

TRANSFORMING LONDON STANSTED AIRPORT

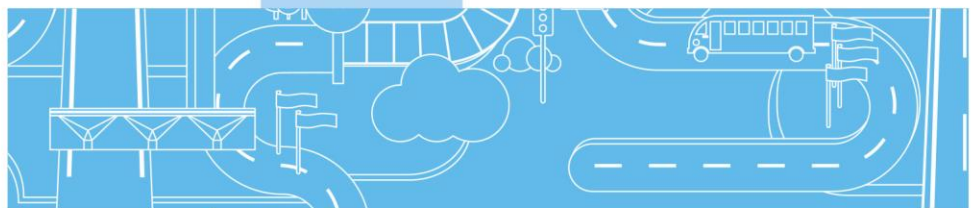
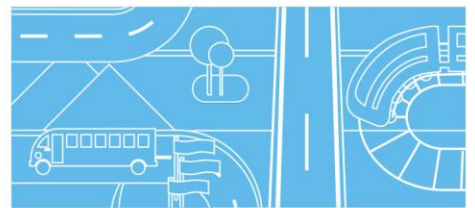
35+ PLANNING APPEAL

Economic Benefits

Louise Congdon

Proof of Evidence

December 2020



Contents

	Page
1. Introduction	1
2. Why Aviation Connectivity Matters	5
3. Future Strategy for the Region and Key Initiatives	10
4. The 'Demand' for Air Connectivity Now	23
5. Stansted's Role in Supporting Wider Economic Impacts in 2019	38
6. The Nature of Future Growth at Stansted and its Wider Economic Implications	49
7. The Economic Imperative Created by COVID-19	57
8. Conclusions	58

York Aviation is the trading name of York Aviation LLP, registered in Cardiff, No. 0C307526. Registered Office: Smithfield House, 92 North Street, Leeds, LS2 7PN

Disclaimer of Liability

Although every effort has been made to ensure the accuracy of the material and the integrity of the analysis presented herein, York Aviation LLP accepts no liability for any actions taken on the basis of its contents.

York Aviation LLP is neither authorised nor regulated by the Financial Conduct Authority or the Prudential Regulation Authority. Anyone considering a specific investment should consult their own broker or other investment adviser. York Aviation LLP accepts no liability for any specific investment decision, which must be at the investor's own risk.

Copyright

Copyright © 2020 York Aviation LLP. All rights reserved. Except for the quotation of short passages for the purposes of criticism or review, no part may be used or reproduced without permission.

1. Introduction

- 1.1 I have worked in the UK aviation sector for over 40 years. During that time, I have been employed directly by the Civil Aviation Authority, West Midlands County Council (Birmingham Airport), Manchester Airport and Manchester Airport Group. I hold a Degree in Geography from the University of Sheffield and a Masters Degree in Transport Design from the University of Liverpool.
- 1.2 In 2002, I formed York Aviation in conjunction with York Consulting, a general economic development consultancy, initially as Managing Director and then as Managing Partner (on conversion to a limited liability partnership). With Manchester Airport, between 1980 and 2002, I fulfilled roles, inter alia, of Head of Planning and General Manager Strategy, which included giving evidence on Need at the Inquiry into Manchester Airport's Second Runway. Evidence on the Economic Benefits of the development was provided by Nigel Mason, then of York Consulting and subsequently Partner in York Aviation.
- 1.3 I have since appeared at public inquiries into developments at several airports, including Liverpool Airport, Doncaster Sheffield Airport, Lydd Airport, Farnborough Airport, Dublin Airport, Belfast City Airport, London City Airport and the Examination of the Manston Airport DCO providing evidence on need and socio-economic matters.
- 1.4 I first became involved with planning matters at Stansted, supporting the North of England Regional Consortium, during the planning inquiry into the development of a new passenger terminal in 1981-1983. I subsequently gave evidence on Need and Capacity at the Stansted G1 Inquiry representing the Stansted Airlines Consultative Committee. Along with colleagues from York Aviation, I worked on the preparation of updated demand forecasts for the Airport in 2012 as an input to the Civil Aviation Authority's economic regulation process and advised one of the bidders for Stansted prior to its acquisition by MAG in 2013.
- 1.5 York Aviation undertakes a substantial amount of work in connection with the economic importance of aviation and airports, in particular, and has provided advice to Manchester Airports Group in this regard over many years. Other clients in relation to the economic impact of airports include London City Airport, London Luton Airport, Leeds Bradford Airport, Bristol Airport and many others. This includes ongoing involvement in the planning appeal in relation to Bristol Airport, the current planning application for a new terminal at Leeds Bradford Airport and the prospective DCO Application for London Luton Airport. We have recently been assisting the Department for Transport in assessing the Local Economic Impact of Airports across the UK.
- 1.6 I have been supported in preparing this Proof of Evidence by other members of the York Aviation team, in particular James Brass, Richard Kaberry, Matt Jones and Karan Mudaliar.

Involvement in the Planning Application and the Appeal

- 1.7 York Aviation was appointed in October 2020 to provide additional evidence in relation to the wider economic benefits arising from proposed lifting of the cap on the annual number of passengers permitted to use Stansted Airport from 35 million passengers a year (mppa) to 43 mppa. We had no earlier involvement in the planning application process or the supporting ES.
- 1.8 My evidence complements that of Mr Hawkins and Mr Andrew of MAG, and that of Ms McDowall of Optimal Economics in setting out the wider economic implications of permitting the increase in the passenger cap at Stansted.

- 1.9 In general terms, the wider economic importance of aviation and of Stansted specifically is set out in the Planning Statement¹ and in the Proofs of Evidence of Mr Hawkins and Mr Andrew. Mr Hawkins, in particular, elaborates on Government policy in this area to provide a context for the ‘Making Best Use’ (MBU) policy². In essence, Government policy supports airports making best use of existing runway capacity as part of the strategy for securing Britain’s global economic position in a post-Brexit environment. In Section 2 of this Proof, I will expand on why aviation connectivity matters to the economy as a whole before turning to the specific contribution that Stansted makes within the context of the economy of the East of England and North East London specifically.
- 1.10 The socio-economic impacts of the lifting of the planning cap on activity at Stansted from 35 to 43 mppa are set out in Chapter 11 of both the Environmental Statement (ES)³ and ES Addendum (ESA)⁴ and outlined in evidence from Ms McDowell. This focusses principally on the direct, indirect and induced impacts arising from growth of activity at Stansted in terms of employment and GVA but also sets out a commentary on the ways in which the Airport plays a wider role in supporting economic activity across the catchment area, including user benefits, impacts on productivity, tourism and trade, within the context of the economic conditions within the catchment area. This Proof elaborates on how these benefits are realised by examining the economic drivers in more detail and providing case study examples of how the operation of Stansted enables other economically beneficial activity to thrive and the contribution that growth to 43 mppa will have in enabling wider economic development objectives to be achieved.

Position of Key Stakeholders

- 1.11 At the outset, I note that Uttlesford District Council (UDC) did not contest any of the wider economic benefits in their Reports to Planning Committee either in November 2018⁵ or January 2020⁶. Their Statement of Case acknowledges that *“The Application proposals were recognised to be a very important development for UDC, reflecting amongst other considerations, the economic importance of the Airport to the District”*⁷. Hence, there was no assertion by UDC of an absence of economic benefits within the Reasons for Refusal of the Application in January 2020, but it was implicit in their decision that they did not consider that the benefits set out were sufficient to outweigh the claimed environmental harm. It is not part of my evidence to consider this planning balance, upon which I defer to the evidence of Mr. Andrew, but this Proof seeks to provide further supporting evidence to elaborate on the wider economic importance of air connectivity to the area surrounding the Airport, building on the case presented in the 2018 Planning Statement (paras. 2.32-2.33 and 2.45-2.54) and in Chapter 11 of the ES and ESA. I also draw on supportive representations from several economic stakeholders as set out in **Appendix 1** and referred to later in this Proof.

¹ Planning Statement (CD2.3).

² Department for Transport, Beyond the Horizon, Making best use of existing runways (CD14.2).

³ Environmental Statement (CD3.11).

⁴ Environmental Statement Addendum (CD7.11).

⁵ UDC Report to Planning Committee, November 2018 (CD13.1b).

⁶ UDC Report to Planning Committee, January 2020 (CD13.4b).

⁷ UDC Statement of Case, para. 5.2 (SOC2).

- 1.12 The economic importance of the proposed expansion stems not just from the employment generated locally through the operation of the Airport, as set out in the ES and ESA, but the value of connectivity provided in facilitating and stimulating economic activity more broadly in Uttlesford and the wider regional area, which I address in this Proof by providing more specific evidence on the role played by Stansted within the regional and sub-regional economy and the contribution that its expansion to 43 mppa will make.
- 1.13 The scope of my evidence is largely to address the case made by Stop Stansted Expansion (SSE), which has consistently refuted the scale of economic benefits expected to arise from the development. SSE's Statement of Case appears to accept that there may be some wider benefits from airport growth⁸, as well as the employment impacts as described in the ES and ESA, but goes on to state that: *"For an application of this type to be approved, the applicant needs to demonstrate that the benefits outweigh the harms. In this regard, few benefits have been evidenced"*⁹. This is notwithstanding that the scope of the ES was expressly agreed with UDC, as Ms McDowall explains. This reiterates their earlier criticism, in their submission to UDC of 30th April 2018¹⁰ that the application lacked *"any proper assessment of the impact on the UK economy"*. In this Proof of Evidence, I set out to address these wider impacts, given SSE's apparent intention to focus on the socio-economic impacts at the Inquiry, and how and where they will manifest themselves with expansion to 43 mppa within the context of the economy in the broader region around Stansted. This assessment draw on York Aviation's experience of assessing these wider impacts at other airports. These benefits, set alongside the employment benefits, should in aggregate be considered against the environmental impacts to obtain a planning balance, as Mr Andrew does within his evidence.
- 1.14 SSE also contends that the expansion of Stansted to 43 mppa would give rise to an increase in the tourism deficit, a topic that I also address within this Proof of Evidence echoing the points made by Ms McDowall.

Scope of Evidence

1.15 In the following sections of this Proof, I set out:

- Why Aviation Connectivity Matters
- The Future Strategy for the Region and Key Initiatives
- The 'Demand' for International Connectivity Now
- Stansted's Role in Supporting Wider Economic Impacts in 2019
- The Nature of Future Growth at Stansted and its Wider Economic Implications
- The Economic Imperative Created by COVID-19

⁸ SSE Statement of Case, para. 8.5 (SOC3).

⁹ SSE Statement of Case, para. 8.8.

¹⁰ UDC Extraordinary Planning Committee Meeting Public Document Pack for 17 & 24 January 2020 (CD13.4b), page 375.

1.16 Finally, I draw conclusions on the wider role that Stansted plays in the economy within the East of England and North East London, in particular demonstrating the economic importance of the Airport being allowed to increase the number of passengers that it can handle to 43 mppa so making best use of its existing runway in line with Government policy and the risks that constraining Stansted to 35 mppa would give rise to in terms of the ability of Stansted to continue to underpin growth in the wider economy in the East of England.

2. Why Aviation Connectivity Matters

- 2.1 As set out in detail in the Proof of Evidence from Mr Hawkins, Government Aviation Policy has long been based on ensuring that aviation delivers growth in support of the wider economy. As noted at para. 5.18 of his Proof, the 2013 Aviation Policy Framework (APF)¹¹ makes clear at the outset (para. 5) that the Government's primary objective is securing economic growth, within a framework that balances benefits and environmental costs:

"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."

- 2.2 The APF (para. 9) goes on to make clear that a key objective of Government is to ensure that the UK has good air connectivity to support economic growth.

"One of our main objectives is to ensure that the UK's air links continue to make it one of the best connected countries in the world."

- 2.3 Whilst the APF emphasises connectivity to new emerging markets at a national level, the need for good air connectivity to support economic growth applies equally at the regional and sub-regional level. Bluntly, a region or sub-region that does not have easy convenient access to air services will be at a disadvantage in attracting inward investment, tourism and in maintaining and enhancing the productivity of existing businesses if users have to travel some distance outside of the area to access the air services that they need. Connectivity is not a static concept and needs to grow and evolve as economies grow.

- 2.4 The theme of the importance of air connectivity, particularly following Brexit, has been repeated in more recent Government statements and consultations on aviation. I do not repeat all of these as they are addressed in the evidence from Mr Hawkins, but it is significant that the Government has continued to stress the economic value of air connectivity through the pandemic and notwithstanding the outcome of the judicial review on the designation of the Airports National Policy Statement. In February 2020¹², the Secretary of State made clear:

"Our airports are national assets and their expansion is a core part of boosting our global connectivity. This in turn will drive economic growth for all parts of this country, connecting our nations and regions to international markets, levelling up our economy and supporting a truly global Britain."

"We want Britain to be the best place in the world to do business and as a government we are committed to investing in transport and wider infrastructure as part of levelling up economic opportunities across the country,...

We fully recognise the importance of the aviation sector for the whole of the UK economy. The UK's airports support connections to over 370 overseas destinations in more than 100 countries facilitating trade, investment and tourism. It facilitates £95.2 billion of UK's non-EU trade exports; contributes at least £14 billion directly to GDP; supports over half a million jobs and underpins the competitiveness and global reach of our national and our regional economies. Under our wider "making best use" policy, airports across the UK are already coming forward with ambitious proposals to invest in their infrastructure."

¹¹ Department for Transport, Aviation Policy Framework, 2013, (CD14.1).

¹² <https://www.gov.uk/government/speeches/aviation-update-27-february-2020> (CD20.53).

- 2.5 This demonstrates a clear linkage in the Government’s mind between the MBU policy and delivering improved economic performance, including at a regional level as well as the national level.
- 2.6 As recently as 19th October 2020, the Secretary of State¹³ reiterated the vital economic importance of ensuring the recovery of the aviation sector from the effects of the COVID-19 pandemic, making clear that *“Our economy most certainly depends on it”*.

How Air Connectivity Delivers Economic Performance

- 2.7 The ways in which air connectivity impacts on economic performance are summarised below. While this effect is multifaceted, I focus on explaining this link in terms of a number of channels:
- Foreign Direct Investment;
 - Trade;
 - Labour Market Effects;
 - Agglomeration;
 - Tourism.
- 2.8 At the outset, it is important to note that the UK is a highly global economy, as I will expand on in the next section of my evidence. Hence, air connectivity is more important to all parts of the UK than is necessarily the case in other countries of the world. The importance of air connectivity to the area around Stansted must be seen in this context as global connectivity is a vital component of the current and future economic performance. Connectivity must also be considered as a dynamic element in underpinning growth, i.e. the level of connectivity available to businesses in a region has to keep pace with that available to competitor regions. This is important in the context of the need for Stansted to be able to grow its connectivity by expanding to 43 mppa to ensure that the East of England maintains its competitive position and continues to be attractive to businesses, investors and tourists alike.
- 2.9 I now summarise the channels through which air connectivity delivers benefit to the wider economy in the region around any airport. Further details of the research on which this is based are provided in **Appendix 2**.

Foreign Direct Investment

- 2.10 Research has established the existence of a linkage between air transport and the attraction or retention of inward FDI. Whether the investment is inward or outward, strong connectivity is needed between the head office and the branch locations to ensure that operations are efficiently managed.
- 2.11 Hence, in considering the area around Stansted, the availability of a strong and growing network of air connections is an important factor in both attracting inward investment and enabling local firms to exploit investment opportunities overseas. In this way, the benefits of improved connectivity made possible by lifting the 35 mppa passenger cap ultimately flow through to the attractiveness of the area around the Airport for business investment more generally and the ability of local businesses to grow and invest within and beyond the local area.

¹³ <https://www.gov.uk/government/speeches/beyond-the-crisis-speech-to-the-aviation-industry> (CD20.53).

Trade

- 2.12 The importance of air travel and air connectivity in increasing levels of trade is again well established. In relation to trade in goods, air cargo is a quick and efficient means of transporting goods around the world, which makes economic sense in relation to the transport of some goods, primarily those that are high-value, low weight or time critical.
- 2.13 Passenger connectivity is also important in terms of trade. In relation to the trade in goods, companies need staff to travel to meet potential customers, to secure deals and to provide after sales care. This relates to both exports and imports. Trade in services is also heavily reliant on air passenger connectivity. Air connectivity is exceptionally effective at reducing the perceived distance between markets.
- 2.14 Hence, air service connectivity is important in facilitating trade in both goods and services. Whilst this is bi-directional, encouraging imports as well as exports, ultimately enabling bi-directional international trade facilitates economic growth through enabling countries to develop comparative advantage. As a consequence, better connected regions will be further up the productivity curve and better able to avail themselves of trading opportunities than parts of the UK that are less well connected. Enabling Stansted to keep pace with connectivity developments throughout the rest of the UK and, indeed, Europe, by allowing future growth in line with the MBU policy, is important to ensure that companies in the East of England can trade effectively in future and remain competitive.

Labour Market Effects

- 2.15 An area that is increasingly being identified as one of the channels of impact through which air connectivity operates is its effect on the labour market through its ability to influence individuals' decisions around where and how much labour to supply. This effect can, in broad terms, be divided in to two parts:
- air connectivity is important for the UK in being able to attract talented individuals to live and work in the country on a permanent basis as air connectivity is needed to support the quality of life of this group. As the UK moves outside of the EU, with a greater emphasis on attracting highly skilled individuals from across the globe, the requirement for global connectivity will need to adapt, placing a greater emphasis on Stansted's ability to support new global air connections – a theme that I return to later in this Proof.
 - Air connectivity is also essential in supporting the life style choice of an increasing number of high value added individuals who use air services to commute for short periods or even weekly while living overseas. These individuals often provide specialist or high value services that are part of what enables the UK's competitive advantage.
- 2.16 These factors are important in ensuring that the area around Stansted is able to attract and retain the skilled workers require to support broader economic development initiatives, including in particular the Innovation Corridor that I discuss in the next section of this Proof.

Agglomeration

- 2.17 Agglomeration effects are productivity benefits that can be achieved by firms located close to each other, perhaps through knowledge spillovers between firms, improved access to suppliers or to larger labour markets. They relate to the concentration of economic activity in an area. In other words, the more firms located within an area the greater the likely agglomeration effects. In the context of air connectivity, there are two potential agglomeration impacts:

- as a direct impact from the way in which air services can increase effective density across large areas by reducing travel times and increasing the ease with which agglomeration effects may occur across national borders. This is essentially the boost in productivity within firms as air services make the world smaller, facilitating innovation and cooperation and widening markets for both goods and labour;
- as an indirect impact relating to the potential impact of air services in terms of influencing FDI decisions, which in turn result in clustering of firms in locations around major airports, again resulting in an increase in effective density and greater agglomeration.

2.18 These agglomeration effects through clustering can be significant and, as I go onto discuss in the next section of this Proof, underpin the principles of the London-Stansted-Cambridge Innovation Corridor and its reliance on the ability to leverage connectivity to enhance the strength of the cluster.

Tourism

2.19 Air services make the UK easier and faster to get to for potential visitors travelling either for business or leisure purposes. Hence, the availability of air services influences the decisions that visitors make. The importance of air services for attracting inbound tourism holds true at a regional and sub-regional level as if a region is not easy to reach directly, visitors from overseas are far less likely to visit, focussing instead on the well known visitor attractions in London or Scotland. If a city or sub-region or region is not easily accessible, by air or by another mode, then it is either unlikely ever to reach consideration in the first instance or, ultimately, to be chosen as a preferred option for a visit.

2.20 I concur with the position set out in the ES at para 11.145 with regards to the potential offsetting effect of outbound tourism. I do not believe that outbound tourism is a material consideration in this regard. In addition to the factors set out in the ES, I would also highlight a number of further points on this topic:

- the UK Government's policy position in relation to outbound tourism as set out in the Aviation Policy Framework¹⁴ as referred to in the evidence of Ms McDowall (paras 4.3.13-4.3.18):

"Some respondents considered that there was a 'tourism deficit', as more UK residents travelled abroad than overseas residents travelled to the UK. Other respondents highlighted that outbound tourism supports UK-based jobs in the travel and airline industry and boosts high street consumer demand before trips are made. The latter has been valued at around £27 billion per year. Responses confirmed that the 'tourism deficit' question is a complex one and that the evidence available to us does not show that a decrease in the number of UK residents flying abroad for their holidays would have an overall benefit for the UK economy. UK residents made 57 million visits abroad in 2011 and spent £32 billion, 84% of which was spent by residents who travelled abroad by air. The Government believes that the chance to fly abroad also offers quality of life benefits including educational and skills development. Overall, the Government believes continuing to make UK tourism more attractive is a better approach both for residents and attracting new visitors."

- The ability to travel and experience other countries and other cultures is an extremely important part of life for many people, while for others the ability to visit friends and relatives in other parts of the world is vitally important. In this context, access to air travel is a key component in making cities and regions 'liveable' places for people. Hence, access to an airport with a good range of services is an increasingly important factor in attracting people to live and work in an area,

¹⁴ Department for Transport (2013). Aviation Policy Framework (CD14.1), Page 19.

particularly in the context of what is an increasingly global workforce. Ultimately, this will support population growth and additional economic activity in an area, provide prosperity and create the conditions that are needed for economic growth.

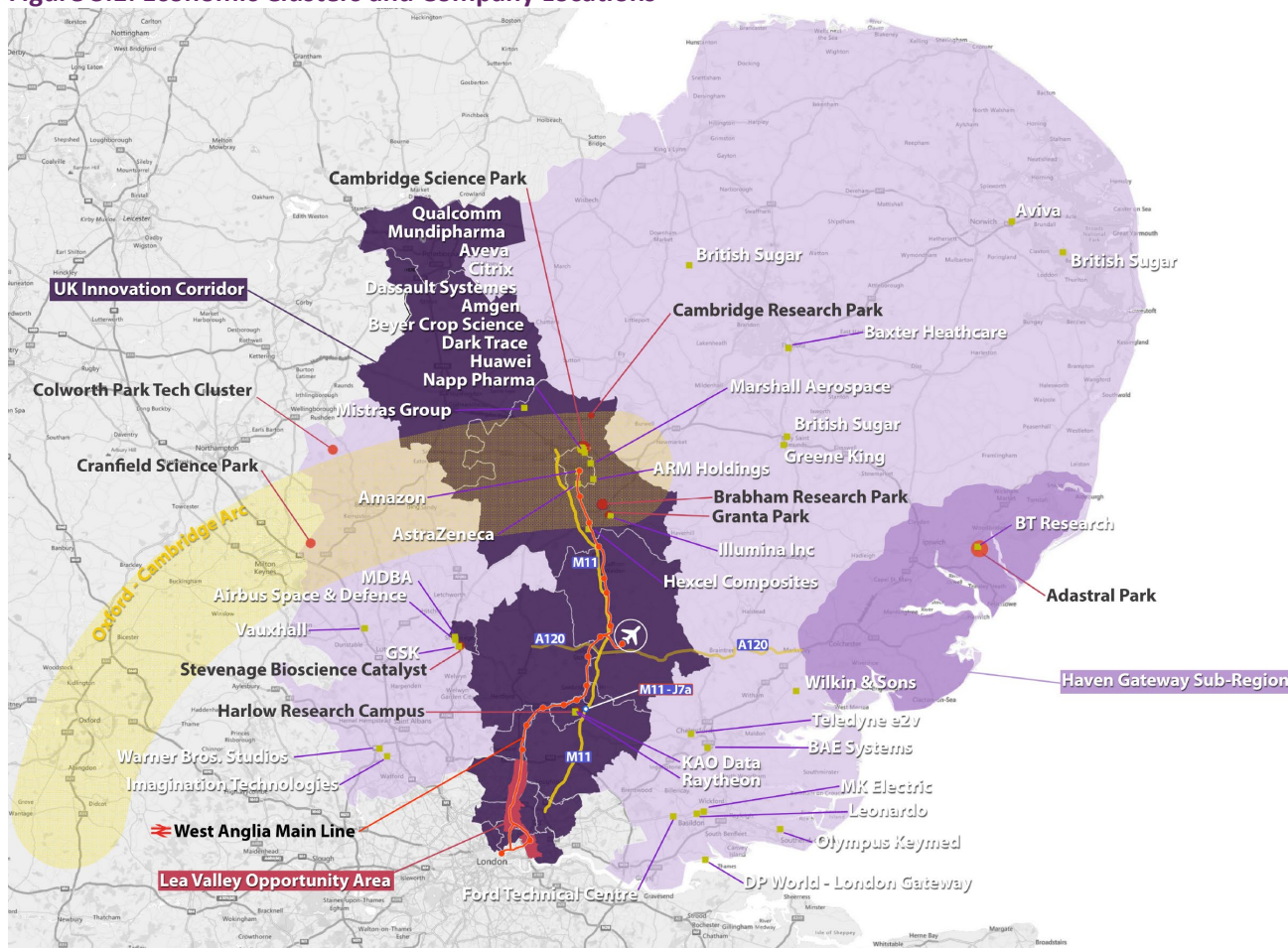
Summary

- 2.21 Above, I have summarised the theoretical underpinnings as to why air services are important for economies and the channels through which airports deliver wider economic benefits. For the East of England and the economies within it, Stansted Airport is the key 'local' provider of air connectivity that enables these types of benefits to be realised. It is important to recognise that Stansted operates in a competitive market and that there are, of course, other airports that are influencing factors. My evidence below seeks to explore further the extent of Stansted's role in this regard.
- 2.22 I now go onto look at specific economic factors in the catchment area of Stansted and the specific role that Stansted plays now in driving wider economic performance and how increasing the passenger cap will enable it to contribute to strengthening the economic performance of the region and sub-region more specifically.

3. Future Strategy for the Region and Key Initiatives

- 3.1 In this section, I set out the key economic development strategies in the area that provide a context for articulating the role that the Airport needs to play to underpin the achievement of the planned/desired broader economic growth.
- 3.2 To inform this work, and the assessment of the potential future role of the Airport in supporting wider economic growth, my team spoke to a range of stakeholders with interest in the economic development of the region as set out in **Appendix 3**.
- 3.3 I include examples and case studies from these companies and organisations as relevant to illustrate the points that I make. In each case, the case study represents a summary of the discussion between the case study company or organisation and the York Aviation team and has been expressly cleared for publication by the company/organisation concerned.
- 3.4 I illustrate some of the key economic clusters and company locations referred to throughout the remainder of this Proof in **Appendix 4** and reproduced below in **Figure 3.1**.

Figure 3.1: Economic Clusters and Company Locations



Economic Plans and Strategies

- 3.5 Stansted lies within the East of England but also serves London and North East London specifically. Evidence on the distribution of passengers using Stansted is provided in the evidence of Mr Galpin. I focus in this Proof on the role that Stansted plays in supporting the economic development and prosperity within its core catchment area, focussing particularly on the East of England.
- 3.6 Regional level economic development organisations have been replaced by partnerships focusing more on specific economic areas and, more recently, by a recognition of the relationship between economic development and transport corridors. I now set out the relevant strategies of these organisations to provide a context for considering the role that Stansted plays.
- 3.7 There are four Local Enterprise Partnerships that are relevant to Stansted’s core catchment area.

The Greater Cambridge Greater Peterborough LEP Strategic Economic Plan

- 3.8 The Greater Cambridge Greater Peterborough LEP identifies its area as:

“one of UK’s and Europe’s key assets, successfully competing on the international stage, with a strong presence of European and global businesses.”¹⁵

- 3.9 The LEP’s Strategic Plan goes on to note that:

“International connectivity by air is a key requirement of any major international business location. In order to help those businesses in our area continue to grow it is vital that they have connectivity with their key markets, and in the case of international businesses, their head offices and other operations.”¹⁶

- 3.10 The Strategic Economic Plan notes that the area’s economy and the economies of some of its neighbours, particularly along the M11 corridor, are driven by the successful growth of high value sectors.

“What characterises these sectors, and in particular the way they have grown through the linkage with our universities and research institutes, is their need for strong international connectivity. Many of our companies have multiple sites around the world in other high-tech centres, many thrive on collaborative programmes with international partners and many have their main markets in overseas locations. This means they value the ability to connect quickly and efficiently with long haul destinations such as the East and West Coast of the USA, the Far East and Middle East.”¹⁷

- 3.11 The Plan concludes:

“Stansted’s potential impact on our LEP area and adjacent areas is significant. Both as a symbol of economic growth intent and as a practical benefit to businesses in the area.”¹⁸

- 3.12 The SEP Delivery Plan notes:

“Our bold plan to drive further growth:

- Puts GCGP at the forefront of life and bio-science applied research, feeding an international pipeline*
- Expands our cluster of global expertise and business growth in the Internet of Things and Digital industries*

¹⁵ Greater Cambridge Greater Peterborough LEP Strategic Economic Plan, Executive Summary (CD20.3).

¹⁶ Ibid, page 36.

¹⁷ Ibid, page 37.

¹⁸ Ibid, page 43.

- Maximises our Agri-Tech strengths in Production, Research, Advanced Manufacturing and Agriculture
- Makes us the location of choice to commercialise our world-leading research base
- Delivers the skilled workforce, housing, connectivity, and infrastructure capacity to feed economic growth
- Develops the largest brownfield Enterprise Zone in southern England”¹⁹

3.13 This highlights the importance of global links and the development of key high value added clusters.

The Hertfordshire LEP Strategic Economic Plan 2017–2030

3.14 The Hertfordshire LEP Strategic Economic Plan 2017–2030 notes the need to:

“sustain the momentum we have created in respect of the radial growth corridors. In the future, this is likely to include working closely with the A1(m) Corridor Consortium and the London-Stansted-Cambridge Consortium in relation to the A1(m) and A10/M11 Growth Areas respectively.”²⁰

3.15 The Plan also notes that Stansted has capacity for growth and that the LEP’s Skills and Employment Board:

“will work with businesses and other key organisations to ensure that the implications of developments on the edge of Hertfordshire (e.g. growth at Stansted Airport) are factored fully into skills and employment agendas.”²¹

3.16 The Plan also highlights key priorities for Hertfordshire moving forward:

“Priority 1 Maintaining global excellence in science and technology

Priority 2: Harnessing our relationships with London (& elsewhere)

Priority 3: Re-invigorating our places for the 21st Century

Priority 4: Foundations for Growth”²²

3.17 These highlight a focus on the development of global, high value added sectors.

The New Anglia LEP Strategic Economic Plan (2020)

3.18 The New Anglia LEP Strategic Economic Plan (2020) notes that:

“The A120 runs through Essex from Harwich International Port westwards to Stansted Airport and the M11 beyond and could provide an effective alternative route to the A12 and A14. Although located in north Essex and hence within the South East LEP area, it is strategically important to the New Anglia area, both as a major economic growth area, with similar sectoral strengths and as a vital road link from Ipswich and south east Suffolk to Stansted Airport and the Port of Harwich. Connectivity to these key and nationally important transport interchanges is important to businesses in New Anglia.”²³

3.19 It also highlights the future importance of global economic links:

¹⁹ Greater Cambridge Greater Peterborough LEP Strategic Economic Plan Delivery Plan (CD20.63), Page 2.

²⁰ The Hertfordshire LEP Strategic Economic Plan 2017 – 2030 (CD20.55), page 29.

²¹ Ibid, page 30.

²² Ibid, page 15.

²³ New Anglia LEP Strategic Economic Plan (2020) (CD20.56), paragraph 6.95.

“Our plan is to capitalise on our global strengths in areas such as agri-tech and life sciences, energy, ICT and creative digital, to accelerate growth in our economy.”²⁴

The South East LEP Strategic Economic Plan (2014)

- 3.20 The South East LEP Strategic Economic Plan (2014) acknowledges that Stansted Airport offers a very significant potential for attracting investment from wide range of global companies seeking a UK base. The Plan states that Stansted Airport is a key asset within the LSCC, with significant potential to catalyse growth across the corridor and beyond²⁵.
- 3.21 It is clear that the economic plans of all four of the LEPs recognise the key role of Stansted in supporting the attainment of their economic development objectives.

The UK Innovation Corridor

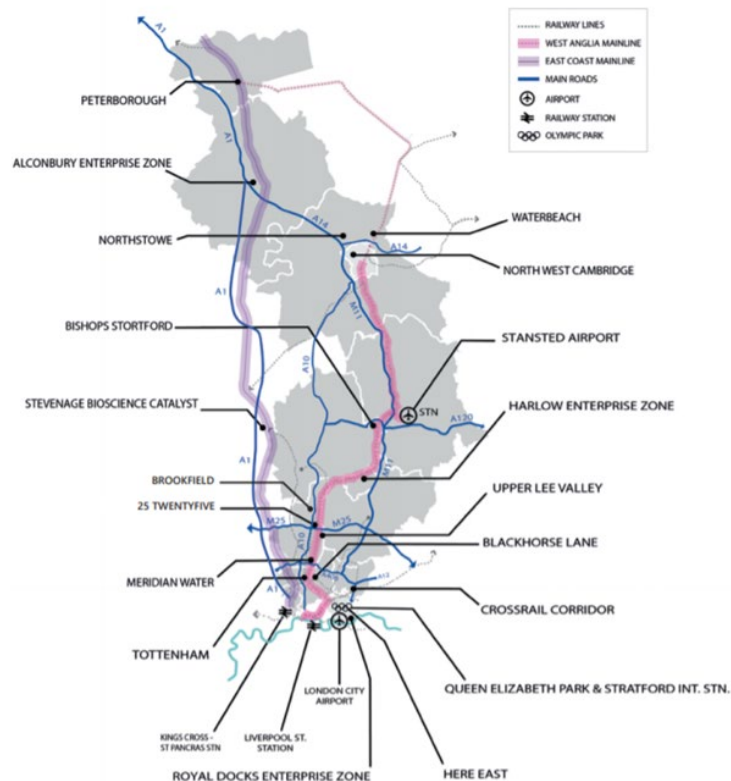
- 3.22 Of specific importance within this region is the UK Innovation Corridor. The Innovation Corridor spans four LEP areas, all of which support its objectives.
- 3.23 The UK Innovation Corridor (UKIC) is an area of economic geography linking north and east London through Hertfordshire and Essex to Cambridge and Peterborough. UKIC also occupies a strategically significant position connecting the East and West of England and linking with the Oxford to Cambridge Arc. As can be seen from **Figure 3.2**, taken from the UKIC website, Stansted Airport sits at the heart of the Innovation Corridor, providing essential connectivity.
- 3.24 The Innovation Corridor is operated through a voluntary body, known as the London Stansted Cambridge Consortium (LSCC). Originally formed in June 2013 as a strategic partnership of the public and private organisations referred to above, it exists to organise and promote the Innovation Corridor and its world-renowned reputation for leading the way in advanced technology and bioscience. UDC is a member of the LSCC and so, it is reasonable to assume, supports its aims.
- 3.25 The LSCC Consortium established the LSCC Growth Commission in 2015 to provide independent analysis and advice to enhance the economic potential of the LSCC and to set out a vision for the area to become one of the top five global knowledge regions. In the Foreword to the 2016 LSCC Growth Commission report²⁶, the Commission Chairman, Sir Harvey McGrath states:

“The London Stansted Cambridge Corridor represents a unique opportunity to build the next global knowledge region in the UK... our 20-year vision is for the London Stansted Cambridge Corridor to become one of the top five global knowledge regions, alongside San Francisco – Silicon Valley, Boston Route 128, and The Triangle.”

²⁴ Ibid, Page 3

²⁵ South East LEP Strategic Economic Plan (2014) (CD20.2), paragraph 4.93.

²⁶ LSCC Growth Commission Report, 2016 (CD20.4).

Figure 3.2: The UK Innovation Corridor

3.26 The Growth Commission's report notes that:

"Nearly one in seven of the UK's jobs are within a 10km radius of the corridor and a higher proportion of these jobs are in high-skill, high-growth sectors than nationwide. The Corridor has 2.7 million residents and a workforce of 1.8 million people.

The London Stansted Cambridge corridor is home to a highly productive economy, with the region's productivity 16 per cent above the UK average. The Corridor supports 303,000 jobs in knowledge-based industries.

*The Corridor shares a set of fast growing and highly productive advanced industries supported by a global centre for business and financial services. These are underpinned by a shared housing market, labour market, and infrastructure system. The London Stansted Cambridge Corridor could become a global tech and life sciences region if it can provide a high-quality environment for business and talent, offering the space and infrastructure for growth."*²⁷

3.27 There is a clear international focus in the way the Innovation Corridor is developing, with employment in internationally tradeable sectors growing at three times the national rate and exports contributing an estimated £20 billion to GVA in 2014 and this will have grown since. The Commission's report states that the Corridor is critical to attracting foreign investment, particularly in high-technology and professional services industries²⁸. The Commission also notes that London and Cambridge are in the top 10 of the European Foreign Direct Investment (FDI) league, and that:

²⁷ Ibid, page 9.

²⁸ Ibid, page 15.

“London, Cambridge and the Corridor compete for international investment and jobs that would otherwise go to a knowledge region outside the UK...The Corridor (including Greater Cambridge) competes with major technology regions such as Silicon Valley; Route 128-I95 in Massachusetts; New Jersey; The Triangle in North Carolina; Greater Munich and Singapore.”²⁹

3.28 However, the Commission also noted that:

“Aviation capacity is limiting international business and investment...competitor locations such as the New York Metropolitan Area and San Francisco-Silicon Valley have much greater potential airport capacity.”³⁰

3.29 This provides a context for why making best use of existing airport runway capacity, as at Stansted, is important to ensure that a shortage of airport capacity does not limit the Corridor’s ability to compete.

3.30 The Commission set out five priorities that will drive the ambition of the Innovation Corridor, one of which identified London Stansted Airport as a dynamic source of growth and development:

“Our vision is for an airport that is a dynamic driver of growth and local business performance, providing the services and routes that the corridor’s tech and life sciences businesses need. Airports play a valuable economic development role and the Corridor needs a strategy and action plan to use London Stansted Airport as a dynamic source of growth as well as supporting the region’s businesses. London Stansted Airport has the capacity to expand and could be a big part of the solution to the aviation needs of the Corridor, London and the Greater South East.”³¹

3.31 The aims for the Innovation Corridor are set out on its website³². These make clear the importance of international connectivity in delivering the Vision:

“The secret to the region’s success is its connectivity. Location is everything. And the Innovation Corridor resides at a pivotal spot in the world, making it the chosen place for entrepreneurs, intellectuals and investors to congregate. The city axis of London and Cambridge – only 60 miles apart, hot-linked by the M11 motorway, and 1 hour by train – is networked with prized international rail and flight links. Stansted Airport – serving 180 destinations in 38 countries, sits at the heart, with London City Airport and St Pancras International, all connecting the region with the rest of the world.”

3.32 We spoke with a representative of the Consortium to understand Stansted’s specific role in supporting growth in the Innovation Corridor:

²⁹ Ibid, page 16.

³⁰ Ibid, page 24.

³¹ Ibid, page 31.

³² <https://innovationcorridor.uk/about> (CD20.57).

Case Study - The UK Innovation Corridor

The UK Innovation Corridor (UKIC) is a non-statutory partnership of local authorities, businesses, colleges, universities, and Local Enterprise Partnerships, located along an axis of economic geography linking north and east London through Hertfordshire and Essex to Cambridge and Peterborough. The Innovation Corridor also occupies a strategically significant position connecting the East and West of England and linking with the Oxford to Cambridge Arc. The Corridor is home to a wide range of companies focused around the science and technology sectors, many of whom have a global reach.

Stansted Airport sits geographically at the heart of the Innovation Corridor, and also at the heart of the Corridor's 'narrative'. John McGill, Director at the UK Innovation Corridor, describes the Airport as *"absolutely crucial to what we are trying to achieve"*, and referred to the 2016 London Stansted Cambridge Consortium Growth Commission report, which characterised the Corridor as a unique opportunity to build the next global knowledge region in the UK, in the same league as San Francisco's Silicon Valley. Without an international airport with adequate long-haul connections that ambition would be harder to achieve.

- 3.33 The higher productivity of businesses within the corridor is notable and this will, at least in part, be a function of convenient air accessibility from Stansted given that companies in the Corridor are amongst those most sensitive to the presence of global air access as I discuss in the next section of this Proof. It is clear that the Consortium places some weight on the ability of Stansted to develop its portfolio of long haul services, something which Mr Hawkins explains is less likely to arise if the Airport is constrained to 35 mppa.
- 3.34 The Corridor area hosts a number of key sectors such as Life Sciences; ICT, Digital and Media; and Engineering. It is home to Europe's leading life sciences cluster, with 17% of all life sciences employment in England based in the Corridor. AstraZeneca is one of the many leading international firms located in the Corridor employing around 3,500 people in a number of sites around Cambridge. Its global HQ is located in Cambridge, along with a significant research and development function. The company has locations in over 100 countries worldwide and is involved in research collaborations with thousands of international partners.

Case Study – AstraZeneca

AstraZeneca is a world leading multinational pharmaceutical and biopharmaceutical company that plays a significant role in the UK life sciences sector, which is estimated to contribute £74 billion to the UK economy as a whole.

AstraZeneca relocated its UK R&D facilities to Cambridge and, in 2016, became the company's global headquarters. The co-location of its R&D in Cambridge was driven by its science-led strategy, that focuses on scientific collaboration, innovation and the advancement of science.

There are now over 3,500 employees in and around Cambridge with expected growth to continue. The move has provided the optimal conditions for innovation and collaboration with the science community around Cambridge and in the wider 'Golden Triangle' covering London and Oxford. This proximity and ability to collaborate within the scientific community drives scientific discovery and innovation such as the development of the COVID-19 vaccine.

AstraZeneca is a truly global organisation. It has operations in over 100 countries worldwide and is involved in thousands of international research collaborations. Its need for air connectivity is multifaceted, but balanced with its net carbon zero programme, where the company is driving large sustainability programmes through its operations.

The Cambridge life science cluster is now one of the foremost centres for innovation in this sector in the world and acts as a magnet, attracting talent from across the globe. This is one reason that having a thriving international airport such as Stansted on the doorstep of Cambridge is important to companies such as AstraZeneca and its employees; providing greater ease and flexibility to travel back to Europe and further afield to visit family and friends. The porosity of incoming and outgoing talent helps to further develop collaboration and innovation with partners and science communities around the globe.

Being able to interact physically is also felt to be an essential part of the scientific research process. AstraZeneca scientists work with academic, government and private sector partners from around the world. While video-conferencing and similar technologies provide a basic platform for ongoing collaboration, being able to meet in person to forge relationships, to discuss ideas and to demonstrate and share techniques is felt to be essential to the process of innovation. Stansted is an important tool for enabling this type of interaction within Europe.

The key to the future growth and success of companies like AstraZeneca in Cambridge and the science community around it, is its ability to collaborate and innovate. To do this, it is essential that the best global talent can be attracted to the region and that scientists can work together and with partners in the same laboratories, face to face around the world, to develop and distribute medicines for patients.

With the potential for expansion, AstraZeneca could use Stansted more as it grows to be able to service its wider global connections, in particular to the east and west coasts of the USA, China, and the Middle East with more of a focus on business orientated services. The addition of the new Cambridge South Station, providing a direct, sustainable transport route between the Cambridge Biomedical Campus and Stansted Airport, will also be an important development in enhancing Stansted Airport's ability to support companies like AstraZeneca and the wider Cambridge Cluster in the future.

- 3.35 The Corridor is also home to multinational tech giants such as Arm Holdings, Google, Imagination and Microsoft. Granta Park in Cambridgeshire is the location of TWI, which specialises in innovative manufacturing and fabrication solutions, with 5 UK and 13 overseas facilities, employing 800 employees. Stansted is the closest airport to all of these sites and its growth to 43 mppa has the potential to play a major role in facilitating the expansion of existing activities and encouraging new businesses to locate within the Corridor.
- 3.36 The continued growth of Stansted Airport and the international connectivity it provides and will provide to businesses is, therefore, a critical element of the Innovation Corridor's future growth and success. Allowing the Airport to make best use of its existing runway by raising the passenger cap to 43 mppa is clearly an important component of realising the vision of the Innovation Corridor as growing activity in these highly productive sectors requires a concomitant increase in air connectivity that would be enabled by allowing Stansted to grow above 35 mppa.

Uttlesford Economic Development Strategy 2018-2021

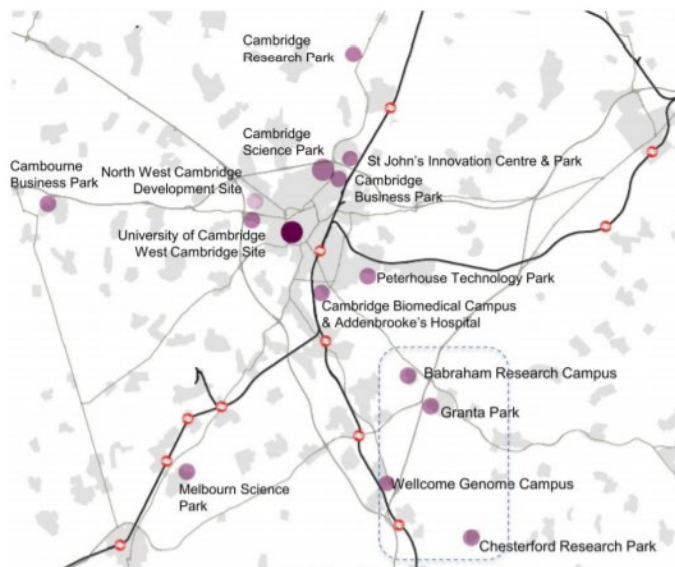
- 3.37 This updated strategy focuses on four areas, the first two of which are particularly relevant:

"1. Supporting the expansion and promotion of key sectors in the local economy. Initially this will be life sciences, research and innovation; the rural economy; and the visitor economy which includes the town centres.

*2. Maximise the local and regional opportunities that arise from the location at London Stansted Airport."*³³

- 3.38 The Strategy sets out to support the expansion and promotion of the life sciences, research, and innovation sectors. Some of these, but not all, are located on the Chesterford Research Park in the north of the district. Chesterford Research Park is part of the South East Cambridge Cluster, reflecting the growth of the life science and research and innovation sectors within the Cambridge area. The Strategy includes a map of the Cluster, showing its position within the broader Innovation Corridor cluster, which I have reproduced in **Figure 3.3** below.

³³ Uttlesford Economic Development Strategy 2018-2021 (CD20.7), page 1.

Figure 3.3: Uttlesford Economic Cluster Map

3.39 Stansted Airport is identified in the strategy as a working partner in the delivery of this element of the strategy. Indeed, Stansted is identified as a “*key economic driver*”³⁴ within this Economic Development Strategy. Constraining the Airport would not be consistent with the objective to “*maximise the local and regional opportunities that arise*” as it would limit the potential growth in economically beneficial connectivity, as I go onto explain in Section 6 of this Proof.

3.40 In terms of the second strategic focus (maximising the local and regional opportunities that arise from the location at London Stansted Airport), the Strategy notes the plans that MAG has for the growth of the Airport and how it can support economic growth in the region, whilst actively managing and containing environmental impacts. The Strategy also notes the work of the London Stansted Cambridge Consortium Growth Commission, which recommended a strategy that articulates how international connectivity can support the vision to be a competitive global tech and life sciences region, and how the Airport can contribute to the aviation needs of London, the Corridor and Greater South East³⁵.

3.41 The new Uttlesford Local Plan was withdrawn at the end of April 2020 following a report by the Examination Inspectors. However, before it was withdrawn, the Draft Local Plan, which was referred to in the Socio Economics Chapter of the original planning application, recognised the importance of Stansted to the LSCC and, in particular, to the South Cambridgeshire research and bio-technology cluster, referred to above. In addition, Policy SP11 of the Draft Plan stated that the growth of London Stansted Airport would be supported, subject to development proposals meeting several criteria related to national aviation policy, environmental effects, and surface access measures³⁶.

3.42 Stansted Airport also serves a wider catchment beyond the Innovation Corridor, stretching further into East Anglia and across to the M1. Other key economic areas are illustrated in **Figure 3.1**.

³⁴ Ibid, page 10.

³⁵ Ibid, page 27.

³⁶ 35+ Planning Application Environmental Statement, Chapter 11 (Socio Economics) (CD3.11), paragraphs 11.30 and 11.31

Haven Gateway

3.43 Stansted also serves the Haven Gateway area around the ports of Felixstowe and Harwich. Stansted is linked to this Gateway economic area via the A120 and STAL is a member of the Partnership, as is BT at Adastral Park. The Vision for the Partnership is set out on its website³⁷:

“To work with partners to facilitate the delivery of an inclusive economy for the Haven Gateway area’s residents, workers and businesses by capitalising on its location as a key international gateway and realising its potential for significant growth through an additional focus on innovative sectors, knowledge-based employment and the provision of appropriate housing and infrastructure and skills”

3.44 Enabling Stansted to grow from 35 to 43 mppa has the potential to deliver improved connectivity to companies in the Gateway as well as in the Innovation Corridor. It is evident that local companies do place significant reliance on the connectivity offered by Stansted and such importance is only likely to increase in future. The proximity and easy access, compared to more distant airports, are important in ensuring efficient operations and expansion of the connectivity offered at Stansted is important to allow the attraction of additional investment and activity to the area in line with the key economic strategies of the major actors in this area. It will be particularly important in ensuring that more investment, particularly foreign investment, is attracted to the area to strengthen the role of these initiatives in driving forward innovation and economic growth within the region more generally.

Case Study - BT (Adastral Business Park)

Adastral Park is a science campus near Ipswich in Suffolk and BT has been the principal tenant since the mid-1970s, running its research and development activity and Network Operations Centre on the site. Some 4,000 employees are based at the Park, with BT accounting for around 2,500. Around 150 other IT companies are located on the site, including multi-national corporates such as Cisco, Huawei, Nokia and Ericsson through to SMEs with only a handful of staff.

BT is going through a consolidation process at present and focusing on key UK locations, of which Adastral Park is one, and good connectivity with other strategic locations in the UK is essential. BT also has strategic locations in the devolved administrations in Belfast (where there is another strategic BT technology site), Cardiff, and Glasgow.

International connectivity is also required, mainly to short haul destinations in Europe but also to India. The Adastral site also sees a range of visitors to BT coming from countries such as China, Japan, the US and India. BT also has strong connections with universities from around the globe including in Beijing, MIT in the US, and Khalifa University in Abu Dhabi.

The Government’s High Potential Opportunities (HPO) programme, coordinated by the Department for International Trade, selects investment opportunities to promote to foreign investors, driving investment into the UK’s regions and nations. Adastral Park has been recognised by the government for the work it has achieved by being identified as an HPO for 5G and Digitalisation.

Stansted Airport is the airport of choice for BT at Adastral Park and can be reached in just over an hour. A growing Stansted Airport will continue to support and enable BT’s operations at Adastral Park and, importantly, will provide an enhanced connectivity offer that will assist in attracting new inward investors in combination with Adastral Park’s HPO status.

³⁷ <https://www.haven-gateway.org/about-us/vision-objectives/> (CD20.6)

The Oxford-Cambridge Arc

3.45 This area between Oxford and Cambridge, incorporating the ceremonial county areas of Oxfordshire, Buckinghamshire, Bedfordshire, Northamptonshire, and Cambridgeshire, forms a core spine that the government recognises as the ‘Oxford-Cambridge Arc’. The Arc is home to 3.7 million people and, currently, supports over 2 million jobs, contributing £111 billion of Gross Value Added (GVA³⁸) to the UK economy each year.

3.46 The Oxford-Cambridge Arc’s Economic Vision states:

“Clustering businesses in the same geographical area, or increasing connectivity between them, can lead to direct increases in productivity through economies of agglomeration.”³⁹

and that:

“We will work with the private sector and Government to complete the East-West Rail link that will provide fast and extensive rail connectivity across the Arc, including to London Stansted.”⁴⁰

3.47 Along with the Innovation Corridor and the Haven Gateway, the Oxford to Cambridge Arc is a priority area for driving innovation and growth in the UK economy. Creating clusters of activity through agglomeration is key to driving UK productivity growth. Stansted is seen as pivotal to both initiatives by improving global connectivity with convenient access to a growing range of air services that would be enabled by lifting the cap from 35 to 43 mppa.

London Plan

3.48 Policy T8 of the ‘Intend to Publish’ updated London Plan⁴¹ states that:

“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.”

3.49 The context for this is set out at para. 10.8.2 of the Plan:

“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.”

3.50 Whilst the Mayor of London opposes the development of a third runway at Heathrow, he does support other airports making best use of existing capacity, subject to environmental concerns being addressed, in order to provide this “essential connectivity”.

³⁸ Gross value added is the value of output minus the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector.

³⁹ Economic Vision: The Oxford-Cambridge Arc, April 2019, paragraph 4.3. (CD20.58)

⁴⁰ Ibid, paragraph 5.2, page 31.

⁴¹ Mayor of London, the London Plan, ‘Intend to Publish’ version, December 2019 (CD20.59).

3.51 The Lee Valley is part of the Mayor's Opportunity Area linked to the Crossrail 2 North Corridor⁴². The Plan highlights that *"The Lee Valley occupies a strategic position in the London-Stansted-Cambridge-Peterborough growth corridor"* and it is connected to Stansted by the West Anglia line. Hence, Stansted being able to make use of its existing capacity is seen as supportive, in principle, of the development objectives of the London Plan, particularly in supporting this key growth initiative.

Summary

3.52 Overall, it is clear that Stansted and its current and future role in providing connectivity is pivotal to the economic development strategies of all of the key players within its core catchment area. In this Proof, I have evidenced practical examples from key companies and other organisations within the area of their reliance on air connectivity, particularly to global destinations, and the reliance they place on Stansted and its ability to continue to expand its air service offer to support their wider expansion objectives. Expansion from 35 to 43 mppa will be pivotal in enabling these companies and organisations to deliver against their objectives and growth strategies in an increasingly competitive world.

⁴² Ibid, para 2.1.29.

4. The ‘Demand’ for Air Connectivity Now

- 4.1 Having considered the strategic context for the wider economic role of Stansted, in this section I will set out the extent to which the economy in the East of England Region relies on international air connectivity today. Stansted also, clearly provides air connectivity and supports economic activity in London and across the broader South East, but I have focussed in on the more immediate area that Stansted serves to isolate its specific role more clearly. Necessarily, this analysis articulates the position pre-COVID-19, relying as it does on available data and statistics, mainly from Government sources for 2019 and prior years. This provides a baseline for the importance of connectivity and its role in the regional and sub-regional economies as they recover from the effects of COVID-19. I address the economic implications of the pandemic further in Section 7.
- 4.2 In this section, I focus on how the economy and companies and organisations located within the area rely on air connectivity to support current (pre-COVID-19) activity and set out how these requirements are expected to change over time alongside the contribution that expansion of Stansted to 43 mppa can make later in this Proof.
- 4.3 I start by setting out some further data, over and above that presented in the ES and ESA, on the factors that influence the extent to which the area around Stansted is reliant on air connectivity and international connectivity in particular. This provides a context for why expansion from 35 to 43 mppa matters.

The Connectivity Needs of the London Economy

- 4.4 As noted above, the primary focus of my evidence is in relation to the role that Stansted plays in the economy in the East of England. However, the Airport also clearly plays an important role in serving the London economy, providing connectivity for business travel primarily within Europe and bringing significant numbers of visitors to the UK’s capital. It is, however, one of six airports serving the London market. In line with the primary focus of my evidence, I have not considered the demand for connectivity to London in detail. However, I would highlight London’s position as one of the world’s largest and most important city economies, its particular position as one of the top two global financial centres, and its status as one of the most visited cities in the world. The Globalisation and World Cities⁴³ (GaWC) continues to rank London as one of only two Alpha++ world cities in its ranking of world cities (the other being New York). Euromonitor⁴⁴ identified London as the third most visited city in the world behind Bangkok and Paris. It is important, therefore, that air connectivity to London keeps pace with these other global cities and is not hampered by constraints on available capacity.

⁴³ Globalisation and World Cities Network, The World According to GaWC, 2020 (CD20.68).

⁴⁴ Euromonitor, Top 100 City Destinations, 2019 Edition (CD20.69).

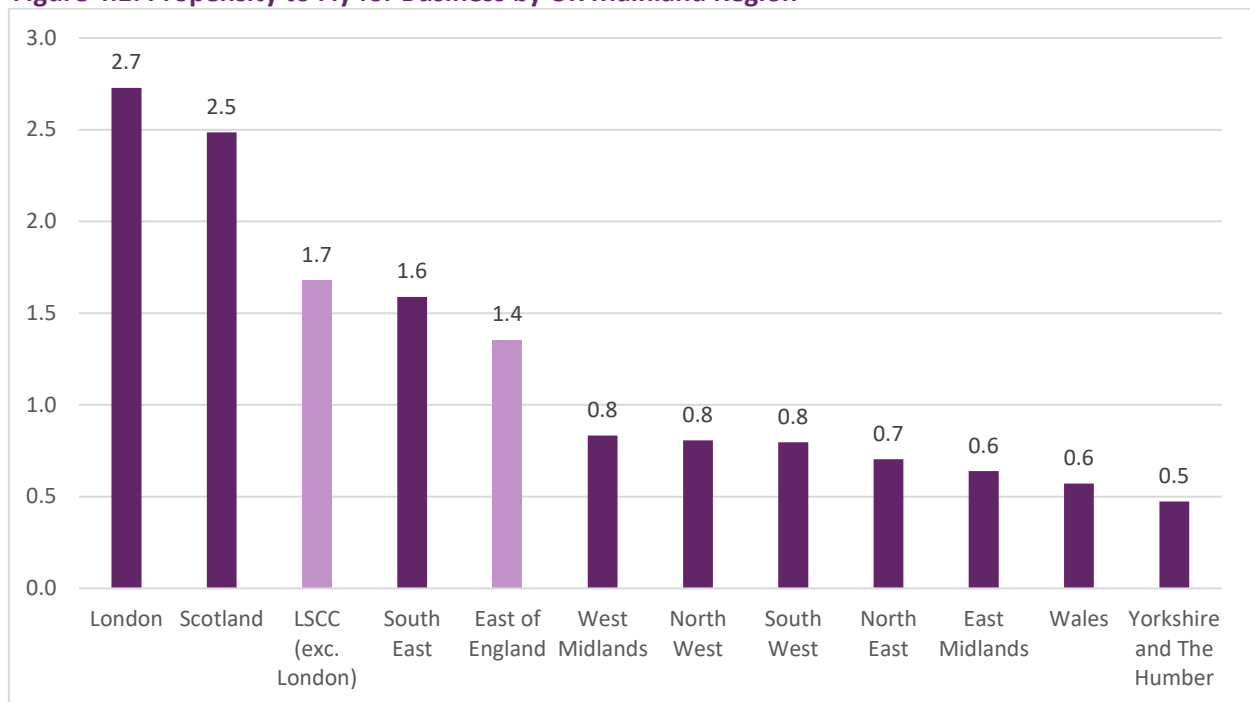
The Connectivity Needs of the East of England Economy

- 4.5 I now set out a range of evidence that helps to articulate the extent to which the East of England economy requires air connectivity. At the outset, it is worth bearing in mind the overall UK context in which the East of England sits. The UK is amongst the world's most globalised countries. It is heavily reliant on its trade and investment links to support prosperity. The KOF Globalisation Index for 2019⁴⁵ ranks the UK as the fifth most globalised country in the world (out of 203). This demonstrates that international connectivity is important for the UK and, while London is clearly exceptional given its world city status, it suggests strongly that all UK regions, including the East of England, will require strong international connections to sustain their economic activity and remain competitive.

Propensity to Fly for Business

- 4.6 At the outset, I have considered perhaps the most important single indicator of the importance of air services to the East of England economy, namely the propensity to fly for business to/from the region. This has been based on the CAA Passenger Surveys for 2017 to 2019 and divides the total number of business passengers travelling to/from the region by total employment in the region. The results are set out in **Figure 4.1**.

Figure 4.1: Propensity to Fly for Business by UK Mainland Region



Source: CAA Passenger Surveys 2017 to 2019 and Business Register and Employment Survey.

⁴⁵ Gygli, Savina, Florian Haelg, Niklas Potrafke and Jan-Egbert Sturm (2019): The KOF Globalisation Index – Revisited, Review of International Organizations, 14(3), pages 543-574 (CD20.60).

- 4.7 This shows that the East of England has one of the highest propensities to fly for business of any UK region. It is comparable to the South East and substantially ahead of the next closest region, the West Midlands. London and Scotland exhibit higher propensities to fly than other areas, likely reflecting London's status as a leading world city and Scotland's relative peripherality and high volumes of business travel between Scotland and London, but the East of England stands above most other regions, highlighting the importance of airports in the region being able to improve their connectivity. It is also interesting to note that the parts of the region within the London Stansted Cambridge Corridor in the East of England exhibit an even higher propensity to fly for business. This firmly establishes the strong need for air connectivity in the East of England to support the wider economy and particularly the need within the London Stansted Cambridge Corridor, at the heart of which Stansted Airport sits.
- 4.8 It is important to note that connectivity is a relative not a static concept. Connectivity will need to increase for the area to maintain its competitive position, otherwise it may lose out to other regions where the ability to grow connectivity is not constrained.

Air Intensive and Air Sensitive Sectors

- 4.9 One helpful way to consider the demand for air connectivity in the East of England is to examine the presence of economic sectors that are either drivers of air transport demand, in that they spend significant amounts on air transport, or that are likely to be sensitive to the presence of air transport connections because they spend an unusually high proportion of their transport budgets on air transport. The concept of air intensive and air sensitive sectors was first introduced in the lead up to the Future of Air Transport White Paper in 2003, drawing on work by Oxford Economic Forecasting⁴⁶. The concept has been used and developed in subsequent work by York Aviation and others, including our recent work for the Department for Transport.
- 4.10 Using data from the Office for National Statistics Input-Output tables⁴⁷, I have identified the top 15 highest spending sectors on air transport and the top 15 sectors with the highest proportion of spending on air transport in their overall travel budgets⁴⁸. The economic sectors identified by this analysis are set out in **Table A5.1**. It should be noted that there is considerable crossover between the two groups. It should also be noted that the analysis is ultimately limited by the sectoral definitions within the Input-Output tables and, therefore, it is not always easy to pick out sector clusters. For instance, advanced technology or pharmaceuticals, two sectors known as high value clusters in the East of England, are not specifically identified within the Input-Output tables and, hence, this requires some interpretation of the data to identify the local implications having regard to the nature of the economic activities present.
- 4.11 In **Table 4.1**, I have set out data on the extent of employment in these sectors in the East of England and within the parts of the London Stansted Cambridge Corridor that are within the East of England. This analysis identifies that a significant proportion of employment in each area is in these sectors that are reliant on air accessibility, 28% across the East of England and 26% in the London Stansted Cambridge Corridor (outside London). In volume terms, these sectors employed over 800,000 people in 2019 and 180,000 in the London Stansted Cambridge Corridor (outside London). This highlights the current dependence of the regional and sub-regional economy on convenient access to air services.

⁴⁶ Oxford Economic Forecasting, The Contribution of the Aviation Industry to the UK Economy, Appendix E. (CD20.61)

⁴⁷ ONS (2020). Supply and Use Tables 1997 to 2018.

⁴⁸ Two sectors have been excluded from this analysis as they are unlikely to be genuinely reflective of expenditure by the sectors actually travelling, air transport itself and the activities of tour operators and travel agents.

Table 4.1: Presence of Air Intensive and Air Sensitive Sectors in the East of England in 2019

	East of England		London Stansted Cambridge Corridor (outside London)	
Sectors	Employment	% of Total Employment	Employment	% of Total Employment
Air Intensive and Air Sensitive	397,700	14%	91,750	13%
Air Intensive Only	184,100	6%	40,115	6%
Air Sensitive Only	222,000	8%	48,750	7%
Total	803,800	28%	180,615	26%

Source: York Aviation analysis of ONS Business Register and Employment Survey.

4.12 My analysis has also considered whether there are specific geographic clusters within the East of England for either air intensive or air sensitive economic sectors using location quotients⁴⁹. For the purposes of this analysis in **Table 4.2**, sectors with a location quotient above 1.2 have been considered.

Table 4.2: Air Intensive and Air Sensitive Clusters in the East of England

London Stansted Cambridge Corridor (Outside London)		Other East of England	
Sector	LQ	Sector	LQ
Other Professional, Scientific and Technical Activities	1.4	Insurance, reinsurance and pension funding services, except compulsory social security	1.5
Advertising and Market Research	1.3	Activities Auxiliary to Financial Services And Insurance Activities	1.4
Employment Activities	1.3	Employment Activities	1.4
Creative, Arts and Entertainment Activities	1.2	Accounting, book-keeping and auditing activities; tax consultancy	1.4
		Other Professional, Scientific and Technical Activities	1.4
		Creative, Arts and Entertainment Activities	1.3
		Wholesale and Retail Trade And Repair Of Motor Vehicles And Motorcycles	1.2
		Activities of Head Offices; Management Consultancy Activities	1.2

Source: York Aviation analysis of UK Input-Output Tables and Business Register and Employment Survey.

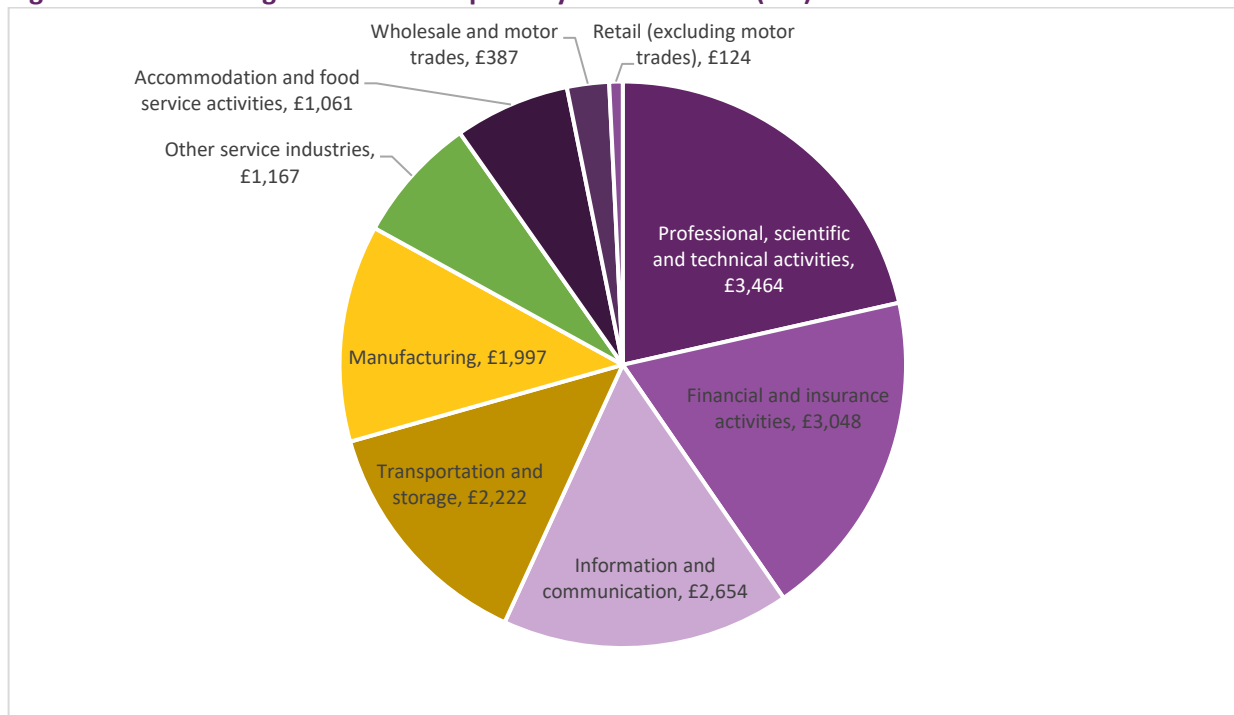
⁴⁹ A location quotient is a way of quantifying how concentrated a particular industry is in an area as compared to a benchmark. It can reveal what makes a particular region 'unique' in comparison to the national average. In this case, a comparison has been made between different areas of the East of England and Great Britain excluding London. It is calculated as the proportion of total employment in a given sector in the area being considered, divided by the proportion that sector makes up of total national employment. A result in excess of 1 suggests a level of concentration.

- 4.13 This analysis picks out the presence of a range of sectors that are important to the East of England economy and the London Stansted Cambridge Corridor in particular. Of particular note is the strong presence of the Other Professional, Scientific and Technical Activities sector in the London Stansted Cambridge Corridor, which is a reflection of the area's world class tech, pharmaceutical and life sciences sectors. The area also shows a concentration in Advertising and Market Research, Employment Activities and Creative, Arts and Entertainment Activities. The rest of the East of England shows concentrations in a range of air intensive and air sensitive sectors, notably insurance, reinsurance and pension funding services and a range of professional services. There is again a strength in Other Professional, Scientific and Technical Activities and also in Creative, Arts and Entertainment Activities. All of these activities will be particularly sensitive to a strong and expanding air service offer.
- 4.14 This analysis clearly demonstrates that Stansted's core catchment area in the East of England and the high growth economic corridor that runs north from London to Cambridge both have significant presence from sectors that are key users of air services and/or sectors that are likely to be sensitive to the presence of good air service connectivity. It is particularly interesting to note the strong presence of the Other Professional, Scientific and Technical Activities sector given the linkage across to the globally important tech, pharmaceutical and life sciences sector centred around Cambridge and the London Stansted Cambridge corridor more generally.

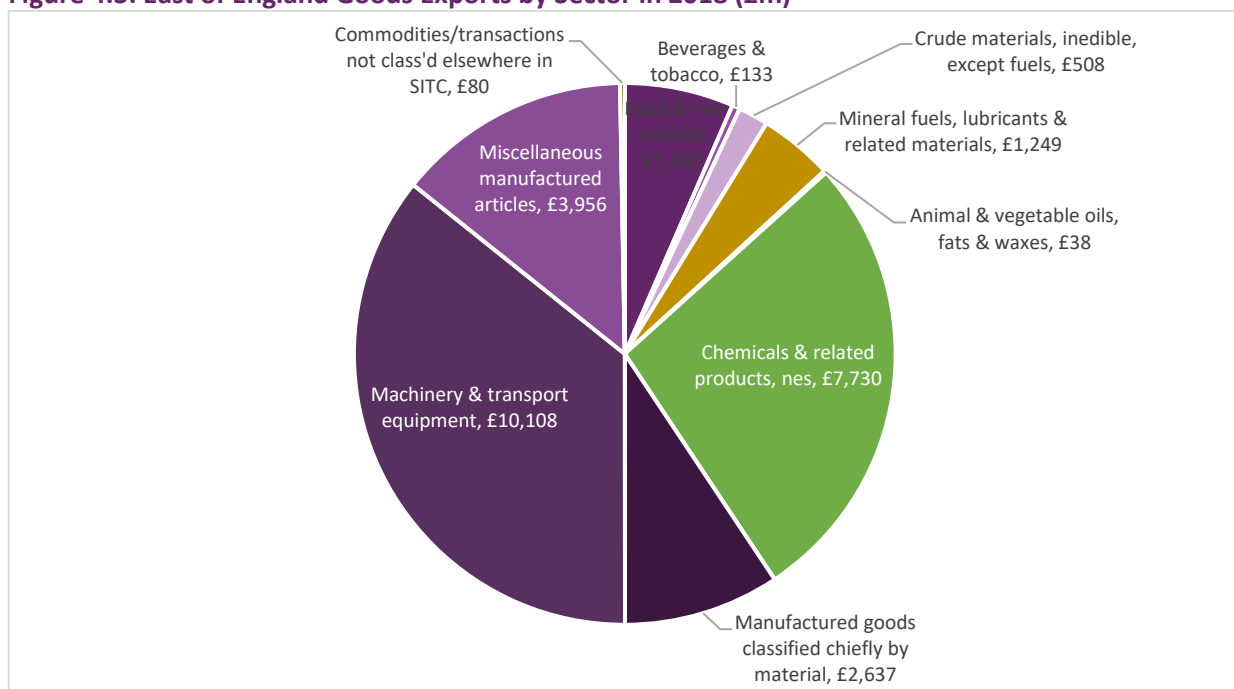
Trade Links

- 4.15 London and the East of England account for 36% of the UK's export of goods and services.⁵⁰ This suggests a high dependency on air connectivity for the reasons I have set out in Section 2. 30% of GVA in the East of England derives from exports, reflecting that the region, much like most of the UK, has a strong international focus.
- 4.16 In **Figures 4.2** and **4.3**, I illustrate the exports by sector for services and goods respectively for the East of England Region. This highlights a high dependence on exports in professional, scientific and technical activities, finance and insurance activities, and information and communication activities as well as chemical and related products and machinery and transport equipment. Within these sectors, it is worth noting the importance of the key tech, pharmaceutical and life sciences clusters, that have a strong presence in the region, and which are identified as key drivers of future growth highlighting the expected increasing dependence on exports and internationalisation of the regional economy.
- 4.17 The high reliance on services activities suggests a proportionately higher reliance on air transport than the average as these sectors make more intensive use of air transport than other sectors of the economy and also the significant level of Financial and Insurance Activities exports given the strong propensity of this sector to fly. Again, this picture of the international economy fits with known strengths of the East of England economy and with the sectors that are expected to drive the economy forward in the future requiring improved air connectivity through growth, to which the expansion of Stansted to 43 mppa can make a major contribution.

⁵⁰ HMRC Regional Trade Statistics, ONS.

Figure 4.2: East of England Services Exports by Sector in 2018 (£m)

Source: ONS (2019) International exports of services from subnational areas of the UK: 2017.

Figure 4.3: East of England Goods Exports by Sector in 2018 (£m)

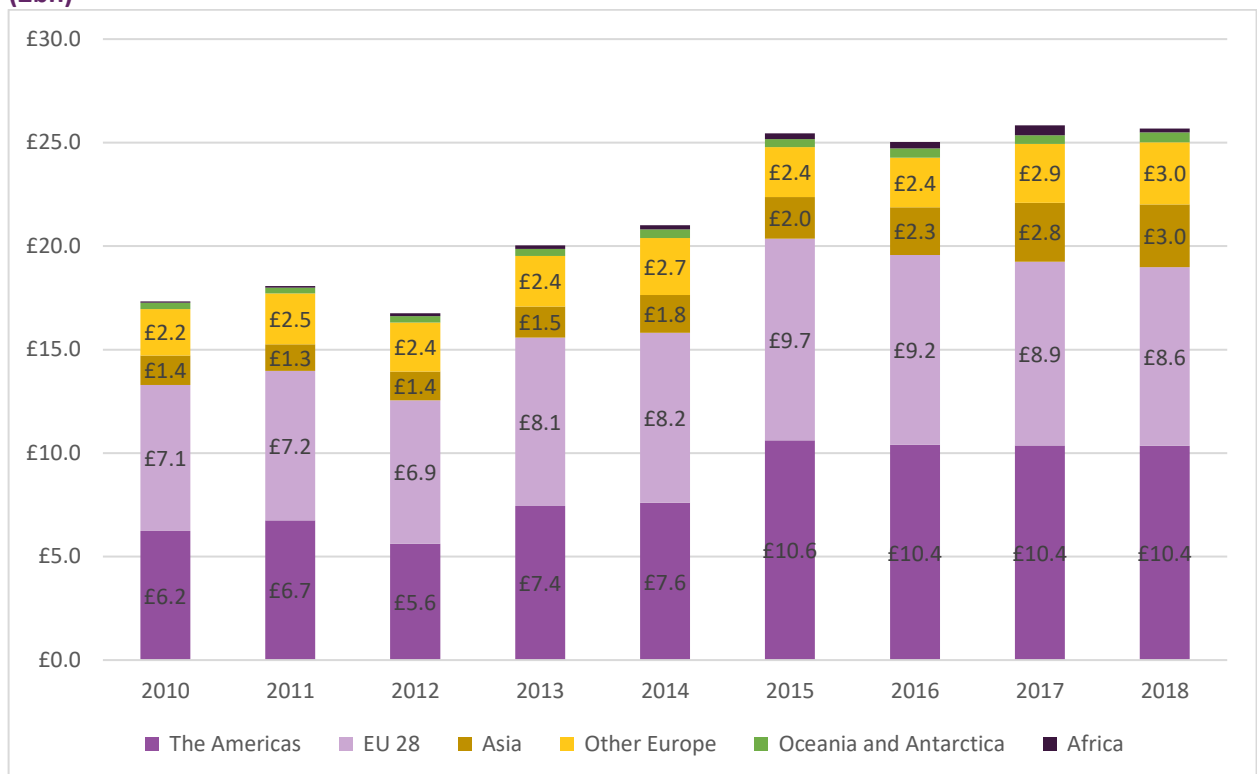
Source: HMRC Regional Trade Statistics.

Foreign Direct Investment

4.18 Statistics from the Department for International Trade⁵¹ show that the East of England attracted around 260 FDI projects between 2017/18 and 2019/20. In overall terms, the East of England's FDI stock, as represented by the number of foreign owned companies based in the region and the GVA supported by those companies, is significant. According to the Annual Business Survey, there were around 9,264 foreign owned companies in the region in 2018 (around 3% of the total), supporting around £25.7 billion in GVA (around 24% of the total). This demonstrates the importance of foreign owned companies and FDI in supporting the regional economy. While the number of companies is relatively small in percentage terms, these companies account for nearly a quarter of regional GVA. As with new FDI projects, the East of England's performance is broadly similar to UK regions and nations away from London, as can be seen in **Table A5.2** in **Appendix 5**. The need for air service connectivity to support this FDI base has been established in Section 2 and Stansted's role as the largest international connector located in the East of England region is clear.

4.19 **Figure 4.4** shows the GVA supported by foreign owned companies in the East of England over time and the source of the investment by world region.

Figure 4.4: GVA of Foreign Owned Companies in the East of England by World Region of Ownership (£bn)



Source: ONS (2020). Annual Business Survey - UK NON-FINANCIAL BUSINESS ECONOMY FOREIGN OWNED BUSINESSES.

⁵¹ Department for International Trade (2020). Inward Investment Results 2019-20.

4.20 There are perhaps three key points to note here in relation to the demand for air connectivity in the East of England:

- the GVA supported by foreign owned companies in the East of England is growing over time, just as it is across the UK. As the region and the UK continues to become more globalised, overseas interests are continuing to grow and there is little reason to suggest that this will not continue into the future. This will drive a continued and growing need for air connectivity to support this continued investment. Again, the potential role for Stansted, if it is allowed to expand from 35 to 43 mppa, is clear in supporting continued globalisation of the regional economy;
- the two core sources of FDI in the East of England are the Americas and the EU. This is, again, not an unusual pattern in the UK, reflecting the globalised nature of the UK economy as a whole. From the perspective of a consideration of Stansted Airport and its role, this pattern reflects the Airport's current primary function as an intra-European connector but also highlights the need for growth to enable the airport to grow its range of services, particularly to support long haul destinations in North America, which is more likely to happen if the passenger cap is lifted as made clear in the evidence of Mr Hawkins;
- while both remain small relative to the EU and the Americas, there is clear evidence of growth in FDI from Other Europe and from Asia. These are areas where Stansted's connectivity has grown in recent years, most notably via the advent of the Dubai service, which provides hub connectivity to a wide range of Asian destinations. Expansion beyond 35 mppa is expected to facilitate additional connectivity to Middle East hubs as well as the potential for some direct services to the Far East.

4.21 Overall, the East of England, in common with most UK regions, has a significant base of foreign owned companies that support a significant proportion of regional GVA. This stock is growing and trends would suggest that it will continue to grow into the future, driving a need for ever improving air connectivity for the reasons described in Section 2. Stansted is already well positioned to service this demand, given its extensive European network, the advent of the Dubai hub service and its position as the largest airport located in the East of England region. Expansion to 43 mppa will enable the Airport to keep pace with the needs of businesses located there as well as helping to attract more global businesses.

Major International Organisations

4.22 I have also considered the location of a sample of major corporates in the East of England and also the key science parks in the region, given their role in fostering development in relation to the region's key tech, pharmaceutical and life sciences clusters. Again, this analysis provides qualitative evidence of the demand for air connectivity in the East of England and Stansted's position at the heart of the international economy. The results of this analysis are included on the map of economic clusters in **Appendix 4** and reproduced at **Figure 3.1**.

4.23 This map primarily highlights the importance of the London Stansted Cambridge Corridor running through the region and the areas immediately surrounding it in the south of the region, in Essex particularly, including the Haven Gateway. It is also possible clearly to see the geographical focus of the tech, pharmaceuticals and life sciences clusters around Cambridge, with companies such as AstraZeneca, ARM Holdings, Amazon, Illumina, Hexcel Composites, Napp Pharma, Huawei, Beyer and Amgen all located in the area. There is also a concentration of Science Parks in the area, including Cambridge Science Park, Granta Park, Cambridge Biomedical Campus and Brabham Research Park. This concentration of world class companies, with strong international links, will drive demand for air connectivity across Europe and further afield.

Case Study - Arm Ltd

Arm Ltd is a British headquartered company based in Cambridge, but with global interests and offices around the world. Its primary business is the design of microprocessors, the 'brains' of the silicon chips that are found in computers, smart phones, and tablets. Arm estimate that there are around 140 billion chips based on Arm designs in the world today.

Arm is a global business, with the bulk of its interests in the US and Asia, but with offices elsewhere too. Its global presence is important because (i) it works closely with its customers and (ii) it has smaller niche operations in countries such as Finland, Ireland, Hungary, France and Israel. The company also has an operation in India (particularly Bangalore) where it can access significant technical engineering and research and development skills. In the US, Arm has substantial offices in Austin (Texas), and San Jose (providing connections with companies in Silicon Valley), as well as elsewhere. A full list of Arm's overseas operations is at <https://www.arm.com/company/offices>.

Pre Covid-19, the company's executives travelled frequently to destinations in Europe and around the world but has been forced to limit its travel in recent months as the pandemic took hold. Stansted is the closest international airport to Arm's offices in Cambridge and is preferred where suitable air connectivity exists. Arm would like to see more long-haul destinations from Stansted that would provide it with a greater range of options for direct flights to destinations around the world.

In September 2020, it was announced that the American graphics chip specialist Nvidia, based in Silicon Valley, would acquire Arm (subject to regulatory approval) but that Arm's headquarters will remain in Cambridge. This acquisition may increase the need for travel between Cambridge and California and direct air connectivity from Stansted would facilitate this.

- 4.24 Consultations with stakeholders have clearly identified the importance of international links for this cluster and for its future development. The companies involved are ultimately mobile and the area around Cambridge is a choice based on a range of factors, including the availability of skills, the links to world class academic partnerships, the cluster benefits, the quality of life in the area and the transport infrastructure links, including the international connectivity offered by a growing Stansted Airport. Disrupting that package, through constraining Stansted's ability to grow its global route network if expansion to 43 mppa is not allowed, has the potential to weaken the area's competitive position as a location for future growth and investment. This is particularly so in dynamic, competitive and mobile sectors such as tech industries and pharmaceutical/life sciences.
- 4.25 As is clear from the map, Stansted is, of course, ideally placed to serve this business core in the East of England, sitting as it does at the very heart of the London Stansted Cambridge Corridor. The airport is obviously accessible via road from the M11 and with direct rail links to the North and South. Junction 7A on the M11, now under construction, will also strengthen links to the A414 and growth areas such as Harlow.

Case Study - KAO Data

KAO Data is a provider and operator of data centres specialising in High Performance Computing, AI and machine learning applications. KAO's industrial scale 40MW data centre in Harlow stores and maintains the IT servers for clients who need high performance infrastructure in industries such as finance, motion picture rendering and life sciences where for example, KAO's data services allows for advanced supercomputing of vast data sets, such as those required for the decoding of genomes.

KAO's data centre in Harlow is strategically located between London and Cambridge within the UK Innovation Corridor to allow access to the finance and tech sectors in London and the ever growing life science and tech community in and around Cambridge. KAO's location near to Stansted Airport offers a convenient international gateway for its clients and this connectivity across Europe and now further afield is a major selling point when signing new and important customers. KAO believe that when catering for large multinationals, it is crucial that their time sensitive employees and executives can carry out quick in and out visits to their servers. It is equally import to KAO and their customers to be able to fly in their IT equipment from around the world rapidly, and easy access to the air freight services at Stansted Airport minimises time and handling of sensitive equipment. For both passengers and freight, Stansted is felt to offer significant time advantages when compared to the other London airports, notably Heathrow.

KAO located their business within the UK Innovation Corridor to guarantee access to global organisations at the forefront of their industries. They believe that Stansted is a vital part of the corridor's infrastructure and that enabling its growth is essential to its continued success. Both from their own perspective and from the perspective of the UK Innovation Corridor, KAO want to see Stansted expand to offer a greater range of services, with long haul services to the US particularly sought after.

- 4.26 Away from the London Stansted Cambridge corridor to the East, while density appears to be lower, there are still a number of major organisations, for which Stansted Airport will be the most likely provider of air connectivity. I note particularly the presence of the Aviva General Insurance Headquarters in Norwich, a city which now benefits from direct rail services to Stansted, BT's research and development centre at Adastral Park, which is also home to a wide range of international tech firms, and Baxter Healthcare, an American multinational healthcare company headquartered in Illinois. A case study from BT is set out in the previous section.
- 4.27 I have noted that a large number of corporates and organisations submitted supporting statements in relation to the planning application during its consideration by UDC. I have attached a selection of key quotes at **Appendix 1** to this Proof.
- 4.28 Overall, again, it is clear that the East of England, and particularly the London Stansted Cambridge Corridor, is home to a wide range of major international firms that will have a significant and increasing demand for air connectivity. Stansted is at the heart of this international economy, with a significant European network, a newly embedded service to Dubai and growth plans that include developing access to the key US markets if it is able to expand from 35 to 43 mppa creating the conditions and confidence for the airlines to initiate such services.

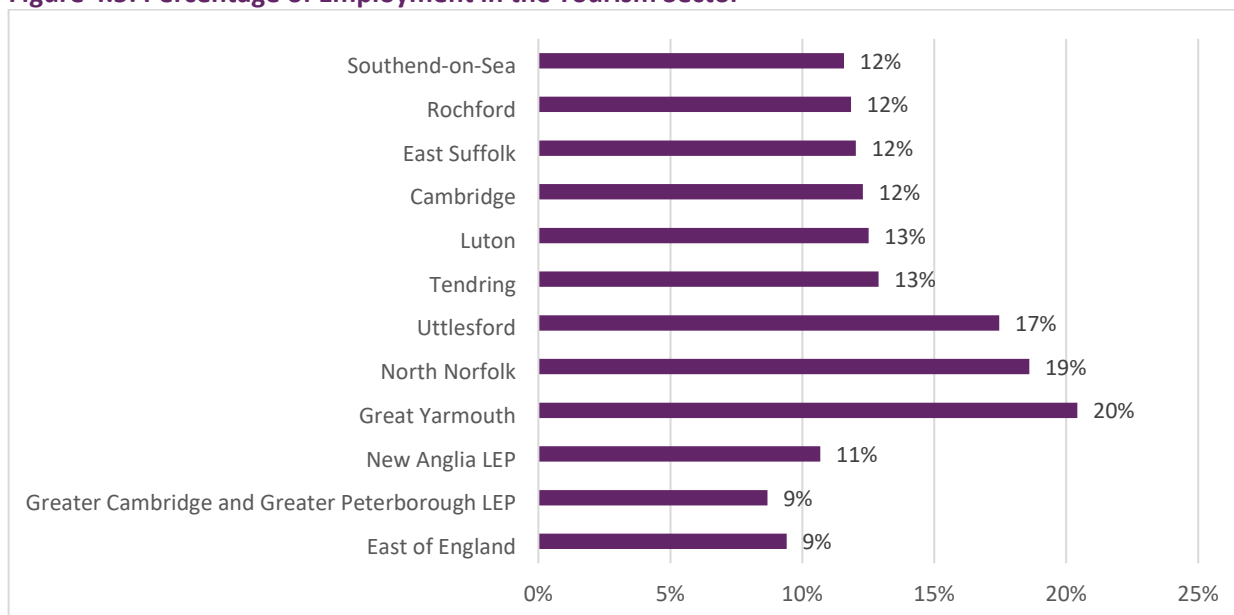
Tourism in the East of England

- 4.29 In terms of the international economy in the East of England, the importance of the tourism sector should not be forgotten. Visit East of England has highlighted the importance of tourism to the regional economy:

“The visitor economy of the East of England is valued at more than £10bn a year, making it the largest industry sector and one of the biggest employers”⁵²

4.30 **Figure 4.5** shows the importance of the tourism sector as an employer in the East of England. Most areas within the East of England have at least 10% of employment in the tourism sector, but some are considerably higher. Uttlesford is, for instance, noticeably higher, along with the traditional domestic tourism centres in North Norfolk and Great Yarmouth.

Figure 4.5: Percentage of Employment in the Tourism Sector



Source: York Aviation analysis of ONS Business Register and Employment Survey 2018 and ONS Workers in Main and Second Jobs in Tourism Industries by Region of Place of Work 2018

4.31 Tourism in the East of England is primarily a domestic market currently. It attracts around 140 million day trippers and 10 million staying visitors each year⁵³, of which around 2.3 million are estimated to be from overseas⁵⁴. This number has been growing over time, as can be seen in **Figure 4.6**. The region is currently felt to be operating ‘under the radar’ in terms of its international profile for tourism and there is significant potential to develop the sector further. Consultations have identified new opportunities around the ‘Masters of the Air’ Apple TV original mini-series, which is expected to substantially raise profile in the US market as it is based around the US Air Force’s activities at Mildenhall in Suffolk, and the region is bidding to become a tourism zone within the Tourism Sector Deal.

⁵² Visit East of England website. Visitor Economy Sector. [https://www.visiteastofengland.com/business-trade\(CD20.62\)](https://www.visiteastofengland.com/business-trade(CD20.62)).

⁵³ Ibid.

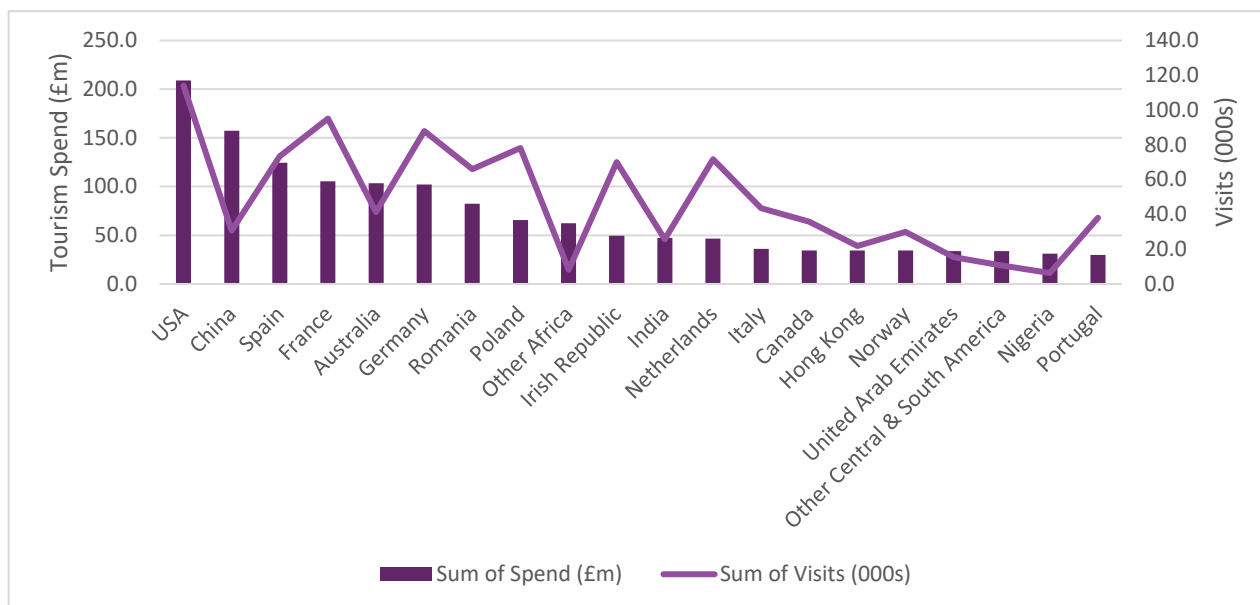
⁵⁴ Ibid, Inbound nation, region & county data. <https://www.visitbritain.org/nation-region-county-data>

Figure 4.6: International Visitors to the East of England

Source: Visit Britain. Nation, Region and County data.

4.32 **Figure 4.7** shows the key international markets for the East of England tourism sector in 2019. This shows a mixture of European short haul markets and key long haul markets, such as the USA, China and Australia. Air connectivity is central to attracting visitors from these markets. In 2019, over 75% of international visitors to the East of England region arrived by air, demonstrating clearly the importance of air access and the potential opportunity offered by future expansion. Currently, nearly 46% of European visitors to the region arriving by air use Stansted, with many of the rest using Luton Airport. Overall, over 37% of foreign visitors by air to the region used Stansted in 2019⁵⁵, with much of the leakage being in long haul markets that Stansted does not currently serve. To the extent that future growth beyond 35 mppa enables a greater focus on long haul markets, there are potentially clear benefits in accessing directly key tourism markets for the East of England, such as the USA and China, which would be expected to increase tourist visits to the region materially.

⁵⁵ York Aviation analysis of CAA Passenger Survey data.

Figure 4.7: Top 20 Markets for Inbound Visitors to East of England in 2019

Source: Visit Britain. Nation, Region and County data.

4.33 **Figure A5.1** in **Appendix 5** shows the destinations of international visitors to the East of England by county. It shows the importance of Cambridge as an attractor, but also the core of visits to areas in and around the London Stansted Cambridge Corridor. Overall, the international tourism market for the East of England is focussed on the areas in and around the London Stansted Cambridge Corridor. The region attracts a growing number of international tourists from a range of short haul and long haul markets, with air travel the dominant mode of access. Stakeholders believe that there are substantial opportunities for growth in the tourism sector if the right conditions can be developed, including more diverse and extended air access through Stansted Airport.

4.34 As I noted at the outset of this section, Stansted clearly plays a role today in supporting tourist visits to London, mainly from its extensive network of European destinations. I have intentionally focussed on the East of England where the importance of Stansted is more obvious in terms of its role in attracting visitors that might not otherwise have visited the area from overseas and its potential role in future, if allowed to expand, in supporting increased visits from tourists particularly from the USA and China, which are key tourism growth markets for the UK.

Higher Education Links

4.35 I now go on to consider further the importance of international links relating to the Higher Education sector in the East of England. In **Table A5.3** in **Appendix 5**, I set out the main HEIs in the East of England and the numbers of international students catered for by each institution in 2018/19 based on data from the Higher Education Statistics Agency (HESA). This covers both overseas students that are studying in the UK (Non-Domiciled Students), for whom air travel is in most cases a necessity to support their studies, and students that are being taught outside the UK via overseas learning provision provided by the HEIs listed (transnational students), which stimulates a requirement for travel to develop overseas partnerships, to train overseas providers and to deliver learning. In terms of students coming to the East of England to learn, there were around 42,460 students in 2018/19 across the various HEIs, with the University of Cambridge, the world's sixth ranked University⁵⁶, attracting nearly 10,000 non-domiciled students alone. The number of transnational students is even greater at around 355,620, with the University of Bedfordshire, the University of Hertfordshire and Anglia Ruskin University particularly active in this market.

4.36 **Table 4.6** shows the geographic origins of international students at the region's HEIs in 2018/19. For non-domiciled students, the market is dominated by the European Union and Asia. This fits closely with the connectivity offered by Stansted Airport, with its current and growing network of connections to European centres and the advent of the Dubai service in 2018 providing access to a wide range of Asian destinations via the Middle East hub. In this context, I note that around 53,000 foreign passengers were travelling to or from the East of England for the purposes of study in 2019 based on CAA Passenger Survey data.

Table 4.3: East of England HEI International Students by World Region in 2018/19

World Region	Non-Domiciled Students	Transnational Students	Total
Africa	2,390	44,000	46,390
Asia	12,975	177,420	190,395
Australasia	335	1,280	1,615
Middle East	1,320	60,480	61,800
North America	1,985	42,220	44,205
Other Europe	1,000	7,780	8,780
European Union	22,185	17,040	39,225
South America	270	5,020	5,290

Source: HESA.

4.37 Transnational students are focussed more in long haul markets, with Asia, the Middle East, Africa and North America all featuring strongly. Again, the advent of the Dubai service at Stansted fits clearly with this pattern, providing an enabler for travel relating to the delivery of courses in many of these world regions.

⁵⁶ Times Higher Education (2020). World University Rankings 2021 (CD20.67).

- 4.38 **Tables A5.4 and A5.5** consider the nature and extent of international research links at UK universities generally. **Table A5.4** shows the number of co-authored articles produced by UK universities between 2011 and 2016 by the country of co-authors. This shows both the extent of international links; there were nearly 600,000 articles from the top 10 collaboration partners alone; and the geographic spread. While the USA is the largest collaborator by some margin, major European countries are also a key focus, with Germany, France and Italy in the top 5. Air travel to facilitate these links is vitally important and Stansted provides strong European connectivity and connections to the Middle East and Asia via the Dubai service.
- 4.39 **Table A5.5** shows the sources of research income for UK Universities in 2015-2016 taken from research undertaken by Universities UK⁵⁷. Around 16% of research funding for UK Universities comes from overseas, with nearly 11% from the EU alone. This again helps to demonstrate the international nature of higher education in the UK and by extension in the East of England, particularly given the presence of one of the world's leading universities at the heart of the region.
- 4.40 The internationalisation of the HE sector in the East of England is highly likely to continue, with more overseas students, more overseas learning delivery and more international research partnerships. This will increase the demand for associated air travel to enable these vital interactions. Stansted, as the largest airport in the region and an already important provider of short haul and eastbound long haul connectivity, is an important tool now and will become increasingly important in the future if it is allowed to expand to 43 mppa. Indeed, growth in air connectivity is likely of itself to increase the market of foreign students available to the region's universities and colleges.

Summary

- 4.41 Overall, my analysis clearly demonstrates the demand for international connectivity from the East of England now, driven by the international nature of the regional economy, in common with many UK regions and, in particular, around the London Stansted Cambridge Corridor and the Tech, Pharmaceutical and Life Sciences sectors therein. I have also demonstrated that there is a significant international tourism sector in the region and that this is heavily reliant on air connectivity and that the strong Higher Education sector in the region has significant international links, both within Europe and further afield. Stansted Airport, of course, sits at the centre of both the East of England region and the London Stansted Cambridge Corridor, offering essential air connectivity. All of these activities will require a growing connectivity from Stansted to support their growth aspirations
- 4.42 In the next sections of this Proof, I explore Stansted Airport's particular role now and in the future, with expansion, in supporting these economically important activities further.

⁵⁷ Universities UK (2018), Higher Education Research in Facts and Figures (CD20.66)

5. Stansted's Role in Supporting Wider Economic Impacts in 2019

5.1 Having described the economic characteristics of the region and sub-region, in this section I go on to outline the current linkages between Stansted and the traffic that it handles (passengers, airlines, cargo) and the sub-regional and regional economies, distinguishing effects realised more locally from those relating to the Airport's role serving London. This will set out to articulate the linkage between the nature of the wider economy described in the previous section and the specific role played by the Airport in supporting activities within that wider economy in the region and sub-region. In this context, I consider Stansted as a large regional airport serving the needs of the region around it rather than its broader contribution as part of a system of airports serving London. In this context, it has more similarity to large regional airports such as Manchester, Edinburgh and Birmingham. This is relevant to considering how the nature of future growth, if Stansted is allowed to grow from 35 mppa to 43 mppa, would support wider economic activity as I go onto to consider in the next section.

5.2 Specifically, this analysis considers:

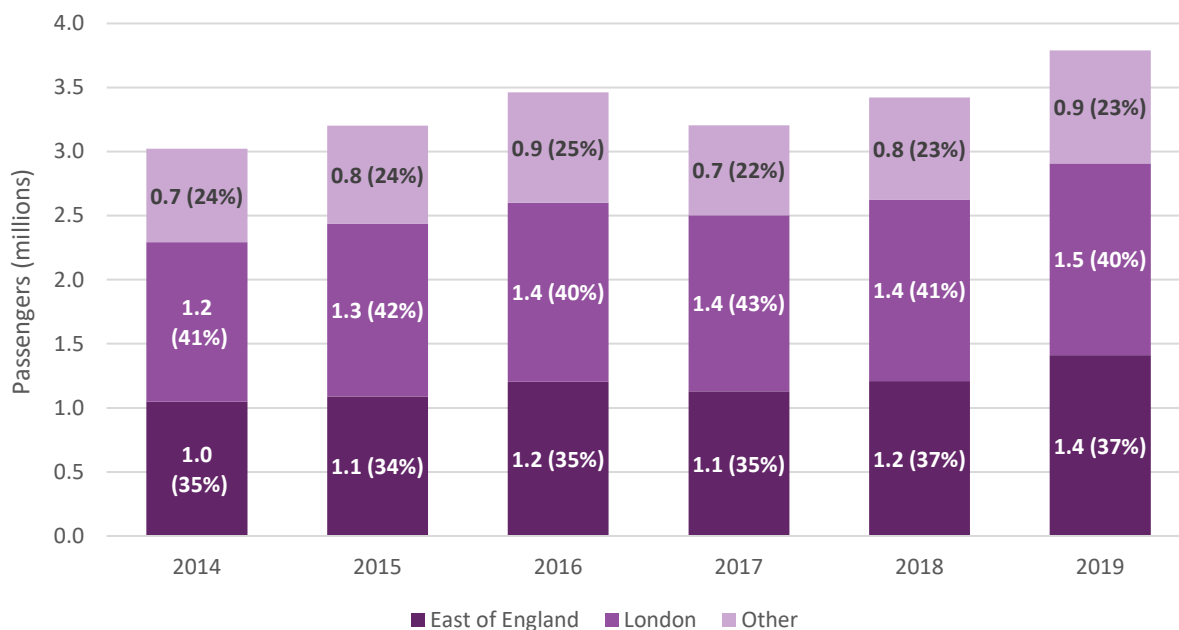
- the extent of business travel at Stansted, trends over time, the key destinations for business travellers and the areas from where Stansted draws business passengers using CAA Passenger Survey data;
- the characteristics of business travellers through Stansted including key sectors, detailed reasons for travel and country of residence;
- the evolution of business focused connectivity over time at Stansted using coverage of key Globalisation and World Cities Network cities as an indicator;
- the role of Stansted in the business travel market versus the other London airports;
- Stansted's role as a gateway for overseas travellers and the role of Stansted in the inbound tourism market versus the other London airports.

5.3 My analysis sits within the context of the £6 billion contribution to the UK economy made by Stansted Airport through direct, indirect, induced, business productivity and inbound tourism impacts⁵⁸.

Business Passengers

5.4 **Figure 5.1** shows the number of business passengers handled by Stansted each year between 2014 and 2019 based on the CAA Passenger Survey. This number has been on an upward trend over the period, with the Airport handling around 3.8 million business passengers in 2019. The analysis splits these passengers into those travelling to/from the East of England, to/from London and to/from other destinations. This shows that in 2019 business passengers were relatively evenly split between the East of England and London, with just under 1 million passengers travelling to/from other destinations. The share of business passengers from the East of England has been growing slowly over time indicating an increasing reliance on the Airport by businesses in the area.

⁵⁸ Planning Statement 2018 (CD2.3), para. 2.32.

Figure 5.8: Business Travel at Stansted Airport over time

Source: York Aviation analysis of CAA Passenger Survey data.

5.5 **Table 5.1** provides a breakdown of the spatial distribution of business passengers using Stansted in 2019, focussing on passengers travelling to/from the East of England. There are a number of key points to note:

- Cambridge and the surrounding areas are the key drivers of business demand in the East of England region, reflecting the economic geography of the region and the presence of the high value Tech, Pharmaceutical and Life Sciences clusters;
- the areas within the London Stansted Cambridge Corridor that are within the East of England account for over half the total business demand in the region;
- the Airport also provides connectivity for over 0.5 million passengers travelling to or from the Oxford Cambridge arc;
- the second highest number of business passengers is from Uttlesford District.

Table 5.4: Business Passengers at Stansted Airport by Surface Origin District

District	Passengers	%
Cambridge	191,200	5%
Uttlesford	139,800	4%
East Hertfordshire	88,500	2%
Huntingdonshire	55,900	1%
South Cambridgeshire	51,200	1%
Colchester	50,500	1%
Peterborough	49,700	1%
Norwich	44,300	1%
Chelmsford	40,600	1%
North Hertfordshire	39,700	1%
Thurrock	37,600	1%
Epping Forest	35,200	1%
Braintree	34,600	1%
Brentwood	31,000	1%
Suffolk Coastal	29,900	1%
Others	490,100	13%
<i>London Stansted Cambridge Corridor (exc. London) Sub-Total</i>	<i>781,000</i>	<i>21%</i>
East of England	1,410,000	37%
<i>Oxford Cambridge Arc</i>	<i>535,300</i>	<i>14%</i>
All UK Regions	3,790,700	100%

Source: York Aviation analysis of CAA Passenger Survey data 2019.

- 5.6 **Table 5.2** sets out the top 20 destinations from Stansted in 2014 and 2019. It shows the way that business passengers from the East of England are using Stansted to access major cities across Europe. It also shows that individual markets are growing in terms of the business passenger numbers being handled but that the Airport is also growing destinations that are important to business travellers over time. For instance, Berlin, Rome and Madrid have entered the Top 20 between 2014 and 2019.

Table 5.5: STN Busiest Destinations for Business Passengers from the East of England in 2014 and 2019

Destination City (2014)	Passengers	Destination City (2019)	Passengers
Edinburgh	118,282	Edinburgh	147,518
Dublin	81,000	Dublin	89,967
Glasgow	71,012	Amsterdam	82,697
Belfast	58,793	Belfast	72,681
Amsterdam	43,845	Glasgow	62,159
Eindhoven	35,330	Berlin	41,192
Cologne	35,116	Copenhagen	36,854
Stuttgart	29,051	Cologne	36,551
Frankfurt	23,519	Eindhoven	32,543
Dusseldorf	21,563	Prague	32,440
Turin	20,620	Milan	27,483
Barcelona	18,094	Billund	27,071
Copenhagen	17,811	Barcelona	26,021
Nuremberg	16,664	Munich	25,170
Cork	16,181	Lisbon	22,624
Munich	15,701	Frankfurt	22,542
Prague	13,548	Madrid	22,225
Milan	13,479	Rome	22,012
Istanbul	12,507	Cork	21,782
Ibiza	11,794	Budapest	21,470

Source: York Aviation analysis of CAA Passenger Survey data 2014 & 2019.

- 5.7 Mention should also be made of the 15,700 business passengers from the East of England using Emirates' Dubai service from Stansted, which commenced in 2018, to access either Dubai itself or a range of eastbound long haul destinations. This demonstrates that there is business demand within the region that will use long haul services from Stansted when they become available as set out in the evidence from Mr Galpin. Enabling this to happen, which is far more likely if the passenger cap is lifted than if it is not, would be highly beneficial to such business users enabling a shorter more convenient journeys to the Airport and so improving the productive use of time.
- 5.8 Overall, Stansted already plays an important role in providing European connectivity for business passengers travelling to major business centres, with a particular focus on the areas around Cambridge and in the London Stansted Cambridge Corridor. The Dubai service is also being used by business travellers for both point to point connectivity and to access destinations offered from the Emirates' hub at Dubai. We would expect the frequency of service to such destinations would continue to increase into the future if the passenger cap of 35 mppa is lifted and the Airport is able to use more of its consented aircraft movements for passenger services. This too would benefit business travellers.

Characteristics of Business Passengers

- 5.9 I now consider some of the available information about business travellers using Stansted Airport to travel to/from the East of England.
- 5.10 **Table 5.3** shows the proportion of East of England business passengers at Stansted Airport by income band. This demonstrates that around 78% of these passengers earn in excess of £34,500 per annum. The workplace based median average full-time salary in the East of England in 2020 is around £31,000 according to the Office for National Statistics Annual Survey of Hours and Earnings⁵⁹. This demonstrates that those accessing the air service connectivity offered by Stansted are primarily in high earning occupations that are likely to support high levels of GVA within the regional economy. In other words, Stansted is acting as a gateway for high value added individuals from the East of England to support their international travel needs.

Table 5.6: Proportion of Business Passengers by Income - East of England (2017-19)

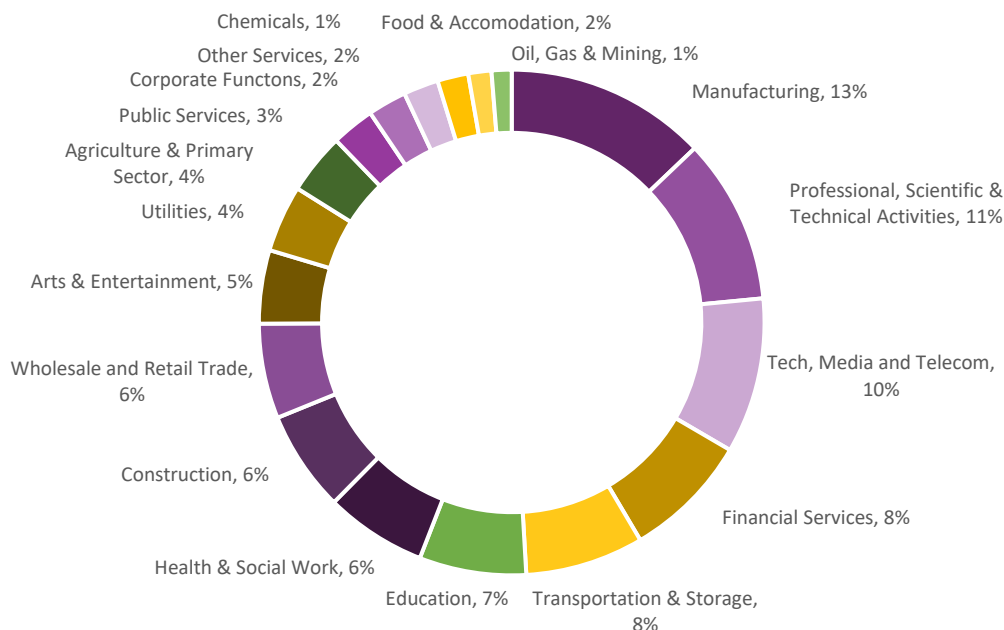
Annual Income	% of Business Passengers
0 - £22,999	8%
£23,000 - £34,449	14%
£34,500 - £57,499	38%
£57,500 - £114,999	29%
£115,000 - > £350,000	12%

Note: Data from three years has been used to increase the sample size for assessment.

Source: York Aviation analysis of CAA Passenger Survey data 2017-19.

- 5.11 **Figure 5.2** provides an insight into the economic sectors in the East of England that are using Stansted for business travel. This data should be interpreted with some care as responses from passengers within the CAA Passenger Survey do not always fit with standard industrial classifications. Nevertheless, it is possible to pick out many of the important sectors and clusters for the East of England economy identified above as significant users. Professional, Scientific & Technical Activities (11%), Tech, Media & Telecom (10%), Financial Services (8%) and Education (7%) are all strongly represented in the mix of business passengers.

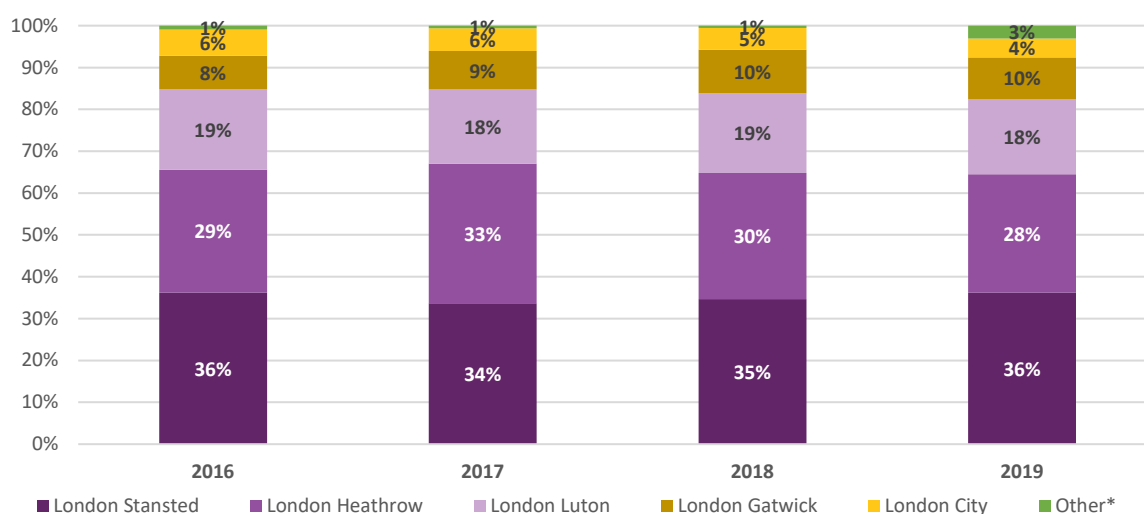
⁵⁹ Accessed via NOMIS.

Figure 5.9: Key Sectors identified in the East of England using Stansted Airport for Business Travel

Source: York Aviation analysis of CAA Passenger Survey data 2016-19.

Stansted's Role in the East of England Business Market

5.12 In **Figure 5.3** below, I consider Stansted's role in serving the business travel market in the East of England compared to the main other airports serving the region. This shows that Stansted held around a 36% market share of the business travel market in the East of England in 2019. It is the largest provider of business connectivity by some margin, with Heathrow holding the next largest market share at 28%, followed by Luton at 18%. Stansted has held this position for some time, indicating that, to date, its air service network has been able to keep pace with regional business passenger needs. This would not be the case in the medium term if the Airport is capped at 35 mppa and the opportunity to increase the share of business passengers that could fly more locally would be lost with damaging implications for the regional and sub-regional economy.

Figure 5.10: East of England Business Passenger Market Share

Source: York Aviation analysis of CAA Passenger Survey data 2019.

5.13 **Figure 5.4** below shows where East of England business passengers that use airports other than Stansted are travelling to. This demonstrates that Heathrow's position is heavily driven by passengers travelling to long haul destinations, reflecting its particular strength in that area. Otherwise, passengers are mainly accessing short haul destinations, particularly from Luton, also within the East of England region with a significant tranche of domestic passengers also. Overall, this suggests that there is significant scope to clawback business demand from airports outside of the East of England, if growth is allowed and consequent development of the network both in terms of destinations and levels of frequency is encouraged. Indeed, to the extent that Heathrow Airport becomes capacity constrained in the medium term, allowing Stansted to capture more of this long haul demand will be extremely important if wider business growth prospects are not to be damaged in the future.

Figure 5.11: Destinations of East of England Business Passengers at the Other Main Airports



Source: York Aviation analysis of CAA Passenger Survey data 2019.

5.14 **Table 5.4** sets out an analysis of the largest business markets in the East of England that were not served from Stansted in 2019. Delivery of destinations such as these would provide significant advantages for the business community in the East of England in terms of the speed and efficiency of air service connectivity, facilitated by shorter journey times to the Airport. This is more likely if the Airport is allowed to increase from the 35 mppa passenger cap to 43 mppa. It is interesting to note particularly the number of US cities on the list.

Table 5.7: East of England Business Passenger Leakage – Unserved Routes in 2019

Destination City	Passengers
New York	48,115
Dusseldorf	46,048
Zurich	34,096
Boston	27,705
Aberdeen	26,255
Basel	23,195
Washington DC	23,010
Stuttgart	22,241
Inverness	18,223
Rotterdam	18,030
Chicago	17,806
Jersey	16,470
Orlando	16,340
Miami	14,024
Hong Kong	13,885

Source: York Aviation analysis of CAA Passenger Survey data 2019.

Business Related Connectivity to/from Stansted Airport

5.15 I now consider the value of Stansted Airport's route network in terms of its ability to connect the East of England economy to key economic centres. I have done this by considering Stansted's coverage of world cities as defined by the Globalisation and World Cities Network (GaWC) in *The World According to GaWC in 2020*⁶⁰. This is the latest publication in a long series of research into world city formation around the world, including Europe. The research analyses the location decisions of advanced service firms to establish a hierarchy of world cities. Cities are then classified into a series of rankings starting with Alpha++ (the most important global centres) through to Gamma-. In addition, the classification identifies High Sufficiency and Sufficiency cities, which do not have all the features of world cities but display important characteristics of world cities. My analysis here focusses on connectivity to Alpha, Beta and Gamma cities. The classification of these cities is set out in **Appendix 6**.

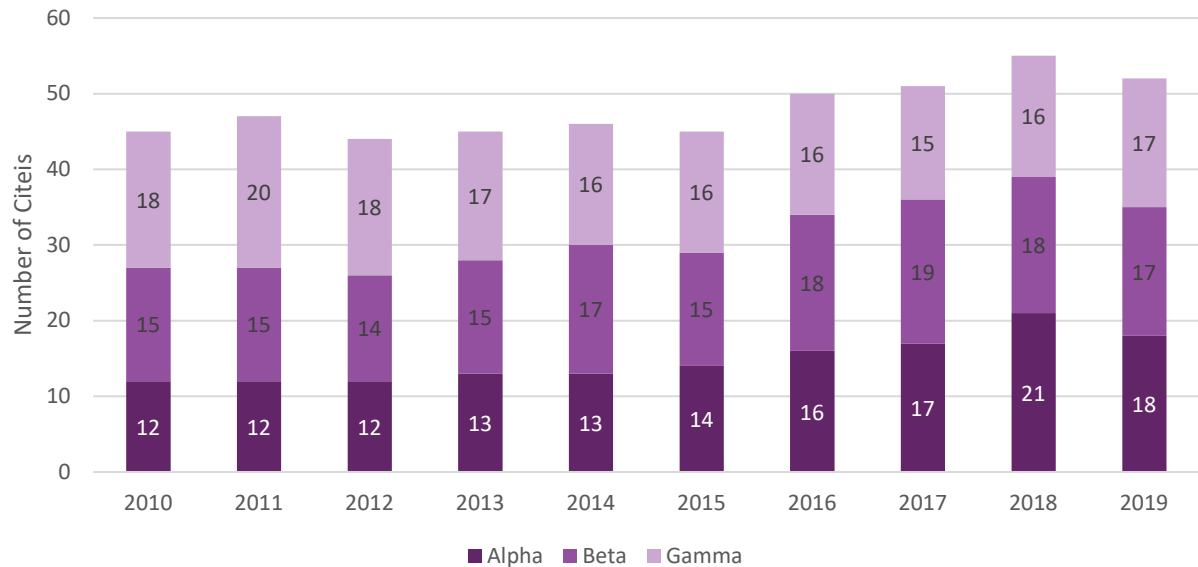
5.16 **Figure 5.5** shows the number of GaWC cities served from Stansted Airport over the last 10 years. There are a number of points to note:

- across all classifications, the number of world cities served by Stansted has been on an upward trend for the last 10 years, reflecting the ongoing traffic and network growth at the Airport;
- this growth has primarily been driven by improvements in the range of destinations served amongst the Alpha world cities, principally those in Europe, where coverage has improved by 50% over the period. These cities are the most important nodes in the global economy and they are, therefore, key destinations in an airport's network if it is to be a tool for business;
- there has been some growth in Beta city coverage, but this has been more limited. Coverage of Gamma cities has declined slightly. This overall pattern is, in many ways, unsurprising. Alpha cities tend to have large air transport markets and, hence, are likely to be served earlier than second tier Beta cities (notwithstanding differences in short haul and long haul markets).

⁶⁰ GaWC (2020), *The World According to GaWC 2020*, <https://www.lboro.ac.uk/gawc/world2020t.html> (CD20.68).

5.17 The ongoing growth in connectivity to these key economic centres is an important indicator of how Stansted's growth to date has fuelled its ability to support connectivity that is important in driving economic benefits. Some variation year on year is to be expected but the upward trend is clear indicating how Stansted has supported wider business growth in the region over the last decade.

Figure 5.12: GaWC World Cities Served from Stansted Airport



Source: York Aviation analysis of the GaWC *The World According to GaWC 2020* and OAG.

5.18 **Figure 5.6** overleaf examines Stansted Airport's performance in terms of the proportion of world cities covered. It shows that in 2019, Stansted has grown to cover 94% of the Alpha cities⁶¹ in Europe, 70% of Beta cities and 65% of Gamma cities. It, therefore, provides access to a large majority of the important economic centres in Europe. If it is allowed to continue to grow up to 43 mppa, I would expect this coverage to improve further, with additional services to Alpha world cities, expanding coverage of Beta cities, followed by development of services to a range of Gamma cities. This is the pattern seen at other large airports serving substantial regions of the UK.

5.19 At a global level, the picture is somewhat different. Stansted's current services provide limited direct access to important economic centres outside of Europe. It only provides direct access to 36% of Alpha cities globally, 19% of Beta cities and 20% of Gamma cities. Developing access to key long haul destinations, most likely focussing on Alpha cities first, is a key next stage in the Airport's development and will enable it to enhance its economic role significantly, especially considering the global nature of the economic links in the East of England discussed above. In this sense, I would expect it to mirror the pattern seen at the larger regional airports, such as Manchester, Birmingham and Edinburgh, with services introduced to the USA, Middle East and Far East. As Mr Hawkins makes clear in his evidence (para. 4.27), such services will only be able to develop if airlines have confidence in the ability to grow which requires the lifting of the 35 mppa cap.

⁶¹ Note that it cannot achieve 100% coverage as it is located near to London, which is of course an Alpha city.

5.20 It should also be recognised that access to key long haul hubs would provide an important first step in securing access to these long haul economic centres. The Dubai service is a prime example. This service provides indirect connections to a further 18 Alpha cities, 18 Beta cities and 11 Gamma cities. This demonstrates the ‘game changing’ effect of the Dubai service and illustrates the potential offered by similar long haul services to major international hub airports, which I go onto discuss in the next section.

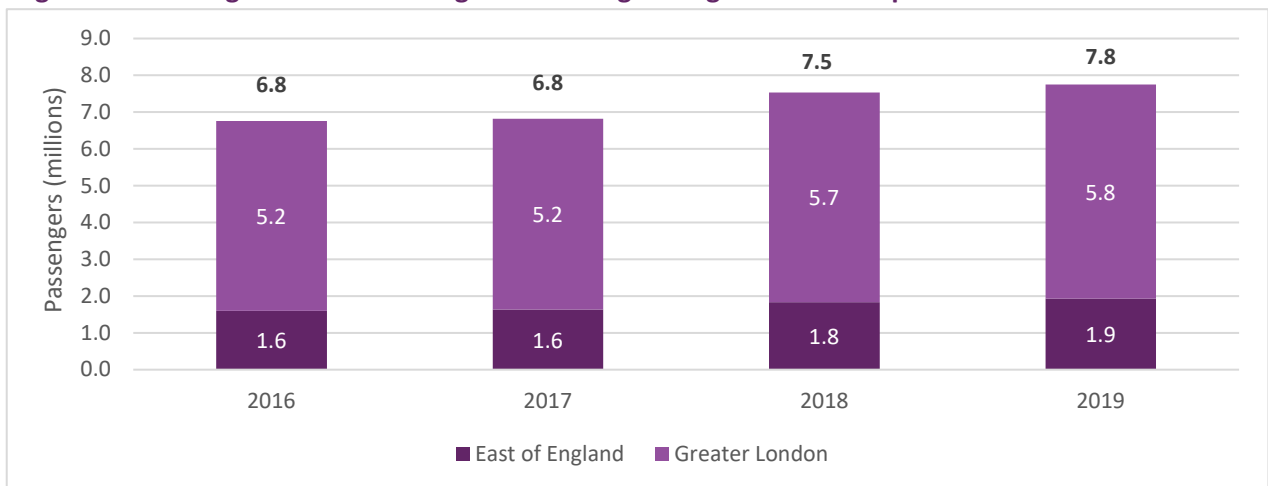
Figure 5.13: Coverage of European and Global GaWC World Cities



Source: York Aviation analysis of the GaWC *The World According to GaWC 2020* and OAG.

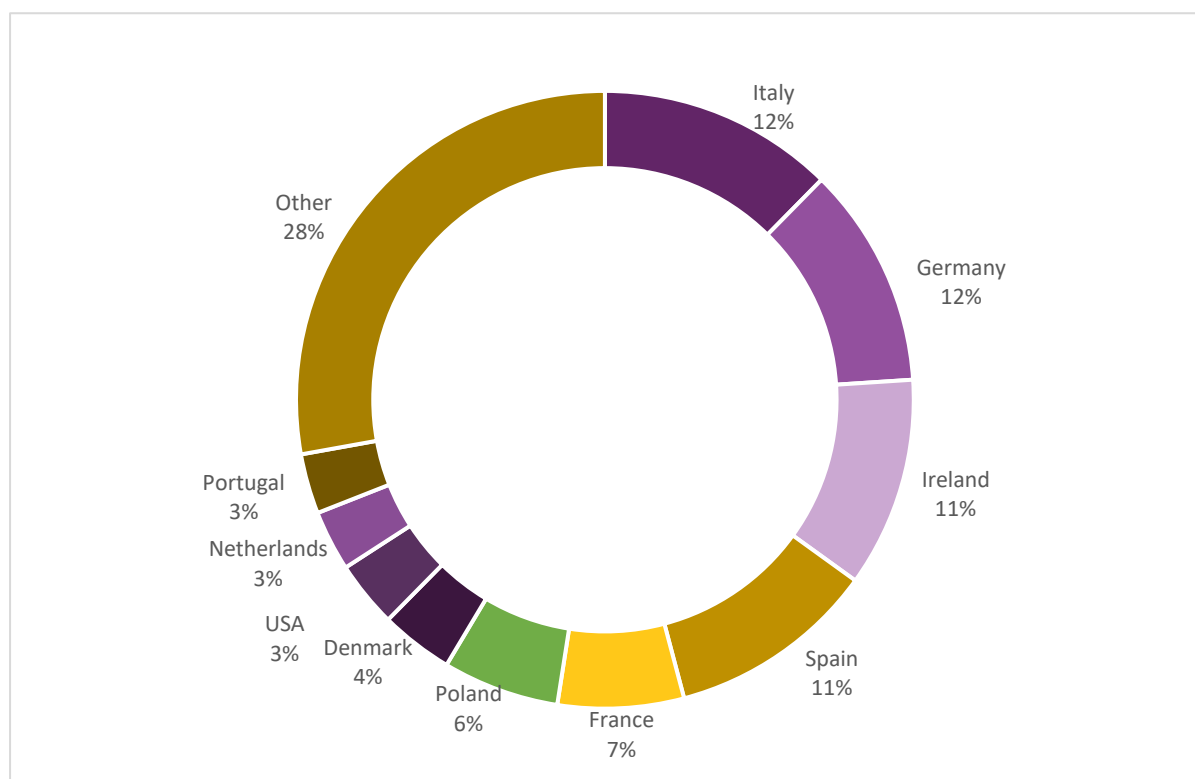
Facilitating Inbound Tourism

5.21 Having considered the use of Stansted for business travel, I now consider Stansted’s current role in facilitating inbound tourism into the East of England. **Figure 5.7** shows the number of foreign inbound passengers travelling through Stansted each year between 2016 and 2019. As noted earlier, it has to be recognised that, as a facilitator of inbound tourism, the Airport is primarily a gateway to London. However, it did handle around 1.9 million overseas inbound passengers that have travelled to the East of England in 2019 and this number has been growing over time. This differential reflects the nature of the tourism product in the region, and its attractiveness to foreign visitors, as much as the role of the Airport, albeit to the extent that when passengers fly into Stansted, it is more likely that they will spend time within the region than if they used one of the other London airports.

Figure 5.14: Foreign Inbound Passengers Travelling through Stansted Airport

Source: York Aviation analysis of CAA Passenger Survey data.

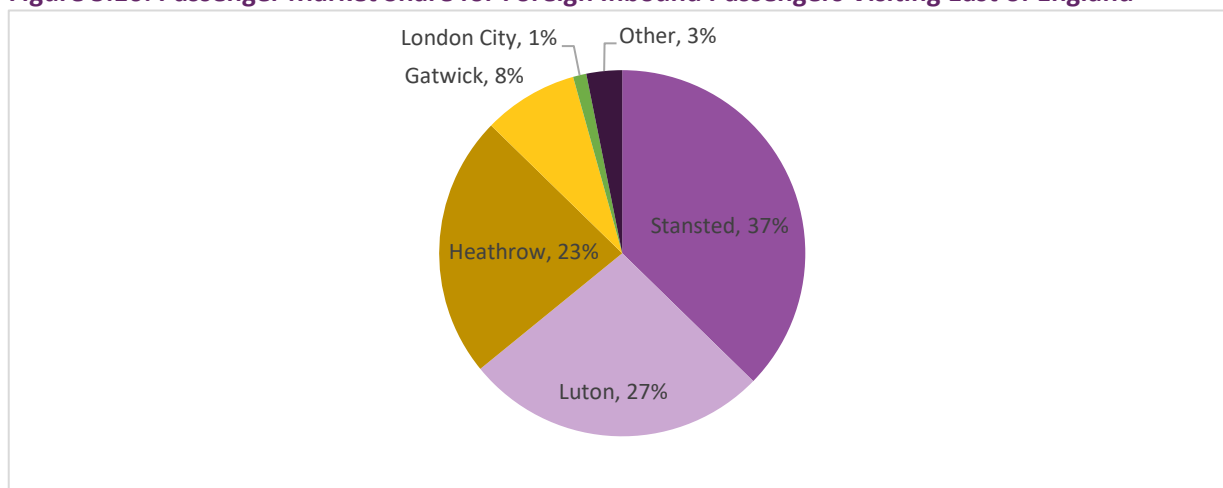
5.22 The source markets for this inbound tourism effect reflect the Airport's route network. The major markets for visitors coming through Stansted are Italy, Ireland, Germany and Spain (see **Figure 5.8**). The Airport did not provide significant access to the main overseas market for the East of England, the USA, or indeed the second largest market, China in 2019. Further development of the route network into long haul markets, as set out in the evidence of Mr Hawkins and Mr Galpin, would clearly assist in penetrating these markets, with new routes expected to the USA, the Middle East and China if capacity is allowed to expand to 43 mppa. This would increase the Airport's ability to support economic benefits from inbound tourism.

Figure 5.15: Key Markets for Inbound tourism at Stansted Airport 2019

Source: York Aviation analysis of CAA Passenger Survey data 2019.

5.23 It is, however, again important to consider Stansted's role in the context of the role played by other airports in supporting inbound tourism to the East of England. **Figure 5.9** shows the market shares for the main airports serving the East of England for foreign inbound passengers in 2019. This shows that Stansted Airport is the main gateway for air visitors to the East of England. Further expansion to 43 mppa offers opportunities to grow the network as discussed, which will in turn open up new markets for what is clearly an attractive gateway for inbound tourists. This will support broader tourism objectives for the region as discussed in Section 3 of this Proof.

Figure 5.16: Passenger Market Share for Foreign Inbound Passengers Visiting East of England



Source: York Aviation analysis of CAA Passenger Survey data 2019.

Summary

- 5.24 In this section, I have considered the importance of Stansted Airport as a tool for the wider economy in 2019 and how it has developed in this regard in recent years as traffic has grown. I have identified that the Airport is already the most significant provider of air connectivity for the international economy in the East of England, particularly supporting travel to and from the London Stansted Cambridge Corridor.
- 5.25 I have established that the Airport provides access to a wide range of European business centres and that these connections are utilised by the business base in the East of England. I have analysed the connectivity offered by Stansted to key business centres and identified that coverage has grown in recent years, particularly to high ranking cities, and that a significant proportion of European business centres are accessible from Stansted. However, I have also identified that gaps remain in Europe and that there are considerable opportunities to improve coverage of long haul business centres. This is far more likely to happen if the Airport is not constrained to 35 mppa and can increase its number and range of passenger services.
- 5.26 Finally, I have considered the role the Airport plays in bringing inbound tourism to the East of England, establishing that it is the largest connector in the region for inbound tourists, with a focus reflecting its current, primarily short haul network. I have also identified that there is potential to enhance this role if connections to key long haul markets can be established, notably in the USA and China.

6. The Nature of Future Growth at Stansted and its Wider Economic Implications

- 6.1 In this section, I consider how the Airport's role will grow in future to illustrate how expansion of the Airport will contribute to the achievement of the strategic objectives of regional and sub-regional stakeholders and other national economic initiatives. This assessment is based on the demand forecasts set out in the Planning Statement, ES and the Proof of Evidence from Mr Galpin.
- 6.2 In relation to the implications of the development of Stansted Airport to handle 43 mppa, if permitted, to increase wider benefits, I have considered:
- how Stansted is expected to grow in the future in terms of key metrics such as the number of business travellers, the growth of long haul markets and the number of foreign inbound visitors;
 - how this growth will affect the connectivity offered by the Airport over time;
 - how this will impact on the Airport's ability to support benefits associated with business travel, including the ability to serve East of England demand more 'locally' and to support cluster development;
 - how this will improve potential penetration of inbound tourism markets;
 - how development will link through to future strategy and aspirations for the region.
- 6.3 I consider each of these issues in turn below.

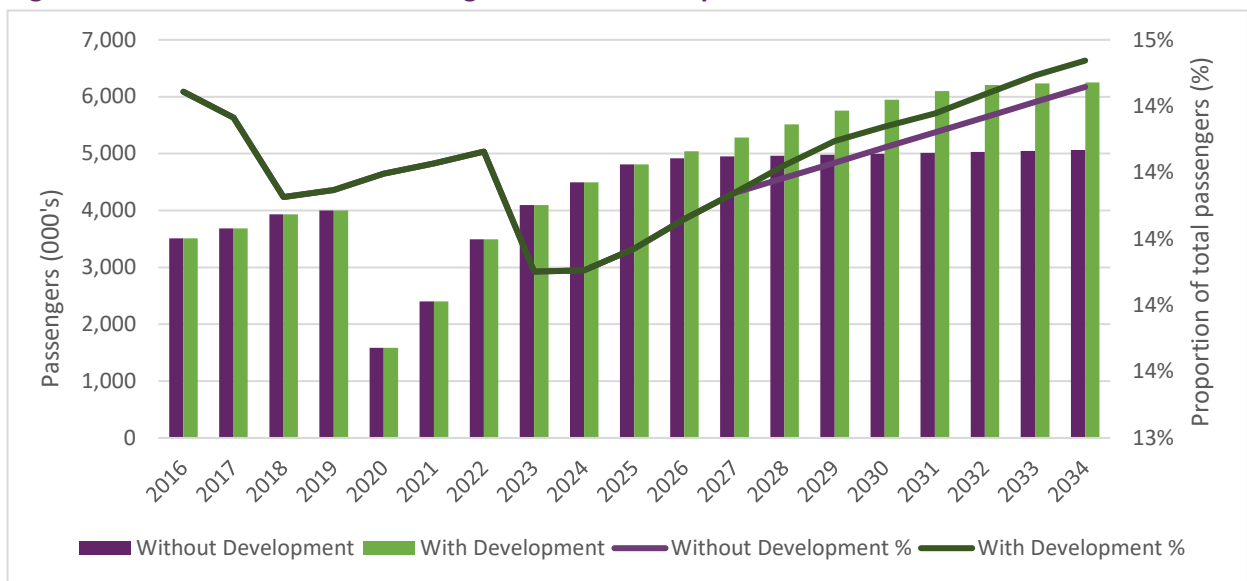
How is Stansted Forecast to Grow in the Future?

- 6.4 The future wider economic implications of growth at Stansted beyond 35 mppa and up to 43 mppa are, ultimately, dependent on the nature of passenger growth that this entails. It is dependent on the extent to which Stansted's growth enables:
- additional business demand to be met and the extent to which meeting this demand at Stansted provides a more efficient solution for business travellers;
 - the Airport to develop its route network and the nature of the services it offers to better meet the existing needs of the East of England business base and to evolve to meet future needs;
 - better access to inbound tourism markets, thereby bringing new visitors to the region.
- 6.5 The future demand forecasts for Stansted Airport, supporting the application, indicate the expected developments in the composition of traffic at Stansted and the route network. If permitted to expand in this way, this will enable the Airport to enhance its contribution and support the wider economic growth aspirations of the region. I now consider the ways in which growth at Stansted, if permitted, will support the wider economy in the region.

Business Passengers

- 6.6 **Figure 6.1** shows the number of forecast business passengers in the ‘with’ and ‘without’ development scenarios. This shows that if Stansted Airport is able to develop beyond 35 mppa, then the Airport not only delivers a higher volume of business passengers, around 1.2 million extra passengers by 2032, but the Airport also becomes more business focussed, with the proportion of business passengers within the total throughput increasing from 14% to 15%. This is because a busier airport achieves a greater critical mass, enabling it to sustain a wider range of air services, including to business focussed destinations.
- 6.7 The forecasts do not envisage a significant change to the catchment area of the Airport, so it is reasonable to assume that a significant proportion of these additional passengers will be travelling to/from the East of England.

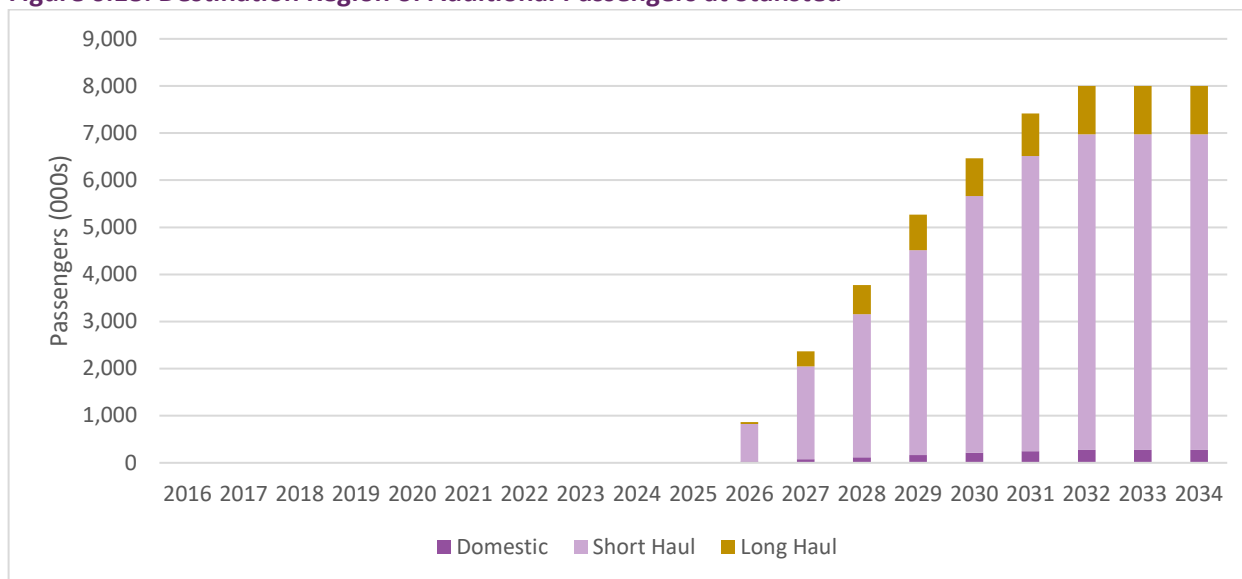
Figure 6.17: Forecast Business Passengers at Stansted Airport



Source: ICF.

Network Balance

- 6.8 The forecasts also suggest that growth beyond 35 mppa will result in a change in the balance of the route network at Stansted, with growth enabling a greater focus on developing long haul markets as indicated in the demand forecasts, while still seeing development in the short haul network. The make up of additional passengers enabled by Stansted's growth above 35 mppa is set out in **Figure 6.2**.

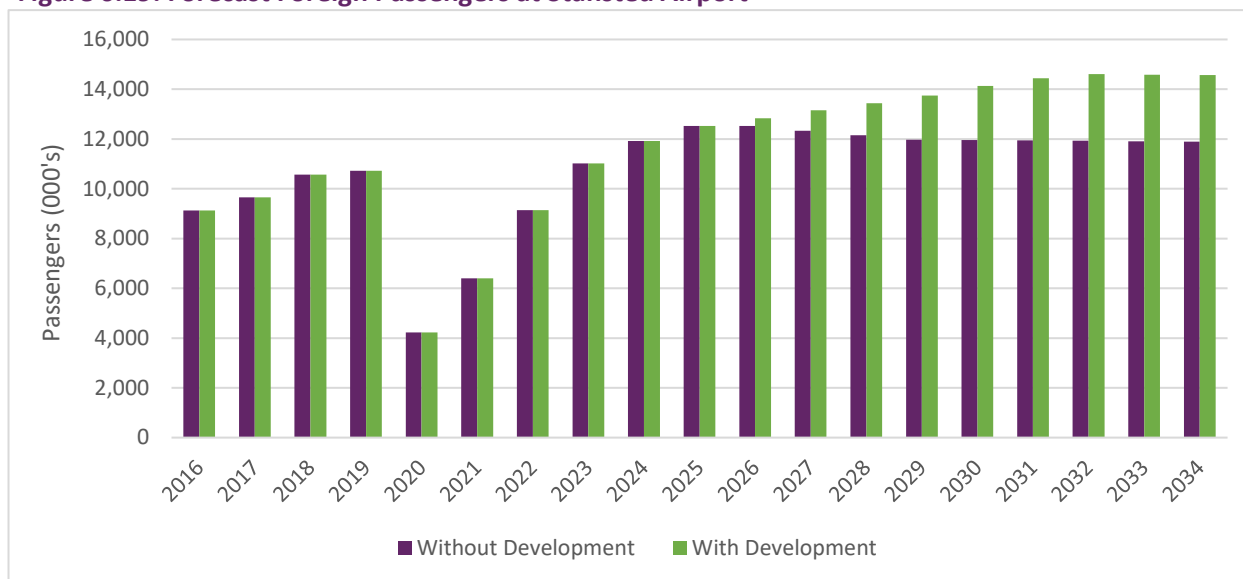
Figure 6.18: Destination Region of Additional Passengers at Stansted

Source: ICF.

6.9 This demonstrates that growth is forecast to enable around 6.7 million additional short haul passengers by 2032 and over 1 million additional long haul passengers. It is also possible to see the increasing proportion of long haul traffic within growth over time. The expected growth in long haul passengers is significant as it is expected to enable additional services to commence to the US, additional Middle East hubs and potentially to the Far East, all of which would be economically beneficial and be expected to include improved direct and indirect connections to more of the globally important Alpha world cities as I discuss further below. However, it is important to remember that short haul growth will also support the growth in business opportunities in Europe and support the hub and spoke system that I discuss in Section 2 in terms of making the East of England an attractive location for headquarters and regional headquarters type activity.

Tourism

6.10 Finally, in **Figure 6.3**, I consider the extent to which growth will enable additional inbound visitors to the East of England. Again, it is clearly possible to see that by the time Stansted is handling 43 mppa, there are an additional 2.7 million additional foreign passengers using the airport. Again, given that there not expected to be significant changes to the Airport's catchment area, this will translate through to additional tourists in the East of England region, with a disproportionately strong effect where access is expected to be enabled with expansion to 43 mppa to high spending long haul markets such as the USA or China.

Figure 6.19: Forecast Foreign Passengers at Stansted Airport

Source: ICF.

6.11 My analysis of the traffic forecasts clearly shows that the building blocks are there for Stansted to significantly increase its wider economic impact in the East of England as it grows beyond 35 mppa. There will be more business travellers, enabling more trade, more FDI and improved knowledge flows. There is expected to be growth in long haul markets, which is much less likely to arise if the Airport is constrained to 35 mppa. Such growth supports the identified needs of firms in the region and in the London Stansted Cambridge Corridor particularly. Finally, at 43 mppa, there will be more inbound visitors bringing expenditure into the region to grow the visitor economy.

The Impact of Growth on Connectivity

6.12 Having looked at the impact of growth beyond 35 mppa in terms of passengers and their characteristics, I now consider what the increase in capacity at the Airport is likely to mean for its connectivity offer in the future. At the outset, it is worth highlighting the general point that Mr Hawkins makes in his Proof of Evidence at para. 4.29 that confidence in the ability to grow beyond 35 mppa makes it more likely that the Airport will be able to develop a larger and more diverse network. I think it fair, at this point, to make the comparison to the situation at Heathrow in recent years, where the well documented capacity constraints have resulted in a shrinking network and consolidation on to core, high volume routes. Constraint has forced airlines to make 'either/or' choices rather than fostering genuine network growth.

6.13 Taking short haul connectivity first, and considering the effect of additional capacity, if permitted, on the connectivity offer likely to deliver additional wider business benefits, I would expect the 6.7 million forecast increase in short haul passengers to result to some degree in more of the same. This, however, is not a bad thing from the perspective of delivering wider economic benefits. As we have seen above, Stansted has steadily grown its coverage of key world cities in Europe. It is now close to serving all the GaWC Alpha ranked cities in Europe and Beta city coverage has been growing. We would now expect to see increased frequency on Alpha cities, catering to the flexibility needs of business travellers, and an acceleration in the coverage of Beta cities, with Gamma cities following on. This dynamic will be reliant on growth past 35 mppa. Otherwise, the Heathrow effect is likely to occur and the breadth of connectivity to second tier, but still important economic centres will not occur. Airlines will instead seek to focus on revenue intensive, high yielding routes, which it should be recognised, in the context of an airport like Stansted, with a significant leisure focus, may not be routes that are useful to business travellers. If anything, constraint is likely to see some concentration on high volume, high yielding leisure routes such as to Mediterranean destinations.

- 6.14 In terms of long haul connectivity, confidence in the ability to grow in the future is again essential if airlines are to invest in new routes, particularly given the relatively higher start-up costs and operating costs for long haul routes. Mr Hawkins in his Proof of Evidence again at para. 4.29 highlights that Stansted is targeting routes to China, the Middle East and North America with the lifting of the passenger cap. This fits both with the picture of large unserved business markets from Stansted set out above, which had, in particular, a notable concentration of US destinations, and also with the picture of current and future air travel requirements identified in discussions with stakeholders. These markets are also important potential markets for the tourism economy in the East of England. However, for the reasons indicated by Mr Hawkins, such routes are much less likely to be able to be developed if capacity is limited by the 35 mppa cap.
- 6.15 Growth beyond 35 mppa is expected to enable an additional 1 million long haul passengers, making the total long haul market at Stansted in 2032 around 2.8 million passengers. My previous analysis suggested that the Airport has substantial gaps in its coverage of GaWC Alpha cities at a global level. I would expect long haul growth to focus on these key Alpha cities in the first instance, particularly where they are also strong international air hubs. The advent of the Dubai service provides a precedent for this. Dubai is an Alpha + world city in the GaWC rankings and a major international hub airport. As noted earlier, I would expect Stansted to echo the pattern seen at other large airports serving important regions of the UK in developing connectivity to the main cities/hubs in the USA, Middle East and, ultimately, the Far East. If Stansted is constrained, it is likely still to develop some long haul connections but is unlikely to develop the same breadth of connectivity, with focus potentially remaining on a small number of high volume destinations, which may be more leisure focussed as discussed at para. 6.13 above.
- 6.16 There is also a further point to be made about the way Stansted's connectivity develops. From the perspective of providing wider economic impacts, connectivity is relative and not absolute. The world is becoming an ever more connected place. Standing still in terms of a region's connectivity offer is not good enough in terms of a region's global competitiveness because other regions will be growing their connectivity. Standing still actually means that an airport's connectivity competitiveness and the wider economic benefits it can support are declining. I have demonstrated that Stansted is an important economic tool for the East of England and that it has become increasingly so. The ability to grow beyond 35 mppa is essential to further developing its connectivity and even simply maintaining its current status as an economic asset.

How Will Growth at Stansted Support Business Growth in the Future?

- 6.17 As I have demonstrated, growth at the Airport will bring greater volumes of economically important routes and passengers, which will, ultimately, result in more trade and investment in the East of England and more tourism expenditure, and it will enable the Airport to build its route network to cover a greater range of economically important destinations.
- 6.18 The effect on GVA and employment for increased trade, FDI and tourism is largely self evident and I have explained the mechanisms involved above. More volume will result in increased economic activity and employment. It is the latter point around the enhanced route network that it is worth considering further.

- 6.19 Improving Stansted's connectivity is about regional competitiveness and the ability to attract and retain global companies and the people who work for them. From Stansted's perspective, it is worth examining the example of the Cambridge life sciences and tech cluster. This is recognised as a globally important economic cluster with huge potential to foster growth in the future. Its presence in Cambridge is the result of many factors but the defining ones are the links to the University, the critical mass of potential collaborators and the associated knowledge base, and the quality of life and opportunity advantages that it offers to potential employees from around the world. Stansted is not why the cluster is there as, in economic terms, it is not a sufficient condition for the development of the cluster. It is, however, a necessary condition. The cluster would not be the same or as effective if Stansted was not in close proximity providing valuable connectivity. Stansted is an essential part of the quality of life offer, enabling the international workforce to travel home to see friends and family, it is an essential enabler of the international collaborations that fuel innovation within the cluster, and it is an important business tool for the multinational companies located there. In other words, Stansted's role goes beyond enabling trade or influencing individual investment decisions, it is a fundamental part of what makes the East of England an attractive place to live, work and invest. If Stansted is to continue play this role, it needs to grow and expand its connectivity to meet the holistic needs of the economy around it. In this context, permitting expansion up to 43 mppa is important.
- 6.20 I have used the life sciences and tech cluster to illustrate how improved connectivity works through to supporting the cluster and its growth. These effects are equally valid to other economic clusters within the region, where similar growth drivers will be present. Given the context for the region and, in particular, the sub-region around Stansted and the Innovation Corridor, these drivers will be disproportionately important given the emphasis on innovation and the global collaboration that underpins this.

How will Growth Improve Penetration of Inbound Tourism Markets?

- 6.21 The ability of growth to improve penetration of inbound tourism markets is heavily linked to the discussion above about the development of short haul and long haul connectivity. To a significant degree, the key business centres that are important to business travellers are also key source markets for inbound tourism. Hence, as growth beyond 35 mppa helps to secure expansion of the Airport's network to cover more Alpha, Beta and Gamma cities, within Europe and worldwide, it will enhance direct access to new inbound tourism and help drive penetration in these markets. Consultations with stakeholders, as set out in Section 3, have highlighted the particular importance of US connections in this context, as it is currently the largest single country market for tourism in the East of England. Without growth and, hence, with a smaller route network, there will simply be less inbound markets to work with.

Case Study - Visit East of England

The year-round visitor economy of the East of England is valued at more than £10bn a year, making it the largest industry sector and one of the biggest employers. Over the next five years, the visitor economy in the East of England is projected to see double digit growth – the only sector to do so. Every 1% of growth would create more than 2,000 additional jobs.

Stansted Airport is a partner of Visit East of England and is the international gateway to the East of England. In June 2019 the Government published a Tourism Sector Deal and with it the opportunity for regions to bid to become one of five new Tourism Zones across England that will receive support to drive visitor numbers. Visit East of England considers Stansted Airport as integral to their bid and constraining the Airport's growth could jeopardise future opportunities to bid for funding.

Visit East of England Executive Director Pete Waters said:

"The airport's unrivalled access to Europe and potential new destinations in the US, Asia and the Middle East will further open up the region to inbound leisure passengers and help promote tourist attractions across Essex and the wider region...if we are to continue to benefit from inbound tourism in our region, and the tens of thousands of jobs and millions of pounds that come with it, then it is vital that local Government supports sustainable and responsible plans put forward by their local airports. If they don't, airlines will choose to go elsewhere – be that in this country or other markets across Europe and around the world."

The Link to Future Economic Strategy and Regional Aspirations

6.22 In Section 3, I have set out a series of extracts from strategy documents from a range of organisations from across the East of England that articulate the future economic strategies for the region. There are two clear themes that emerge across these strategy documents:

- the importance of the international economy and global linkages to future prosperity;
- the focus of future economic aspirations around key clusters and notably, in the context of the East of England, tech, life sciences, pharmaceuticals and agri-tech clusters in particular.

6.23 The links to Stansted and its future growth are evident. Many of these organisations have emphasised the importance of the Airport as an economic asset within their economic plans and their broader economic aspirations make clear the importance of the connectivity agenda. In this context, enabling growth at Stansted beyond 35 mppa and, thereby, enabling it to grow its route network, both short and long haul, to support business focussed connectivity, and particularly to support the growth in connectivity to long haul destinations, can contribute significantly to this broader strategic agenda.

Summary

6.24 In this section, I have examined how growth to 43 mppa will impact on the key drivers of wider economic impacts, both in terms of volumes of passengers but also in terms of the connectivity offer at the Airport. I have identified that this growth will enable significantly more business travel, enable a shift towards long haul destinations and bring in more inbound visitors. In connectivity terms, I have identified that growth is likely to improve coverage of European and global economic centres and that, without growth, connectivity is likely to stagnate.

- 6.25 Importantly, I have also highlighted that connectivity is a relative position. Staying still in connectivity terms ultimately means that the East of England will fall behind other competitor regions. Enabling Stansted to expand its capacity to handle more passengers and provide more air services is a key component supporting greater prosperity and employment in the East of England region.
- 6.26 Finally, I have highlighted the clear link between the economic aspirations for the different areas within the East of England and the need for connectivity growth at Stansted Airport.

7. The Economic Imperative Created by COVID-19

- 7.1 In the previous sections, I have set out the ways in which improvements in air connectivity through Stansted will support economic prosperity within the East of England and contribute to improved quality of life in the area. To the extent that much of the analysis is driven by data from 2019, it is important to consider the impetus given to the need for such stimulus as the region seeks to recover economically from the COVID-19 induced recession, which creates a changing imperative to secure and cement economic growth in all sectors.
- 7.2 The latest economic forecasts from the Office Budgetary Responsibility (OBR) released in November 2020⁶² suggest that the UK economy will contract by 11.3% in 2020, the most severe recession in 300 years. These forecasts now predict that the economy will not return to 2019 levels until the end of 2022 and that the unemployment rate will peak at around 7.5%, the highest level since the 2009 financial crisis. At the same time, UK Government borrowing is expected to reach nearly £400 billion in 2020/21 and to remain above £100 billion per annum through to 2025.
- 7.3 In this context, economic stimulus that can help support recovery is essential. This applies in all regions of the UK. There is a need to enable the economy to help itself by maximising its advantages and encouraging investment, such as that associated with the proposed expansion of Stansted Airport. Indeed, the National Infrastructure Strategy, published in the context of the need for post-COVID19 economic recovery, emphasises that *“Infrastructure underpins the economy”*⁶³. The Strategy highlights the importance of Connectivity for a Trading Nation⁶⁴:
- “International Connectivity is important for linking businesses to valuable markets, and to support trade and investment.”*
- 7.4 This statement provides a context for the measures that the Government is taking to ensure the recovery of the aviation sector from the immediate effects of the pandemic. It is clear that the Strategy envisages a significant private sector involvement, such as investment by MAG at Stansted, in delivering the required infrastructure⁶⁵, indicating a congruence between the proposal to expand capacity at Stansted to 43 mppa and the overarching Government priorities for delivering infrastructure and connectivity to support economic growth.
- 7.5 From a wider economic impacts perspective, there is a need to stimulate potential high growth sectors in the economy of the East England to build recovery. This would clearly include sectors with strong potential such as the life sciences, tech and pharmaceutical clusters in the region. This means putting the conditions in place that they require to expand, such as enabling the global connections and collaborations on which they rely. The link to growth at Stansted here is clear. Failure to allow the expansion of Stansted to make best use of its runway, could frustrate the efforts to support economic recovery in the East of England.
- 7.6 Stimulating these high growth sectors will support GVA and employment growth both directly but also more broadly through the impact in supply chains and through expenditure effects in the local economy. This increased economic activity will also increase tax revenues for the Government, thereby assisting in paying for the costs of the pandemic.

⁶² Office of Budget Responsibility, Economic and Fiscal Outlook, November 2020 (CD20.54)

⁶³ National Infrastructure Strategy, November 2020, Executive Summary, page 8. (CD23.41)

⁶⁴ Ibid, page 42.

⁶⁵ Ibid, Prime Minister’s Foreword, page 6.

8. Conclusions

- 8.1 In this Proof of Evidence, I have set out why aviation connectivity matters in terms of supporting growth in the UK economy overall and why this is relevant to the East of England specifically. In so doing, I have highlighted, in particular, the role that Stansted plays in supporting key growth initiatives within the region and into North East London. I show how expansion of capacity from 35 to 43 mppa will enable Stansted's role in supporting the wider regional economy to keep pace with the growth aspirations across the region it serves. I highlight its role in the East of England and the London-Stansted-Cambridge Innovation Corridor in particular.
- 8.2 I have summarised the theoretical underpinnings as to why air services are important for economies and the channels through which airports deliver wider economic benefits. This includes Government policy support for Making Best Use of Existing Runways as part of a strategy for ensuring that airports can deliver the global connectivity necessary to drive the economy forwards. The UK is a highly global economy. Hence, air connectivity is more important to all parts of the UK than is necessarily the case in other countries of the world. The importance of air connectivity to the area around Stansted must be seen in this context as global connectivity is a vital component of the current and future economic performance. For the East of England and the economies within it, Stansted is the key 'local' provider of air connectivity that enables these types of benefits to be realised. In particular, the connectivity offered by Stansted now and in the future, if permitted to grow above 35 mppa, supports other activities in the region:
- Foreign Direct Investment;
 - Trade;
 - Labour Market Effects;
 - Agglomeration;
 - Tourism.
- 8.3 It is also important to note that connectivity must be considered as a dynamic element in underpinning growth, i.e. the level of connectivity available to businesses in a region has to keep pace with that available to competitor regions. This is important in the context of the need for Stansted to be able to grow its connectivity by expanding to 43 mppa to ensure that the East of England maintains its competitive position and continues to be attractive to businesses, investors and tourists alike.
- 8.4 Having examined the economic strategies of key organisations charged with growing the economy within the region, it is clear that Stansted and its current and future role in providing connectivity is pivotal to delivering these ambitions of economic growth. In this Proof, I have evidenced practical examples from key companies and other organisations within the area of their reliance on air connectivity, particularly to global destinations, and the reliance they place on Stansted and its ability to continue to expand its air service offer to support their wider growth objectives. Expansion from 35 to 43 mppa will be pivotal in enabling these companies and organisations to deliver against their objectives and growth strategies in an increasingly competitive world.
- 8.5 Having considered the nature of demand for international connectivity from the East of England now, my analysis clearly demonstrates that it is driven by the international nature of the regional economy, in common with many UK regions and, in particular, around the London Stansted Cambridge Corridor and the Tech, Pharmaceutical and Life Sciences sectors therein.
- 8.6 I have also demonstrated that there is a significant international tourism sector in the region and that this heavily is reliant on air connectivity and that the strong Higher Education sector in the region has significant international links, both within Europe and further afield. All of these activities will require growing connectivity from Stansted to support their growth aspirations

- 8.7 Having identified the need for connectivity to support regional economic aspirations, I then explored Stansted Airport's particular role now and how, in the future with expansion to 43 mppa, it can support these economically important activities still further. This identified that the Airport is already the most significant provider of air connectivity for the international economy in the East of England, particularly supporting travel to and from the London Stansted Cambridge Corridor.
- 8.8 I have established that the Airport provides access to a wide range of European business centres and that these connections are utilised by the business base in the East of England. I have analysed the connectivity offered by Stansted to key business centres and identified that that coverage has grown in recent years, particularly to high ranking cities in terms of economic importance globally, and that a significant proportion of European business centres are accessible from Stansted. However, I have also identified that gaps remain in Europe and that there are considerable opportunities to improve coverage of long haul business centres. This is far more likely to happen if the Airport is not constrained to 35 mppa and is permitted to grow to 43 mppa.
- 8.9 I have also considered the role the Airport plays in bringing inbound tourism to the East of England, establishing that it is the largest connector in the region for inbound tourists, with a focus reflecting its current, primarily short haul network. I have also identified that there is potential to enhance this role if connections to key long haul markets can be established, notably in the USA and China.
- 8.10 I then examined how growth to 43 mppa will impact on the key drivers of wider economic impacts, both in terms of volumes of passengers but also in terms of the connectivity offer at the Airport. I have identified that this growth will enable significantly more business travel, enable a shift towards long haul destinations and bring in more inbound visitors. In connectivity terms, I have identified that growth is likely to improve coverage of European and global economic centres and that, without growth, connectivity is likely to stagnate.
- 8.11 Importantly, I have also highlighted that connectivity is a relative position. Staying still in connectivity terms ultimately means that the East of England will fall behind other competitor regions. Enabling Stansted to expand its capacity to handle more passengers and provide more air services is a key component supporting greater prosperity and employment in the East of England region and in supporting the achievement of the economic aspirations for the different areas within the East of England.
- 8.12 Lastly, it is important to note that the economic effects of the COVID19 pandemic place an even greater emphasis on using all the levers of growth, including air connectivity, to support economic recovery. This has been recognised by Government. Failure to allow the expansion of Stansted to make best use of its runway, could frustrate the efforts to support economic recovery in the East of England.