional capacity at LCY over the period to 2031. This table is based on the lower SAF Mandate demand forecast that understates demand, for the reasons I have set out in **Section 7.2**.
- 7.4.3 It is notable that, in its original report, CSACL presented a similar table based on the original DfT Jet Zero Demand forecasts¹⁰⁰, which for the reasons set out above are likely to be more representative of current economic projections. This is reproduced at **Figure 7.1** below.

Figure 7.1: CSACL Original Table on the Demand: Capacity Balance

Table 3.8: Passenger Demand:Capacity Balance in the London Area, 2024 to 2031 (mppa)

	2024	2025	2026	2027	2028	2029	2030	2031
Demand								
UK Total	317.2	322.0	324.6	330.4	335.3	342.1	354.6	357.5
London Area	190.3	193.2	194.8	198.2	201.2	205.3	212.3	213.9
Capacity								
Heathrow	81.4	82.2	83.0	83.8	84.7	85.5	86.4	87.2
Gatwick	47.9	48.6	49.4	50.1	50.6	51.1	51.6	52.2
Stansted	43	43	43	43	43	43	43	43
Luton	18	18	18	18	18	18	18	18
LCY	6.5	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Southend	2	2	2	2	2	2	2	2
Total	198.8	200.3	201.9	203.4	204.8	206.1	207.5	208.9
Balance	8.5	7.1	7.1	5.2	3.6	0.9	-4.8	-5.0

Note: Demand based on Continuation of Current Trends scenario and a regional airport share of demand of 40%.

Source: CSACL analysis of DfT Jet Zero data

Source: CSACL

- 7.4.4 This shows a very different picture in that there would be a shortfall in capacity by 2030 more than the increase sought in the proposed amendments.

¹⁰⁰Department for Transport, Jet Zero: modelling framework, March 2022. (CD3.5.13)

- 7.4.5 Nonetheless, any such approach is, of course, misleading as it takes no account of the level of demand that would actually want to use each airport. It is, therefore, entirely theoretical and does not take into account market realities. Each airport serves its own market and catchment area and they are not entirely interchangeable. It assumes that, if a passenger that would otherwise have chosen to use LCY as their most convenient option for a particular journey, cannot use LCY that there is no penalty to that passenger in terms of increased surface journey time and cost to reach another airport.
- 7.4.6 Although in theory, Heathrow and, to a lesser extent, Gatwick might be able to accommodate additional passenger demand, both airports are at the limit of their current runway capacity. Neither airport is likely to have additional runway capacity operational until at least 2030 in the case of Gatwick or even later in the case of Heathrow. As I have demonstrated in **Section 4**, it is the runway movement constraint at Heathrow that is material to airlines looking to LCY as the next best alternative to serving core city markets with higher levels of business travel.
- 7.4.7 I have addressed in **Section 3**, why policy does not require it to be demonstrated that all other airports are full before consent can be granted for expansion. There are clear competition and consumer benefits in ensuring that there is capacity to meet demand. Policy is clear that a need comprises the specific demand that an airport can attract in a competitive market and the benefits of it doing so. This was set out in the Need Case (CD1.60) accompanying the S73 Application.

Carbon implications

- 7.4.8 A further point that CSACL makes in relation the use of alternative airports is that the passengers would be carried on larger aircraft and so would give rise to lower emissions per passenger for any given trip. The comparison presented in Table 3.9 of the CSACL Review of Needs Case (CD4.5.9) is based on an E190 old generation aircraft not a more modern and fuel-efficient new generation aircraft of the type that would be incentivised to use LCY with the Proposed Amendments. The actual comparison to types currently used at the other airports was presented in our original note on the initial CSACL Review Paper (superseded by CD4.5.9). This is reproduced in **Figure 7.2** overleaf. As can be seen, new generation aircraft, such as the Embraer 195-E2 generate substantially less carbon than the aircraft they would replace.
- 7.4.9 In any event, it has been confirmed by the Department for Transport that the fleet assumptions underpinning Jet Zero¹⁰¹ include allowance for flights by the aircraft types assumed to use LCY. I understand that around 6% of the total UK short haul fleet is expected to be made up of the principal aircraft types expected to operate from LCY in 2031. Hence, even if it were correct that emissions per passenger would be higher from LCY, this has been taken into account in the Jet Zero assessment and the setting of the overall target for carbon emissions from aviation. It is also worth highlighting that the transition to new generation aircraft assumed with the Proposed Amendments is significantly greater than originally assumed as part of the 111,000 annual aircraft movements consented as part of CADP1.

¹⁰¹ Department for Transport, Jet Zero: modelling framework, Figure at paragraph 4.10. (CD3.5.13)

Figure 7.2: Comparison of CO2 Emissions per Passenger on a Flight to Palma



7.4.10 The climate change issues relating to the Proposed Amendments are addressed in Matt Ösund-Ireland's topic paper appended to the Proof of Evidence from Mr Bashforth.

7.5 Efficiency incentives from Saturday afternoons

5.19. The Appellant has made the case that the additional operating hours requested would allow airlines to improve their efficiencies by flying their aircraft for more hours each week, and this is acknowledged by LBN.

5.20. The Appellant has stated that replacement of existing aircraft types with more efficient and cleaner aircraft types will be incentivised by being able to operate more weekly flying hours. LBN considers that as such types also have lower operating costs there are other incentives for airlines to re-equip."

7.5.1 Although LBN appears to accept the logic that there are efficiency gains from allowing airlines to use their aircraft for more of the week at paragraph 5.19 of its Statement of Case (CD10.2), it does not accept that such improvements in the efficiency of airline operations at LCY would have any impact on the pace of re-fleeting.

7.5.2 I have explained in **Section 5** why this is not correct.

7.6 The limitations of LBN’s consideration of the economic benefits of the Proposed Development

5.14 LBN will demonstrate that the economic benefits of the proposal have been considered and weight been given to these benefits as required by Aviation Policy Framework and Airport National Policy Statement. However, that they do not outweigh the negatives identified.

also

7.2 “Policy SP2 relates to healthy neighbourhoods. Part 1. A. iii. Of the policy emphasises:

“The need to improve employment levels and reduce poverty, whilst attending to the environmental impacts of economic development including community/public safety, noise, vibrations and odour and the legacy of contaminated land as per SP8 and SC1;”

7.3. LBN considers this part of the policy to be relevant as it emphasises the overarching strategic objective of the local plan to balance benefits to employment and economy with the environmental stresses (including noise) resulting from development. Additionally, it specifically links into Policy SP8 which formed part of the reason 1.”

- 7.6.1 The socio-economic case for the development was considered in paragraphs 89 to 105 of the Officers Report (CD4.3.1). It is notable that this section of the report makes no reference to the level of employment and GVA that would be created by the Proposed Amendments or the potential beneficial effects that these could have locally. No mention is made of the broader connectivity benefits of aviation and how these connectivity benefits would support broader initiatives in the Borough such as the Royal Docks and Beckton opportunity area nor how they would contribute to levelling up.
- 7.6.2 There is no discussion at all within the report of the substantial support given in aviation policy for the important economic role of air transport, as I have set out in some detail in Section 3 of this Proof.
- 7.6.3 I do not see, therefore, how LBN can demonstrate that its decision properly took into account policy in this regard.
- 7.6.4 The sole discussion on the economic merits of the Proposed Amendments rests on Local Plan requirements in terms of an Employment Strategy and the fact that LCY has not fully met all of its local recruitment targets. As highlighted in the previous section, these were aspirational reasonable endeavours targets, linked to substantial financial support for local recruitment and procurement initiatives, and not absolute minimum commitments. These local recruitment and procurement initiatives would be substantially strengthened with the Proposed Amendments and, in any event, there would be a material impact in terms of an increase in employment opportunities for local residents.
- 7.6.5 The lack of consideration of the importance of local job creation needs to be seen in the context of the Inspectors’ conclusions in relation to the jobs to be created from expansion of London Luton Airport from 18 to 19 mppa:

“Even if this were at the lower end of parties’ estimates this would remain a benefit of the scheme. Considered against the socio-economic background of Luton and in particular its levels of unemployment, and the significant weight the NPPF places on the need to support economic

growth, even a relatively modest increase compared to that likely to be sustained or recovered under the extant permission would carry considerable weight in support of the proposal.”¹⁰²

- 7.6.6 The same considerations would apply in an area such as Newham which has similarly been identified as in need of levelling up. The jobs and GVA to be created by the Proposed Amendments should have been accorded considerable weight but they were not considered at all in the Officer’s Report.

7.7 Conclusions on the weight given to the Need Case in LBN’s decision

- 7.7.1 Although acknowledging the aviation policy context for the development, including the list of relevant policies in the Statement of Common Ground (CD10.2), the Officer’s Report (CD4.3.1) made no mention of the key policy, namely *Beyond the horizon: making best use of existing runways*¹⁰³. Indeed, the only aviation policy expressly referenced in the Officer’s Report is the Aviation Policy Framework and then only in the context of the limitations that airports may place on the use of smaller aircraft so as to maximise passenger throughput¹⁰⁴.
- 7.7.2 There is simply no mention of the broad thrust of Government aviation policy highlighting the benefits of aviation growth and the policy support, including in recent policy statements, for airports to make best use of their existing runways.
- 7.7.3 In particular, LBN considered only a very narrow part of the socio-economic case, namely whether the ‘reasonable endeavours’ targets for local recruitment in Newham were being met.
- 7.7.4 Hence, LBN failed to take into account key elements of the economic case for the Proposed Amendments:
- ➔ the broader contribution to levelling up in Newham through supporting the objectives of the Royal Docks and Beckton Riverside Opportunity Area through enhanced connectivity acting as a catalyst to attracting additional businesses to the area;
 - ➔ the scale of likely job generation, contributing an additional 1,340 jobs and £144 million in GVA in Newham compared to those supported in 2019 from the direct operations at the Airport alone;
 - ➔ the extent of total operational impacts (direct, indirect and induced combined) in the Local Study Area of an additional 1,870 jobs and £205 million in GVA, or across London, an additional 2,180 jobs and £249 million in GVA;
 - ➔ the wider impacts of the Airport through increased business productivity and inbound tourism, £188 million and 900 jobs in the Local Study Area, or £453 million and 2,300 jobs in London; and
 - ➔ the significant weight that Government policy attaches to meeting the needs of consumers, particularly the growing local population in the Borough.

¹⁰² Department for Levelling Up, Housing & Communities, Department for Transport, Decision Letter - Application made by London Luton Airport Operations Ltd (LLAOL) APPLICATION REF: 21/00031/VARCON, 13th October 2023, Inspectors’ Report, paragraph 15.198. (CD8.6)

¹⁰³ Department for Transport, *Beyond the horizon: making best use of existing runways*, June 2018. (CD3.5.3)

¹⁰⁴ London Borough of Newham, Report to the Strategic Development Committee, 10th July 2023, paragraph 70. (CD4.3.1)

- 7.7.5 Ultimately, LBN’s rejection of the Need Case for this development appears to hang solely on the fact that there is adequate capacity at the other London airports to meet demand without growth above 6.5 mppa at LCY. This is fundamentally inconsistent with Government policy and the rationale for supporting all airports making best use of their existing capacity.
- 7.7.6 It is no part of Government policy that need has to be demonstrated solely by reference to the inadequacy of capacity elsewhere. Need is demonstrated by the demand expected to use any airport and the socio-economic and consumer benefits of meeting demand at that location. It can then be tested whether these local benefits outweigh any harms.
- 7.7.7 I consider the doubts now being expressed by LBN’s adviser as to whether LCY would reach 9 mppa even within the timeframe of the Slower Growth Case to be misplaced and that, properly understood, allowing extended operating hours on Saturday afternoons, coupled with the flexibility to add a small number of additional aircraft movements in the first half hour of the operating day will unlock growth and deliver the benefits of accelerated re-fleeting as set out in the Need Case (CD1.60).

8. Response to points made HACAN East

- 8.1.1 In its Statement of Case (CD10.3), HACAN East refers to a number of points relating to the economic value of the Proposed Amendments:

“5.1 The Appeal Proposal is explicitly designed to allow LCA to increase its share of the leisure travel market. HACAN East will lead evidence that this is crucially relevant to the extent of the economic benefits of the Appeal Proposal and that increased leisure travel, especially outbound leisure travel, provides limited regional economic benefits.

5.2 Furthermore, such economic benefits as may arise for the wider community from the Appeal Proposal are far from certain and have been overstated by LCA, which should additionally reduce their weight in the planning balance.

I will address each of these in turn.

- 8.1.2 I understand that HACAN East will be calling evidence from Dr Chapman of the New Economics Foundation (NEF) in support of its contentions and I have also addressed relevant points that may be made drawing on a recent report published by NEF in July 2023, entitled *Losing Altitude: The Economics of Air Transport in Great Britain*¹⁰⁵.

8.2 Leisure Travel

- 8.2.1 Outbound tourism is often presented by objectors to the development of airports in terms of the so-called ‘tourism deficit’, comparing expenditure by inbound visitors to an area with spending of UK citizens overseas. However, this ignores the substantial economic value created in the UK as a result of outbound tourism related activity. This is clear from a proper examination of the ONS UK Tourism Satellite Account data that NEF includes at Figure 2 of its recent report *Losing Altitude*.
- 8.2.2 The final set of columns in this chart purports to show net international travel spending on air passenger transport services and all other tourism-related expenditure. It shows a large deficit for the UK economy. This is, however, profoundly misleading as it appears to be only the sum of the third and fourth sets of columns, UK spending of foreign visitors and Spending of UK residents overseas. It does not include the second set of columns, outbound spending (taking place within the UK). This is spending relating to outbound travel from the UK that takes place in the UK. This is clearly a part of net international travel spend and should be included in that final set of columns to provide a more realistic picture. If it were to be included, the deficit shown in this final column would be much smaller as shown in **Figure 8.1** below.

¹⁰⁵ New Economics Foundation, *Losing Altitude: The Economics of Air Transport in Great Britain*, July 2023. (CD3.5.11)

Figure 8.1: Inbound, Outbound and Domestic Tourism Expenditure in 2019



ONS, UK Tourism Satellite Account

8.2.3 In any event, the issue of outbound tourism is far more complex than a simple measuring of the amount of money coming in and amount going out. In relation to the alleged negative impact of growth in outbound leisure travel from any airport, it is far from clear that, in overall terms, such negative effects would in fact arise as:

- it seems likely that any impact on overall outbound tourism expenditure would be effectively limited as passengers would either simply use a second choice UK airport to fly, at a higher cost or surface access time, or reduce the number of trips taken but increasing the length of those trips;
- in addition, it should also be recognised that outbound trips from the UK also support significant economic activity in the UK, for instance through travel agency operations or through retail expenditure on goods or services relating to overseas trips. This knock-on effect would need to be considered for any assessment of outbound tourism impacts; and
- it is far from certain that any reduction in outbound tourism as a result of airport capacity constraints would result in the capturing of more expenditure in the UK economy. Given the discretionary nature of expenditure on overseas holidays or leisure trips, it is quite possible that individuals would choose to save the money they would have spent or potentially spend it on another import of some sort.

8.2.4 Most importantly overseas leisure travel does, in itself, have important quality of life benefits, which would not be reflected in such an analysis. The availability of leisure travel is a vital factor in making an area an attractive place to live and work, which ultimately will impact on GDP and employment. However, estimating this effect would be highly complex. There is simply no evidence to suggest that overseas travel by UK residents has any negative impact on the UK economy. The ability to travel to experience other cultures, to see friends and relatives, and to take a break is essential to making the UK an attractive place to live and work. This is, ultimately, fundamental to the UK's long-term prosperity.

8.2.5 Ultimately, the projected increase in UK leisure passengers using LCY if the Proposed Amendments are permitted is a reflection of the growing and more affluent population in the vicinity of the Airport who want to fly and want to fly at weekends. Meeting this need is entirely consistent with Government policy that places consumers at the heart of aviation policy. There is, hence, a broader social benefit in enabling these passengers to use a local airport and not to have to travel significantly further to take a valued trip overseas. HACAN East’s position on outbound tourism runs contrary to Government policy. It is, quite simply, not Government policy to prevent UK resident’s leaving the country to improve our balance of payments. Policy recognises that people travel because it has a value to them and that this value flows through to quality of life. I have explained the Government’s position in relation to the importance of outbound tourism in **Section 2** of this Proof. Recent policy statements have continued to confirm that enabling UK citizens to travel abroad remains a key priority for the Government.

8.2.6 The UK Government's position on the matter is clear, this is evident from page 60 of Flightpath to the Future (CD3.5.6):

“Consumers are at the heart of UK aviation and ensuring that the sector continues to deliver effectively for all consumers will be essential for its future success. The pandemic has highlighted more than ever the importance of air travel for connecting people around the world, and supporting families, friendships, and enabling global connections to thrive.”²³

8.2.7 This position has been reconfirmed through more recent statements from the Prime Minister in terms of ensuring that people can go on holiday without an additional burden of a tax on flying.¹⁰⁶

8.2.8 The position was also confirmed in the recent decision in respect of the application by London Luton Airport to grow to 19 mppa where the Secretaries of State said, at paragraph 37, that:

“For the reasons given in IR15.183-15.185, the Secretaries of State agree with the Panel that the proposal would be unlikely to constrain domestic tourism (IR15.183), and that any potential for displacement of passengers or spending does not weigh against the proposal (IR15.185).”¹⁰⁷

8.3 Alleged overstatement of economic benefits

8.3.1 The basis upon which HACAN East states that the economic benefits of the Proposed Amendments have been overstated is not clear from its Statement of Case (CD10.3).

8.3.2 It may be, however, that HACAN East will draw on the NEF report of July 2023¹⁰⁸, which sought to claim that the economic benefits of air transport have been overstated more generally by reference to the fact that employment has not grown as fast as passenger numbers (NEF Figure 4) and that salaries have fallen (NEF Figure 5).

¹⁰⁶ Prime Minister’s Speech on Net Zero, 20th September 2023. (CD3.9.22)

¹⁰⁷ Department for Levelling Up, Housing & Communities, Department for Transport, Decision Letter - Application made by London Luton Airport Operations Ltd (LLAOL) APPLICATION REF: 21/00031/VARCON, 13th October 2023, Decision Letter. (CD8.6)

¹⁰⁸ New Economics Foundation, Losing Altitude: The Economics of Air Transport in Great Britain, July 2023. (CD3.5.11)

- 8.3.3 It is important to highlight that NEF Figure 4 generally provides a picture of an industry that has, ultimately, become more efficient and productive over time. It is difficult to understand why NEF considers this a bad thing. NEF's comments as regards to wages in the sector appear to be heavily skewed by the inclusion of 2022 data in Figure 5. As air transport was disproportionately affected by Covid-19 compared the economy as a whole (it is not unreasonable to suggest it was amongst the worst affected sectors during the pandemic), the fact that wages in 2022 are significantly lower and are dragging down the long run trend is hardly surprising. If data for 2022 was excluded, the trends for the sector mirror the pattern in the economy overall. There is no reason to think that recovery in wage levels will not come as the sector recovers.
- 8.3.4 In LCY's specific case, the Need Case (CD1.60) sets out the reasons why the full benefit of the employment projected at the time of the CADP1 Application has not been realised and is unlikely to be realised in full without the Proposed Amendments as the full CADP1 terminal infrastructure is likely to be significantly delayed at best.¹⁰⁹ This is due to the combined effect of the pandemic on the Airport's finances coupled with the changed profile of demand over the day such that the full infrastructure is no longer required to handle 6.5 mppa.
- 8.3.5 The economic benefits of the Proposed Development are set out in full in Section 6 of the Need Case (CD1.60). In broad terms, the economic assessment carried out shows that the GVA impact of the Airport attaining a throughput of 6.5 mppa is of a similar scale to that assessed at the time of the CADP1 Application but the level of employment supported is now expected to be lower than assessed as part of the CADP1 Application due in part to the impact of the pandemic on working practices and productivity as well as the fact that, in the Do Minimum Case, the full development of the CADP1 passenger terminal infrastructure is expected to be delayed beyond 2031 at the earliest, meaning that jobs connected with the expanded terminal facilities, including additional retail and catering facilities, are delayed until the full infrastructure is developed out. This is a principal reason why the creation of additional employment is unlikely to proceed as envisaged unless consent is granted for the Proposed Amendments.
- 8.3.6 In overall terms, it is not considered reasonable to assert that the benefits of aviation growth have been overstated, either in general or in relation to LCY. The Government is clear that it recognises the economic benefits of aviation both in terms of employment growth and the wider benefits of connectivity. NEF's view of the benefits is partial and selective and does not consider the full implications of growth in supporting specific economies, such as that in Newham and East London.

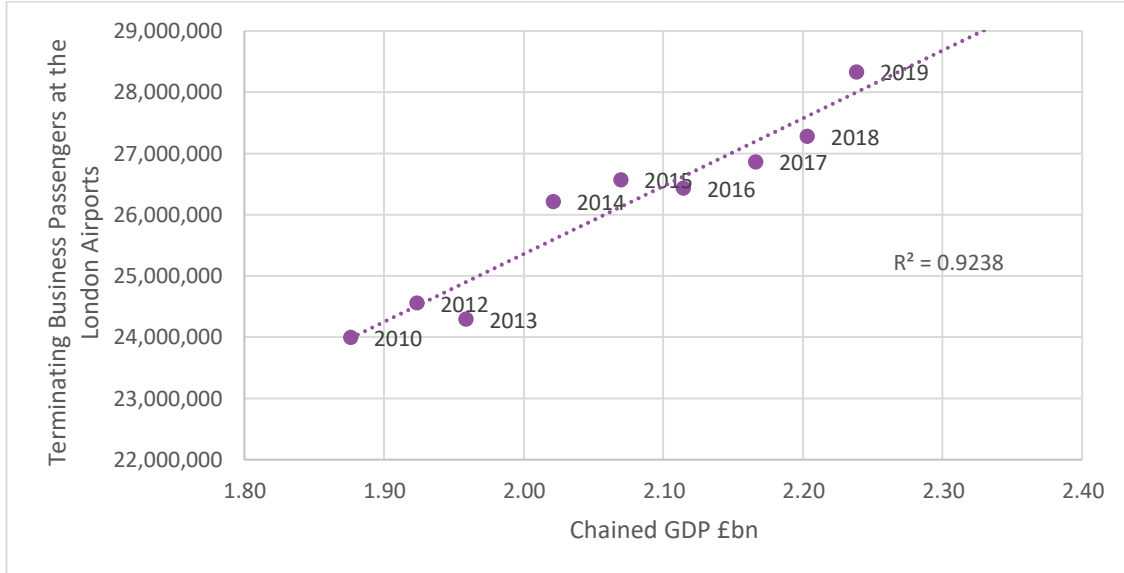
8.4 Business Travel Recovery

- 8.4.1 A further theme of NEF's Report is that there has been no net growth in business air travel since 2006 and this lowers the economic value of air transport. I have addressed its consideration of outbound tourism above.
- 8.4.2 Accepting that there was a step down in the volume of business-related air travel following the Global Financial Crisis in 2008, as shown in Figure 13 of the NEF report, it is evident that following the crisis, rates of business travel did not grow as quickly as they did in the prior years.

¹⁰⁹ The implications of no further construction of the CADP1 works was tested as a 'Do Minimum' sensitivity test within relevant technical chapters of the Environmental Statement.

- 8.4.3 Plotting the terminating passenger growth relative to GDP during the period of recovery from the Global Financial Crisis from 2010 through to 2019 shows a strong correlation between GDP growth and growth in business passenger numbers using the London airports with origins or destinations within the UK. This is shown in **Figure 8.2**.

Figure 8.2: Business passengers terminating their journeys at the London airports relative to real GDP



- 8.4.4 What this relationship shows is that for every 10% increase in GDP, there would be expected to be a 7% increase in business travel. This is broadly consistent with the income elasticity assumptions used in the demand forecasts for the Application as set out in Table D2 of the Need Case (CD1.60).
- 8.4.5 As I have discussed in **Section 4.2**, recovery in business travel is lagging the recovery of leisure travel to and from the UK and there are specific reasons impacting on the rate of recovery at LCY. It is also accepted that there have been some behavioural changes during the pandemic and this may have accelerated the shift to video-conferencing that was embedded in the long run elasticity assumptions in any event. However, it is clear that businesses still value travel and face to face meetings. This is evidenced in a recent survey by WPI Strategy that highlights the views of a number of local businesses.¹¹⁰ There is also evidence of this in the supporting representations to LBN during consideration of the Application from BusinessLDN, London Chamber, Excel, Canary Wharf Group and Newham Chamber.
- 8.4.6 To the extent that there have been changes in behaviour, the principal economic implication of this is that business air trips that are made are even more valuable than they were previously. Hence the importance of ensuring that LCY can efficiently meet that demand by ensuring the conditions that make it attractive for airlines to increase their range and frequency of services. The Proposed Amendments are designed to support that aim by enabling airlines to increase their penetration of local leisure markets at weekends so providing the incentive for them to base more – and more modern aircraft – at the Airport to deliver enhanced services for business passengers during the week.
- 8.4.7 LCY remains the Airport with the highest proportion of business passengers.

¹¹⁰ CD3.5.23

8.5 WebTAG

8.5.1 Based on his appearances at other airport inquiries, including that in relation to London Luton Airport, I expect that Dr Chapman will also contend that the socio-economic assessment of the Proposed Amendments is inadequate and that a full WebTAG appraisal should have been carried out, taking into account the environmental harms.

8.5.2 It is evident from the decision in respect of London Luton Airport¹¹¹ that such an appraisal is not required as confirmed at paragraph 37:

“They further agree, for the reasons given in IR15.188-15.191 that the absence of an appraisal following a web-based transport analysis guidance (WebTAG) or similar methodology does not weigh against the proposal (IR15.190).”

8.5.3 In line with recent practice at airport planning inquiries, a socio-economic cost benefit analysis was presented in Section 6 of the Need Case (CD1.60) and I have summarised the findings in **Section 6** of this Proof.

8.6 Conclusions on HACAN East’s position on socio-economic matters

8.6.1 I have attempted to address the two key points made in HACAN East’s Statement of Case (CD10.3) by reference to the anticipated position of their witness, Dr Chapman of NEF.

8.6.2 In terms of the contention that the benefits of the Proposed Development are overstated, these appear to be by reference to a general view on the merits of air transport growth expressed by NEF but which clearly run contrary to Government policy.

8.6.3 This appears to be informed by a view that increases in outbound leisure travel are detrimental to the economy. This, too, is not Government policy as made clear in recent planning decisions.

¹¹¹ Department for Levelling Up, Housing & Communities, Department for Transport, Decision Letter - Application made by London Luton Airport Operations Ltd (LLAOL) APPLICATION REF: 21/00031/VARCON, 13th October 2023, Decision Letter. (CD8.6)

9. Conclusions

- 9.1.1 I now set out my overall conclusions on the aviation and socio-economic need for the Proposed Amendments.

9.2 Policy

- 9.2.1 As explained in **Section 3**, there is strong policy support for airport growth to meet the needs of consumers, whether for business or leisure travel. The Government is clear that support for airports making best use of their existing runways is not contingent on other airports being full but on individual airports setting out the case for development by reference to the demand that they can attract, the economic benefits of them doing so and having regard to the local environmental impacts.
- 9.2.2 The Proposed Amendments at London City Airport are aimed at enabling it to better meet the local demand for air travel and to deliver economic benefits both locally and across London.
- 9.2.3 Policy is also clear in relation to balancing the economic benefits of development against the environmental costs. For the reasons I have explained, I do not consider that LBN took adequate account of the key principles of Government policy and the strong economic and consumer benefits in making its decision.
- 9.2.4 Policy is also clear in relation to the climate change implications of airport growth. As made clear in the Jet Zero Strategy (CD3.5.7), the Government considers that its climate change targets can be met whilst still allowing airport growth, and the economic benefits that brings, in line with the Making Best Use policy (CD3.5.3). Growth at LCY would be entirely consistent with that policy.

9.3 Demand Forecasts

- 9.3.1 The forecasts for the Proposed Amendments have been prepared using a methodology that has been applied by York Aviation in relation to LCY for over 10 years, with a track record of accurately projecting passenger demand growth at the Airport.
- 9.3.2 Notwithstanding the current slower recovery being experienced by LCY compared to other airports across the London system, I am confident that the range of demand forecasts as presented in the Need Case for the Application (CD1.60), with a core Development Case framed by the Faster and Slower Growth Cases, remain robust for the circumstances where the Proposed Amendments are granted and the Airport is able to operate for a longer period on Saturdays, enabling it to meet more of the local demand in its catchment area, particularly to leisure destinations, and creating the economic incentive for airlines to re-fleet and grow.
- 9.3.3 There are other factors that have led to slower recovery at LCY, including a lag in the recovery of business travel, airlines 'slot sitting' at Heathrow and specific technical issues with some aircraft types and engines that have impacted disproportionately on operations at the Airport.

- 9.3.4 The demand forecasts represent a realistic assessment of the demand to use LCY and the timescale over which the Airport could attain 9 mppa, using its currently consented 111,000 annual aircraft movements, having regard to the Development Case and the Faster and Slower Growth Cases as presenting a reasonable range for when 9 mppa would be reached. However, achieving this throughput and delivering the benefits that derive from it is inextricably linked to the Proposed Amendments.

9.4 The need for extended opening hours and greater flexibility

- 9.4.1 Delivering growth to meet the needs of local passengers requires the conditions to be created for the airlines to both modernise and grow their fleets of aircraft based at LCY. This requires extended operating hours on a Saturday to reduce the current inefficiency in terms of aircraft utilisation of having to park aircraft for 24 hours over a weekend or to position the aircraft away from LCY to operate from other airports without restricted operating hours. Modernisation of aircraft fleets is key to delivering real noise benefits, which would see noise levels of individual aircraft reduce on average compared to current levels, even with growth. Without a change to the operating hours, not only would growth be significantly slower but the modernisation of the fleets would take longer to achieve, so delaying the noise benefits. By incentivising earlier re-fleeting, the Proposed Amendments will drive an improvement in the noise performance of the Airport overall and so allow beneficial growth without corresponding increases in noise.
- 9.4.2 Greater flexibility for operations in the early morning period is also a key element of securing this growth and delivering economic benefits. Allowing for an increase in movements in the first half hour of the operating day is essential to ensure that the airlines can deliver an enhanced range of air services to meet consumer demand. By limiting additional operations in this period to new generation aircraft only, this will provide a further incentive to re-fleeting.
- 9.4.3 The Proposed Amendments will allow the airlines to grow their route network, increasing frequencies of service to existing destinations and services to new destinations. Specifically, longer operating hours on Saturdays would create more opportunities for local residents to use their local airport for leisure as well as business purposes, with a greater range of holiday destinations available at weekends, to places such as the Eastern Mediterranean, including the Greek Islands, or the Canary Islands, which currently cannot be served on Saturdays as the Airport shuts too early for the return flight to operate. Importantly, the changes will also allow better connections to hubs, such as Amsterdam, to provide onward connections to global points facilitated by increased early morning and Saturday afternoon operations. The changes will also support inbound tourism.
- 9.4.4 These key factors and the relationship to the incentivising re-fleeting to modern aircraft is made clear in the letter from BACF attached to this Proof (Appendix 1).
- 9.4.5 The Proposed Amendments are essential to enabling growth at the Airport in line with the underlying demand from passengers to us it. If the Airport remains restricted to its existing operating hours, growth would be significantly slower and the economic benefits locally realised more slowly. Whilst growth might continue over the longer term if the 6.5 mppa cap is lifted, without changes to operating hours and greater flexibility to increase the number of movements in the early morning period, growth is likely to be curtailed and it will be significantly harder to reach 9 mppa.. The Airport might only reach around 8.8 mppa by 2039, with a loss of economic and consumer benefits in the meantime.

9.5 Economic Impact

- 9.5.1 Taking into account both local and national economic priorities, there is strong imperative to secure growth in Newham and the surrounding areas in support of the objective of levelling up areas that have high levels of deprivation and are underperforming economically. This is highlighted in the *Royal Docks and Beckton Riverside Opportunity Area Planning Framework* (CD3.10.1), which identifies the Airport as an “anchor asset”.
- 9.5.2 For the Airport to continue to play this important role in the local economy, it must be allowed to grow and meet the local need for air travel, be that for business or leisure reasons. If growth at the Airport is constrained through retention of the passenger cap and continued strict limitations on its operating hours on Saturdays, it will not be able to support the future economic growth envisaged for the Local Area.
- 9.5.3 As well as meeting the passenger demand to travel, growth to 9 mppa will deliver substantial benefits to the economy of London and the areas around the Airport in particular, as represented by the Local Study Area:
- ➔ Across the Local Study Area, growth to 9 mppa will deliver 1,870 new jobs (1,630 FTE jobs), of which 1,340 total are direct jobs at the airport (1,170 FTE jobs), which will be available to local people supporting the levelling up agenda in Newham and neighbouring boroughs;
 - ➔ Across London, it will deliver 2,180 additional jobs (1,900 FTE jobs) (over 2019), of which 1,340 total are direct jobs at the airport (1,170 FTE jobs);
 - ➔ In the wider economy, the Airport will support 2,050 jobs (1,740 FTE jobs) through supporting the business travel needs of a wide range of sectors and 4,900 jobs (3,890 FTE jobs) through bringing inbound tourists to the city. This is a total of 2,300 jobs (1,860 FTE jobs) in the London economy over and above those supported by direct, indirect and induced impacts;
 - ➔ Provide a boost to business productivity, supporting the growth of and investment in key sectors in the local economy equivalent to £526 million a year by 2031 (£227 million more than in 2019);
 - ➔ Support tourist expenditure in London of £558 million a year by 2031, (£227 million more than 2019);
 - ➔ Provide a net positive impact on socio-economic welfare of £371 million over the next 60 years;
 - ➔ Support the Levelling Up and economic recovery agendas; and
 - ➔ Provide a boost to the Local Study Area economy of £220 million in GVA and 1,940 person years of employment as a result of the construction programme between 2025 and 2031.

These benefits will not be delivered without the greater operational flexibility provided by the proposed amendments and if the airport is constrained to only handling 6.5 mppa.

- 9.5.4 Enabling these benefits is particularly important in the context of the need for growth and regeneration in East London, in particular to support levelling up initiatives in Newham and neighbouring boroughs. Furthermore, allowing LCY to grow would support broader initiatives to grow the UK economy and that of London in particular, in support of ‘Build Back Better’.

- 9.5.5 As I have demonstrated in this Proof, the additional jobs and GVA that would be generated, either through the operational footprint of the Airport or through its wider economic and connectivity effects, would be substantial and make a material contribution to the levelling up of the area. These benefits are reinforced by the financial commitment made by the Airport to supporting local recruitment and initiatives to support local procurement. I consider this material economic contribution applies whether or not the Airport has precisely met its local recruitment targets or not. I note that LBN does not dispute the level of economic benefits that would be generated by the Proposed Amendments but appear to place more weight on whether the ‘reasonable endeavours’ local recruitment targets had been met in individual years than on the level of potential economic benefits to Newham overall, including the potential to create a substantial number of new jobs.

9.6 LBN’s Decision in relation to Need

- 9.6.1 Although acknowledging the aviation policy context for the development, including the list of relevant policies in the Statement of Common Ground (CD11.2), the Officer’s Report (CD4.3.1) made no mention of the key policy, namely *Beyond the horizon: making best use of existing runways*¹¹². Indeed, the only aviation policy expressly referenced in the Officer’s Report is the Aviation Policy Framework and then only in the context of the limitations that airports may place on the use of smaller aircraft so as to maximise passenger throughput¹¹³.
- 9.6.2 There is simply no mention of the broad thrust of Government aviation policy highlighting the benefits of aviation growth and the policy support, including in recent policy statements, for airports to make best use of their existing runways.
- 9.6.3 In particular, LBN considered only a very narrow part of the socio-economic case, namely whether the ‘reasonable endeavours’ targets for local recruitment in Newham were being met.
- 9.6.4 Hence, LBN failed to take into account key elements of the economic argument for the Proposed Amendments:
- the broader contribution to levelling up in Newham through supporting the objectives of the Royal Docks and Beckton Riverside Opportunity Area through enhanced connectivity acting as a catalyst to attracting additional businesses to the area;
 - the scale of likely job generation, contributing an additional 1,340 jobs and £144 million in GVA in Newham compared to those supported in 2019 from the direct operations at the Airport alone; and
 - the significant weight that Government policy attaches to meeting the needs of consumers, particularly the growing local population in the Borough.
- 9.6.5 Ultimately, LBN’s rejection of the Need Case for this development appears to hang solely on the fact that there is adequate capacity at the other London airports to meet demand without growth above 6.5 mppa at LCY. This is fundamentally inconsistent with Government policy and the rationale for supporting all airports making best use of their existing capacity.

¹¹² Department for Transport, *Beyond the horizon: making best use of existing runways*, June 2018. (CD3.5.3)

¹¹³ London Borough of Newham, Report to the Strategic Development Committee, 10th July 2023, paragraph 70. (CD4.3.1)

- 9.6.6 It is no part of Government policy that need has to be demonstrated solely by reference to the inadequacy of capacity elsewhere. Need is demonstrated by the demand expected to use any airport and the socio-economic and consumer benefits of meeting demand at that location. It can then be tested whether these local benefits outweigh any harms.
- 9.6.7 I consider the doubts more recently expressed, in the context of the Statement of Common Ground, by CSACL as to whether LCY would reach 9 mppa even within the timeframe of the Slower Growth Case to be misplaced and that, properly understood, allowing extended operating hours on Saturday afternoons, coupled with the flexibility to add a small number of additional aircraft movements in the first half hour of the operating day will unlock growth and deliver the benefits of accelerated re-fleeting as set out in the Need Case (CD1.60).

9.7 HACAN East

- 9.7.1 The HACAN East Statement of Case (CD10.3) is not entirely clear on the points that it seeks to raise. I have attempted to address the two key points made by reference to the anticipated position of their witness, Dr Chapman of NEF drawing on his recently published positions on aviation growth more generally.
- 9.7.2 In terms of the contention that the benefits of the Proposed Development are overstated, these appear to be by reference to a general view on the merits of air transport growth expressed by NEF but which clearly run contrary to Government policy.
- 9.7.3 This position appears to be informed by a view that increases in outbound leisure travel are detrimental to the economy. This, too, is not Government policy as made clear in recent planning decisions.

9.8 Overall Conclusion

- 9.8.1 In summary, I consider the demand forecasts underpinning the Proposed Amendments to be robust.
- 9.8.2 Growth in line with these forecasts is entirely consistent with the Government's aviation policies that support airport growth in view of the strong economic benefits that it delivers.
- 9.8.3 There are substantial economic and consumer benefits arising from the proposed growth at LCY that would make a material contribution to Levelling Up in Newham and support broader growth across London as a whole, but this does not appear to have been taken into by LBN in its decision making.
- 9.8.4 However, these benefits, and the beneficial effects of reduced noise from earlier re-fleeting to more modern aircraft by the airlines using the Airport, will only be realised with a change to the operating hours on Saturday afternoons and increased flexibility for more aircraft movements in the first half hour of the morning to provide the airlines with the incentive to both re-fleet and grow.