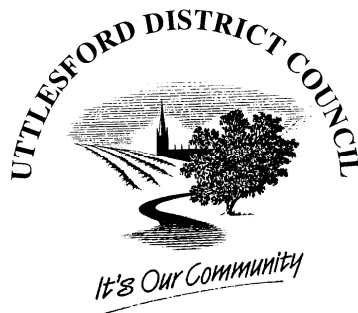


AIRPORTS COMMISSION
DISCUSSION PAPER 01:
AVIATION DEMAND FORECASTING

RESPONSE BY UTTLESFORD DISTRICT COUNCIL

MARCH 2013



INTRODUCTION

1. This is Uttlesford District Council's response to the Aviation Commission's Discussion Paper 01: Aviation Demand Forecasting. The District Council is the local planning authority for Stansted Airport. The Commission will be aware that the airport has planning permission to expand to 35 million passengers per annum (mppa). Current throughput is about 17.4mppa, having declined from just under 24mppa in 2008. Stansted has just been sold to the Manchester Airports Group (MAG), which has given an initial indication of wanting to grow the airport back to about 24mppa within a decade.
2. Expansion of Stansted Airport has been a key issue of local concern for many years. Most recently, a suite of planning applications for the construction of a second runway and associated infrastructure (known as Generation 2) was submitted in 2008 to enable 68mppa to be reached by 2030. These applications were withdrawn in 2010 following the new Coalition Government indicating that it did not support the then current aviation policy set out in the 2003 Air Transport White Paper.
3. In preparing this response, the Council has borne in mind the questions set out in paragraphs 6.4 and 6.5 of the Conclusions section of the discussion paper. As some of the questions appear to be linked, the Council's response uses subject headings to try to avoid any repetition.

THE COUNCIL'S RESPONSE

4. *Whether the DfT forecasts indicate that additional capacity is required*

Much depends upon where UK airport growth occurs between now and 2050, and the level of that growth. For instance, Table 3.10 of the 2013 forecasts indicates that there will be a total of 473mppa of terminal capacity in the UK airport system in 2030 (assuming maximum use). For 2030, the DfT's unconstrained central terminal passenger forecast for 2030 is 320mppa which implies plenty of spare capacity, but only 196mppa of that capacity can be accommodated at the London airports.

5. In the 2013 forecasts, Stansted Airport is shown to reach its 35mppa capacity by 2030 and to remain at that level in 2050. From 1991 (when the new terminal opened) until 2008, the growth rate at Stansted Airport averaged about 1.4mppa per year. MAG's initial intention to grow the airport back to 24mppa within a decade represents a growth rate about half that experienced from 1991-2008, i.e. about 0.7mppa per year. This does appear realistic given the current state of the economy, and if projected further forward would result in 35mppa being reached about 2038.

6. In 2050, Table 3.10 indicates that total UK terminal capacity increases by 19mppa to 492mppa, but the unconstrained central forecast jumps to 480mppa but with no increase in capacity at all at the London airports after 2030, just regional growth. If the unconstrained high forecast is used, the UK runs out of capacity round about 2042 and is significantly underprovided by 2050 (660mppa). If the unconstrained low forecast is used (350mppa in 2050), the UK has sufficient overall capacity in 2050, again assuming all regional growth after 2030.
7. If you argue that it is appropriate for regional airports to accommodate all increases in UK demand after 2030, there is just about sufficient capacity in the UK system for 2050 using the central unconstrained forecast. If you argue for either a higher unconstrained forecast level or for some or all growth beyond 2030 to be accommodated at the London airports (or indeed both) then there is insufficient capacity in the UK system in 2050 according to the 2013 forecasts.
8. The 2013 DfT forecasts are more conservative than the 2011 ones, but still show significant divergence between the low and high unconstrained forecasts to take uncertainty into account. There are, of course, an infinite range of scenarios based on estimations of growth within the low - high unconstrained forecast range and passenger capacity assumptions at individual airports. Some of these scenarios will require additional capacity to be provided, others will not. Whilst the DfT's 2013 forecasts model scenarios for levels of passenger and airport growth, this does not mean that what results is extra hub capacity.
9. A scenario in which forecast demand equals total capacity does not mean, of course, that all the capacity will be utilised. Capacity will only be used if it is available at times and in places that enable airlines to respond to market potential.
10. *The impact of capacity constraints on the frequency and number of destinations served by the UK*

At the London airports, it is likely that capacity constraints post-2030 would result in a bias towards higher value business destinations at the expense of lower value and leisure ones. Conversely, it is logical to assume that the number of destinations served by regional airports would increase if post-2030 growth occurs there. The Council agrees with the Commission when it says (in paragraph 4.1) that examining the specific routes lost and gained in more detail would enable a fuller assessment to be made of the impact of capacity constraint on UK connectivity. This would be useful not only in assessing the ability of an airport to act as a hub, but also as a catalyst for regional growth.

11. *The behaviour of international transfer passengers*

The discussion paper sets out what the Commission views as

limitations of the DfT's current modelling approach - namely that it does not fully capture the international transfer market. If the Commission is to advise the Government on how the UK's hub status is to be retained and enhanced, it is a prerequisite that the behaviour of international transfer passengers is modelled as accurately as possible. This is because there is competition between UK and overseas airports for the transfer market.

12. The discussion paper points out that the DfT model includes international transfer passengers who connect via a UK hub, but does not fully model their ability to choose between competing hubs. International transfer passengers who connect via an overseas hub are not modelled. These passengers are an obvious untapped market, particularly if there is to be an expansion in the UK's hub capacity, and need to be modelled. To fully assess hub capacity issues, the Council feels that the Commission needs more information on the following (in no particular order of importance):

a) if a "Heathwick" scenario is provided to increase the UK's hub capacity, would international transfer passengers actually seek to transfer elsewhere because of probable high connection times between the two airports,

b) if a regional hub or hubs are provided to increase the UK's hub capacity, would international transfer passengers who currently use Heathrow, or who would be unable to use Heathrow in the future because of capacity constraints, use those airports, or would they instead transfer overseas,

c) if extra hub capacity is provided somewhere in the UK, would international transfer passengers who currently hub overseas be persuaded to transfer in the UK instead, and

d) would any second UK hub competing with Heathrow so dilute the economies of scale of a single-airport hub such that the UK's transfer market itself would be put at risk.

13. Accuracy of the DfT modelling approach and dealing with uncertainty

Figure 3.6 in the discussion paper shows how the DfT forecasts up to 2007 failed to predict the downturn in growth, and even the 2009 forecasts assumed steady growth resuming after a "blip". This is not meant to be a criticism of the DfT model, as it is unlikely that any model, however sophisticated, would have detected such a sudden economic shock. Figure 2.1 does demonstrate a strong link between GDP and passenger throughput from 1960 to 2012, and the implication from Figure 3.7 is that had more conservative assumptions been made in the 2009 forecasts about GDP and the price of oil, the forecast throughput would have been nearer the outturn.

14. The Commission asks whether the use of probability analysis (as opposed to sensitivity analysis or scenario testing) would help to test the robustness of the DfT model's outputs. It seems that it would, and in the context of looking at what factors will affect the need for hub capacity in the future (especially in the longer term) it should give more confidence to policy makers that the model is fit for purpose.
15. It is for the Commission to decide how best to present its hub capacity recommendations to the Government. Whilst short and medium term measures may be easier to define with confidence, the difficulty will come with longer term measures where lead-in times may be significant and where there is significant reliance on the robustness of the modelling.
16. The Government will shortly publish its Aviation Policy Framework, which will no doubt guide the Commission's work. No-one really knows whether in the near to mid future there will be another major economic shock, and there are still reverberations and uncertainties following on from the recent one. GDP growth is limp, fuel prices are rising and living standards are being squeezed. It may be that the Commission will need to present its longer term recommendations in two or three scenarios making assumptions about how the business and leisure aviation markets will respond under a range of conditions.

Conclusions

17. The Council considers that the DfT's 2013 forecasts are a good starting point for the Commission, but the Commission will probably need to do more work to fully understand the behaviour of transfer passengers. Also, the divergence between the low and high unconstrained forecasts is significant such that the Commission may need to present its results using a number of growth scenarios.
18. Stansted Airport has sufficient approved, unused capacity through to 2030 and beyond.