Our ref: Q10064
Your ref: 22/03045/VAR
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Director of Planning & Development
London Borough of Newham
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For the attention of Liam McFadden

Dear Madam

TOWN AND COUNTRY PLANNING ACT 1990 (AS AMENDED)
SECTION 73 APPLICATION to VARY VARIOUS CONDITIONS ATTACHED TO PLANNING PERMISSION 13/01228/FUL (LPA REF. 22/03035/VAR): CSACL REPORT

I refer to the above application and the *'London City Airport: Review of Need Statement'* document dated April 2023 commissioned by the Council from Chris Smith Aviation Consultancy Limited (CSACL).

I enclose a response prepared by York Aviation on behalf of the Applicant, London City Airport, which comprehensively responds to the matters raised.

We trust this is of assistance, and please do not hesitate to contact us if you have any questions or require further information.

Yours sincerely

S. Bashforth

Sean Bashforth
Senior Director
Encl.

cc. London City Airport
York Aviation

York Aviation

London City Airport
Response to CSACL Review of Need Statement for the London Borough of Newham

This note addresses comments on the Need Case, submitted as an Appendix to the Environmental Statement for S73 Application, contained in the Review Report produced for the London Borough of Newham (LBN) by CSACL received on 13th April 2023.

It is noted that the scope of this review focussed on

- Government Airports Policy;
- recent traffic development;
- airline efficiency issues;
- passenger traffic forecasts for the Development Case
- airport capacity issues.

It is noted that the economic impact assessment was not reviewed by CSACL.

The report sets out conclusions on each of the topics reviewed in an Executive Summary, with more detailed analysis on each topic set out in the following topic. For simplicity, this response addresses each topic in turn covering both the conclusions and the more detailed reasoning.

Airports Policy Context

1. CSACL concludes, at paragraph 2.1, that *"LCY's application is not inconsistent with Government's Airports Policy although this policy does give the right to Local Authorities to decline planning permission inter alia for environmental reasons, albeit that emissions may not be the sole reason for refusal".* The rationale for this conclusion is set out at paragraphs 3.2-3.9 of the report.

2. In coming to this conclusion, CSACL cites the Aviation Policy Framework (APF) of 2013, the Airports National Policy Statement (ANPS) but does not refer to the principal policy document relevant to this application, namely *Beyond the Horizon: making best use of existing runways* (MBU) published alongside the ANPS in 2018. The report is, hence, only partial in its consideration of the relevant Government Aviation Policy documents set out in full in Section 2 of the Need Case. As a result, this partial quotation of some but not all relevant policies falls short of setting out all relevant considerations to which local planning authorities should have regard.

3. This is material in so far as CSACL's conclusions rely on the phrase *"better use of existing runways"* contained in the APF rather than the more recent policy wording referring expressly to *"making best use of existing runways"*. This distinction is important in the interpretation of the policy test as *"best"* places a stronger imperative on maximising the potential demand that can be handled on any runway. As CSACL notes in footnote 3, the use of the phrase *"existing runway"* does not limit this best use to a specific defined capacity, indicating that the achievable best use may change over time as technology develops.

4. At para 3.3, CSACL cites reference in the ANPS to proposals by airports to make best use of runway capacity to be assessed on their individual merits and, although noting paragraph 5.82 of the ANPS that an increase in carbon emissions alone cannot be the sole reason to refuse development consent, does not explain the important policy hierarchy in terms of decision making as set out in MBU. MBU is clear that, whilst matters such as noise, air quality, surface access and economic benefits are the local impacts to be considered by local planning authorities when considering applications for airport development (MBU paragraphs 1.22-1.24 and 1.9), carbon emissions are a matter for national policy (MBU paragraphs 1.11-1.12). This policy is expanded in the Jet Zero Strategy of 2022, i.e. that there is no requirement to limit growth below known airport expansion plans in order to achieve the Government's targets for aviation carbon emissions, recognising that there are specific targets also applicable to airports' own Scope 1 and 2 emissions from their operations that LCY are committed to complying with (as per LCY's recently published Sustainability Roadmap which sets out its plans to become London's first net zero emissions airport by 2030).

5. Specifically, as noted at paragraph 2.39 of the Need Case, the Department of Transport took into account LCY's potential expansion to 151,000 annual aircraft movements and 11 mppa in line with the airport's 2020 Master Plan, in considering the overall levels of demand that could be accommodated whilst still meeting decarbonisation objectives. In this context, although this was stated in policy not to override the need also to consider local issues in terms of the environmental acceptability of a development proposal, it does mean that concern regarding carbon emissions from increased flying should not give grounds for refusal if these emissions are in line with Government policy and recent decisions on airport related growth, as confirmed in the High Court[1].

6. We do not agree with the CSACL advice at paragraph 3.7, which seeks to rely on the views of the Committee on Climate Change in its report on the 6th Carbon Budget and its more recent 2022 Progress Report to Parliament. The Government responded to this report in March 2023[2]. In relation to the CCC's recommendation 197 on aviation demand management, the Government reiterated that its policy was set out in the Jet Zero Strategy and, significantly, that *"Airport growth has a key role to play in boosting our global connectivity and levelling up in the UK. Our existing policy frameworks for airport planning provide a robust and balanced framework for airports to grow sustainably within our strict environmental criteria. We do not, therefore, consider restrictions on airport growth to be a necessary measure."* CSACL notes that *"the Government's Jet Zero Strategy has eschewed any 'safety net' in the form of demand management provisions"* but, in the light of the Government's clear position on carbon emissions from aircraft, this should not be a relevant to any potential reason for refusal, not least as the application does not propose any increase in the number of aircraft movements above that already consented and is expressly aimed at incentivising the earlier introduction of cleaner, quieter, new generation aircraft, with lower emissions than the older aircraft that they will replace. The CCC recommendations and Progress Report are therefore not relevant to local decision making on applications for airport growth.

LCY Recent Performance

7. CSACL sets out its conclusion on recent traffic performance (since 2016) at paragraphs 2.2 and 2.3 of the report as follows:

   "Prior to the Covid-19 Pandemic, LCY's passenger growth had been ahead of that forecast in 2015/16 at the time of the CADP Public Inquiry. Commercial aircraft movements had though been significantly lower than York predicted, with a materially underestimated rate of increase in average numbers of passengers per Air Transport Movement (ATM). This had been expected by CSACL and was one of the reasons for the introduction of an annual cap on passenger numbers of 6.5 million passengers per annum (mppa).

[1] Southampton, Bristol

[2] Department of Energy Security and Net Zero, Responding to the Climate Change Committee's (CCC) Annual Progress Report 2022 Recommendations.

The Pandemic led to a great reduction in passenger numbers at all airports, and LCY suffered particularly. LCY has been the slowest of the major London airports to recover the peak numbers of 2019, with LCY's 2022 total reaching only 59% of 2019 levels: this compares to an average of 75% for the other four airports."

The explanation for these statements is provided at paragraphs 3.10-3.11 and 3.13 of the report[3].

8. We do not agree with the statement at paragraph 3.11 in the CSACL report that the aircraft movement forecasts at the time of the CADP1 application were over-forecast and not credible, as it does not mention all the information that was considered at the time. It was made clear in the 2015 Update to the Need Statement for the CADP1 Application and subsequent evidence that the mix of aircraft was informed by discussions with airlines and reflected anticipated substantial growth by Flybe using turboprop aircraft counterbalanced by upgauging of aircraft size by other airlines. As is made clear at paragraph 3.3 of the Need Case, the expected growth by Flybe did not take place as planned (indeed its subsequent failure was unforeseeable at the time of the forecasts) and withdrawal of Cityjet from their own scheduled operation was not foreseen. The 'bottom up' forecasting methodology necessarily assumed that planned operations would materialise.

9. It is for this reason that the overall projections for the S73 Application have been sense checked against top down modelling of LCY's share of the market and there is far less uncertainty about future aircraft types and passengers per ATM in future in the light of the changes in the airline market and the fleets available to airlines likely to use LCY in the future, except in relation to the timing and need to incentivise the modernisation of the fleet to new generation aircraft.

10. The statement at paragraph 3.13 and figures in Table 3.1 that show recovery at London City has been slower than at other London airports are valid but this is already reflected and taken into account in the demand projections. Recovery has been led by leisure traffic in the first instance and low cost carriers, which are not present at LCY. The restricted opening hours, which the S73 Application seeks to amend, are also a factor in the incentives on the airlines to reintroduce services to meet the changing patterns of demand, in particular to meet local leisure travel needs around the weekends. In the 'Do Minimum' case, where there is no change to opening hours, LCY is not expected to reach 2019 passenger levels until 2026. In the Development Case, the 2019 traffic levels are expected to be exceeded in 2025. Recovery this year is expected to be up to 75% of 2019 traffic levels in line with the expected growth trajectory.

Operators' Efficiency Improvement

11. CSACL sets out its conclusion on airline efficiency considerations at paragraphs 2.4-2.6 of the report as follows:

"The rationale set out in the Need Statement for the improvements in airline efficiency that should lead from the proposed extension of opening hours is valid, although the importance of Positioning Flights is over-stressed as LCY has a lower proportion of such operations than three of the other major London airports.

It is important to note that the rationale outlined is exactly the same as might be used for any future application to extend further the opening hours later into Saturday evening, or opening on Sunday morning, or more generally stretching allowed operations into earlier and later hours on other days of the week.

If growth were slower than predicted by LCY, airline efficiency considerations would result in aircraft operations still expanding into the additional operating hours sought in this application."

[3] Paragraph 3.12 is a point relating to terminal capacity, which is addressed later.

12. CSACL's analysis confirms that there would be efficiency improvements for the airlines from extended hours and, by inference, that these would provide the incentives to refleeting to cleaner, quieter, new generation aircraft, as confirmed by British Airways CityFlyer, KLM Cityhopper and Lufthansa Group in their consultation responses.

13. We do not agree with the CSACL advice provided at paragraphs 3.15 and 3.17 that it is 'reasonable to expect' further applications to extend operating hours would follow, nor that further changes to operating hours would be required at some future date in order for the airport to realise its Masterplan aspiration to handle 151,000 annual aircraft movements and 11 mppa in the longer term. This advice is not supported by any technical evidence and, in any event, is irrelevant to the consideration of the current application.

14. In relation to positioning flights, at paragraph 3.16 and Table 3.2 of the report, it is not appropriate to refer to comparative numbers of positioning flights across the London airports as this fails to take into the extent to which positioning flights at the other airports were related empty aircraft positioning for maintenance, freight or business aviation (air taxi) purposes. With the exception of a small number of positioning movements associated with the Jet Centre at LCY (36 in 2019), such positioning movements were principally related to commercial passenger aircraft being positioned out to operate weekend services from elsewhere. It is unclear that this was necessarily the case at the other airports.

15. In any event, it is the combined effect of empty positioning, aircraft not operating revenue earning services on Saturday afternoons and Sunday mornings (or even during the whole of Saturday) and lower yields from the other airports that creates the substantial inefficiency for the airlines operating at London City under the current restricted hours on Saturdays. Opening longer on Saturday afternoons would make a material difference for the reasons explained in Section 4 of the Need Case as, when coupled with the allowance of an additional hour for arrivals in summer, this would enable a much more productive use of those aircraft on a variety of leisure routes as well as facilitating inbound and outbound hub connections. In relative terms, the remaining constraint of late evenings on Saturdays and Sunday mornings is much less impactful as demand to fly is lower during these periods. In practice, the residual period when aircraft could not be productively used would be much less than 18 hours as this would imply that the airlines would seek to operate throughout the night. BACF typically do not seek to operate at all through a 7+ hour night period, even when able to do so where aircraft are operated from other airports that permit night operations.

16. At paragraph 3.18, CSACL makes the point that the airlines would be incentivised to make use of Saturday afternoons even if demand growth was slower than forecast. This would still be incremental flying from LCY as extended hours on Saturdays allow new weekend travel markets and new destinations to be served that cannot presently be served. More significantly, the requirement for all operations on Saturday afternoons to be by new generation quieter aircraft would still facilitate the delivery of major environmental benefits in terms of reduced noise impacts and lower emissions as to avail of opportunities on Saturdays, they would need to operate new generation aircraft within their LCY fleet and the noise and environmental benefits would be felt over the week as a whole.

Demand Forecasts

17. At paragraphs 2.7-2.9, CSACL sets out its conclusions in relation to the demand forecasts:

York's approach to forecasting demand is unchanged from previous exercises and is derived from the Department for Transport's(DfT's) High Ambition passenger growth scenario published in March 2022. Although not ideal, York's approach is the most appropriate method to apply to LCY given its particular circumstances. York has reviewed its many assumptions.

CSACL's assessment is that it is likely that:

• The DfT's March 2022 forecasts are optimistic for a number of reasons; for example, although Sustainable Aviation Fuel (SAF) is the cornerstone of DfT's Jet Zero policy, its modelling does not take

into account the price of SAF relative to the current jet fuel (Kerosene), with SAF currently estimated to be 2 to 6 times more expensive;

• York's Development Case passenger forecasts are similarly optimistic, certainly at the wider London and UK level; but

• At some point in the future, 9 mppa could be attracted to LCY.

York's forecasts do include some increase in the numbers of passengers per ATM, although at about half the historic rate. However, overall this is reasonable."

18. Overall, CSACL's analysis confirms that the demand forecasts underpinning the application are reasonable in relation to:

- methodology;
- the realism of the airport attaining 9 mppa; and
- aircraft size and load factor assumptions.

19. In terms of the claim (paragraph 2.8) that the Development Case forecasts are optimistic, this requires some clarification of both the DfT's forecasting assumptions and the methodology adopted by ourselves to produce the specific demand forecasts.

20. There is some contradiction in CSACL's statement in paragraph 3.19 of the report that the forecasting *"approach has previously been agreed by CSACL as being the most appropriate given the unusual circumstances of LCY"* and the later assertion in the same paragraph that it is not robust. This latter statement appears to rely in the comments on aircraft size assumptions, which have been addressed above and two route examples shown in Table 3.3 of the report, where passenger volumes and frequencies varied between the Original CADP1 Need Statement in 2013 and the Updated Need Statement in 2015. In fact, as evidenced in Figure 3.1 of the S73 Need Case, the forecasts have proved to be a very reliable indicator of the overall passenger demand that would use LCY. As made clear at Appendix D to the Need Case, paragraph 23: *"the list of destinations is not definitive for the future but indicative of the overall pattern of services that would be expected to develop at LCY having regard to the available infrastructure and to illustrate that there is sufficient underlying demand at sensible market capture rates to commercially sustain a reasonable route network."* Hence, the key outputs are the overall passenger and aircraft movement forecasts rather than individual route projections, which will vary dependent on specific airline decisions as to how best to deploy their capacity.

21. For the purpose of the S73 forecasts, the methodology added a further layer of checks to ensure robustness. Namely, as set out at Appendix D of the Need Case, paragraph 56, the detailed bottom up forecasts were sense checked against top down modelling of the London airports to verify that the overall level of demand forecast was consistent the share of the market that LCY would be expected to attract by 2031, having regard to the capacity expected to be available at the other London airports over the time period. This provides a further check on the robustness of the bottom up forecasts. We are unclear what other methodology CSACL would recommend as 'standard' as the forecasts derive from econometric top down modelling of the market, including LCY's expected share of the market, coupled with more detailed bottom up modelling of the expected characteristics of the demand in terms of routes, aircraft types and the daily and weekly profiles of demand.

22. Much of the rest of CSACL's critique of the forecasting methodology (paragraphs 2.27-2.37 of the report) appears to relate to criticisms of the DfT's demand forecasts, which is not relevant as these have not been directly used as the basis for the S73 demand projection. Nonetheless, our modelling results in broadly consistent future growth rates given the adoption of the same assumptions as to future carbon costs, albeit based on more recent economic projections from 2022 (for the UK) and 2021 for the rest of the world, as set out at paragraph 16 of Appendix D to the Need Case. These reflect more fully the effects of the pandemic in the short term than those use by DfT relating to 2020.

23. There does appear some confusion, however, in terms of the components of the modelling and how these work. The CSACL report includes an analysis of the likely cost of sustainable aviation fuels (SAFs), suggesting that the DfT may not have taken this into account in the forecasts (paragraph 3.31). However, CSACL do not appear to have taken into account that our modelling applies the BEIS[4] 2021 target costs of carbon, as used in the Jet Zero modelling, applied to all passengers (Need Case Appendix D, paragraph 16). As made clear in the *Jet Zero: further technical consultation* of March 2022, these values trend from current traded values to BEIS's long term carbon appraisal values. These were deliberately set at a level aimed at incentivising the adoption of carbon reduction technologies, such as SAFs or zero emission aircraft. Hence, by adopting these target appraisal values for the cost of carbon within our modelling, the effective higher costs of SAFs or other new technologies are accounted for.

24. The main thrust of CSACL's analysis appears to be to suggest that the demand forecasts may have been overstated and that growth might be slower than projected. It was for that reason that, to reflect uncertainty, faster and slower growth cases were presented in the Need Case (Figure 5.12). Ultimately, we welcome the CSACL conclusion that 9 mppa could be reached at LCY and, at paragraph 3.48, confirms that the assumptions relating to future aircraft types and refleeting are *"reasonable"*.

Demand: Capacity Balance in the London Area

25. In relation to LCY's role in meeting demand for air travel, CSACL concludes at paragraph 2.10 that *"There is likely to be sufficient airport capacity in the London Airport system to enable all overall air passenger demand in the region to be handled without relaxation of the current conditions of LCY's throughput."*

26. However, Table 3.8 of the report demonstrates that, on CSACL's own assumptions, there would be a shortfall of 5 mppa in London airport capacity to meet demand in 2031 if LCY were to remain capped at 6.5 mppa. The analysis in paragraphs 3.51 to 3.53 of the report does not appear to align with the evidence in Table 3.8 or support the conclusion reached and, in any event, does not take into account the commercial realities of how airlines may seek to demand. Different airports and different markets grow at varying rates and this needs to be taken into account in assessing the specific need for any individual airport to expand its capacity. Just because there may be available capacity at one airport, it does not follow that airlines will necessarily fill up that capacity as each serves a distinct, if overlapping catchment area and the airports have different roles – low cost carriers would be unlikely to take up capacity at Heathrow, conversely hub carriers would be unlikely to take up spare capacity at Stansted or Luton. Furthermore, to the extent that this resulted in airlines having to split operations across the airports, there would be inherent in efficiencies for the airline's operation and in terms of meeting demand within each airport's individual catchment area, leading to passengers having to make longer surface access journeys. The London airports are not entirely substitutable and it is wrong to simply assume LCY is a residual airport of last resort, as the CSACL analysis seems to infer.

27. The CSACL report also goes onto suggest at paragraph 2.11 that there would be carbon cost implications from more leisure passengers using LCY given its fleet of aircraft:

    "Demand which is not handled through LCY on its relatively low capacity aircraft could be handled at other airports, and this would result in a materially lower volume of CO_2 emissions associated with the travel of those passengers."

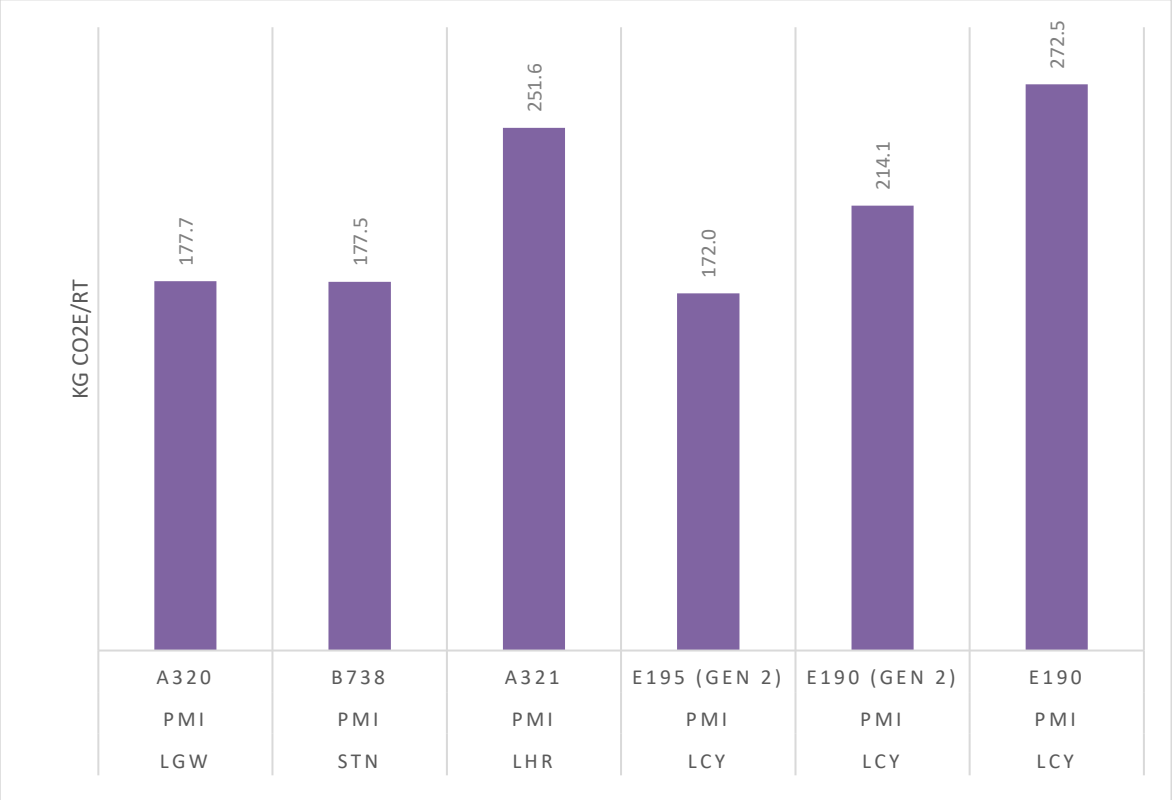
28. The analysis presented in Table 3.9 has not taken into account that additional leisure flying on Saturday afternoons will only be allowed if new generation, lower emission, aircraft are used. The E190 as used as the illustrative aircraft for LCY would simply not be allowed to fly on a Saturday afternoon. As set out in the Need Case, the additional opening hours would incentivise faster transition, particularly of the based fleet, to new generation aircraft. It is these based aircraft that would be expected to operate most of the leisure services of the week as a whole, meaning that the vast majority of new leisure

[4] The former Government Department for Business, Energy & Industrial Development

routes would be using new generation types. The same fleet transition incentives are not necessarily in place at the other airports over the same time period.

29. Taking into account that the S73 Application is intended to incentivise a transition to new generation aircraft, the correct variants to consider are the E195-E2 or E190-E2. Over time, we expect the E195-E2 would be the variant mainly used on leisure routes as they can carry a higher load. The LCY carbon team has produced the same data as presented by CSACL for E190-E2 and E195-E2 aircraft operating to Palma, using the expected future load factors on leisure routes from LCY and these are shown in Figure 1 below compared to the carbon emission estimates for the other types shown in the CSACL report. This shows that the new generation types produce significantly lower emissions and are comparable on a per passenger basis to the indicative operations from the other airports, even taking into account lower load factors expected at LCY compared to Gatwick and Stansted.

Figure 1: Comparison of CO2 Emissions per Passenger on a Flight to Palma



30. We recognise, however, that there is expected to be a gradual transition to newer generation aircraft at these other airports over time but the S73 Application has, as a fundamental aim, the achievement of an earlier transition to newer generation types than would otherwise take place, resulting in emissions savings in the near term.

31. In any event, the analysis presented by CSACL is only partial as it does not to take into account the longer surface access journeys and potential carbon emissions from surface transport if passengers local to LCY are forced to use alternative more distant airports. The benefits to users able to use LCY in terms of reduced surface access journey times and costs are quantified in Section 6 of the Need Case, which also demonstrates in Table 6.8 that there is a positive economic NPV from permitting the amendments to operating conditions, even after fully accounting for the costs of carbon.

LCY Capacity

32. CSACL concludes that *"Few if any physical changes at LCY are proposed as a consequence of both the proposed longer operating hours of the airport and changes in the pattern of demand. This position*

seems reasonable. In view of the current cap on passengers at 6.5 mppa, the capacity of the terminal building was not critically reviewed during the CADP process in 2015/16. At the time, CSACL concluded that it was not possible to determine whether the size of the terminal expansion was either adequate or excessive."

33. The CSACL report notes, at paragraph 3.57 of the report, that the original CADP1 demand forecasts assumed some concentration of passenger demand into peak periods in a manner that did not materialise, in large part due to the changes in airline mix at LCY. Although detailed busy day timetables have been produced as a basis for assessing the capacity implications, these have been validated against past trends using the relationships illustrated in Figures 7.1 and 7.2 of the Need Case so as to ensure that they are robust.

34. In Table 3.10, the CSACL report sets out an alternative calculation of future busy hours. We consider this approach to be implausible as the analysis suggests busy hour passenger levels at 9 mppa below those actually observed at 5.1 mppa in 2019 using one approach and little higher using another. This is not consistent with the anticipated aircraft size growth. As with the demand forecasts themselves, our approach combines both top down (trend based analysis) with the derivation of a plausible busy day timetable of expected aircraft operating patterns (bottom up) to derive the best estimate.

35. Ultimately, it is not clear what CSACL concludes from this analysis.

Conclusion

36. In overall terms, although commenting on aspects of the Need Case, the CSACL report confirms many aspects of the case for the S73 Application, namely that:

- The Application is not inconsistent with aviation policy;
- There would be airline efficiency benefits from allowing extended operating hours on Saturdays;
- It is reasonable to expect LCY to grow to handle 9 mppa;
- In the absence of the increase in capacity at LCY, all of the London airports would potentially be full by 2029;
- The existing terminal infrastructure is sufficient to handle 9 mppa.

37. Although seeking to comment on aspects of the data provided as part of the original CADP1 Application, these points are all addressed in the Need Case. In essence, the CSACL report confirms that the case for the Application set out in the Need Case is, to all intents and purposes, robust and should inform consideration by the planning authority.

38. Matters relating to the potential for subsequent planning applications are not relevant to the determination of the current Application.

YAL/27.4.23