

LODON SOUTHEND AIRPORT

Submission to the Airports Commission

Aviation Forecasts

Introduction

- 1 This is the submission by London Southend Airport, which is referred to in this note by its three letter code SEN, to the Airports Commission in response to their Discussion Paper 01: Aviation Demand Forecasting. Reference is also made to the DfT document 'UK Aviation Forecasts' of January 2013..
- 2 SEN is owned by the Stobart Group and has invested over £100 million in the last few years on a runway extension, control tower, terminal building, rail station and various associated facilities. In 2012, 620,000 passengers were handled and there were 28,000 aircraft movements. The Airport is served by Easyjet and Aer Lingus with a range of domestic and European flights including links to long haul routes via Amsterdam and Dublin.
- 3 SEN has received support, probably unique in South East England, for its recent growth from a number of stakeholders, including the Thames Gateway, Essex County Council, Southend-on-Sea Borough Council and Rochford District Council, as well as many local public and private sector organisations and the local population.

The NAPDM, NAPAM and Unconstrained Forecasts

- 4 In our view, the National Air Passenger Demand Model (NAPDM) is correctly described in Chapter 2 of the DfT document as the starting point and, in general terms, it is the most robust part of the forecasts, relating passenger demand to GDP and fares. We also agree that the uncertainty in the input assumptions as described in Chapter 3, primarily GDP and fares (which take account of fuel costs, emissions trading and APD) is appropriately dealt with through the range of forecasts.
- 5 Major increases in aviation capacity, such as runways and airspace changes, as well as some of the support facilities such as surface access, require a long period for planning and construction. During these planning and construction stages, actual demand may be higher or lower than the forecast. If the plan is based on the central forecast, there is an equal probability that the actual will be lower or higher. However, while it is possible to slow a project down during these stages, it is not usually possible to speed it up. There is therefore a logic to using a higher than central forecast for planning purposes. Even if the go ahead is given earlier than is required, it is unlikely that substantial additional capacity will be built and brought into operation until it is needed.
- 6 We understand that Chapter 4 of the DfT document describes the unconstrained passenger forecasts which represent underlying demand in the absence of airport capacity constraints. Chapter 5 describes how passengers at individual airports are forecast by the National Air Passenger Allocation Model

(NAPAM) and how Air Transport Movements (ATMs) and destinations are derived and depend on further assumptions.

- 7 Annex D.8 of the DfT document shows unconstrained central forecasts by airport which, for SEN, are as follows:

| 2011 | 2020 | 2030 | 2040 | 2050 |
|------|------|------|------|------|
| 0.0 | 1.0 | 2.2 | 2.3 | 2.5 |

SEN's own forecasts are for 2.0 mppa in 2020. This immediately illustrates a concern that, while the DfT model may work adequately for the larger airports, it is not capable of allocating demand to smaller airports at the margins. In the case of SEN, of course, this is particularly difficult as the base year, 2011, was effectively zero. However, there are other examples in Annex D.8 which look strange, such as reductions from 2011 to 2020 at several airports (Glasgow, Liverpool, East Midlands).

- 8 Part of the model produces the number of destinations served. Annex D.9 shows these for the unconstrained forecasts at selected airports, including 138 international destinations from Heathrow in 2011. Although a footnote says that these will vary slightly from observed patterns, there were actually 190 destinations, of which 6 are domestic. This is significantly different from the modelled figure. Other figures from this table also bear little resemblance to the actual situation.

Constrained Forecasts

- 9 The capacity assumptions used to generate the constrained forecasts are set out at Table 3.10 of the DfT document, which for SEN are as follows:

| ATMs (000s) | | | Terminal passengers (mppa) | | |
|-------------|------|------|----------------------------|------|------|
| 2008 | 2030 | 2050 | 2008 | 2030 | 2050 |
| 0 | 53 | 53 | 0 | 2 | 2 |

The figure of 2mppa is actually a passenger forecast for 2020. The planning approvals for the runway extension and other developments that have taken place at SEN include a planning condition expressed as an aircraft movement limit (53,300), which is capable of delivering significantly more passengers than the 2mppa forecast.

- 10 The central constrained forecasts by airport are then set out at Annex E.2 of the DfT document, which for SEN are as follows:

| 2011 | 2020 | 2030 | 2040 | 2050 |
|------|------|------|------|------|
| 0.0 | 1.5 | 2.5 | 2.3 | 2.3 |

A footnote to this table indicates that individual terminal capacities may be marginally exceeded and this is the case for SEN. However, as noted above, 2mppa is a forecast for 2020, not a capacity constraint, so the longer term forecast could be significantly more.

- 11 The DfT model predicts destinations served and figures are given at Annex E.11, which for SEN are as follows:

| | 2011 | 2020 | 2030 | 2040 | 2050 |
|-----------|------|------|------|------|------|
| Scheduled | 0 | 5 | 5 | 5 | 7 |
| LCC | 0 | 11 | 15 | 11 | 6 |
| Charter | 0 | 0 | 0 | 0 | 0 |

There are currently around 15 destinations served from SEN and it is expected that this number will rise towards 2020, so the model is likely to underpredict routes. It is understood that there is interplay in the model between passengers, aircraft movements and the capacity assumptions at various airports. Nevertheless, it illustrates that the model is working beyond its capabilities or, perhaps to put it another way, at too fine a level of detail, when it comes to airports like SEN.

- 12 However, the numbers of destinations served in the constrained forecasts at other airports also show peculiarities, for example:

- Manchester's destinations grow from 245 in 2011 to 338 in 2050.
- Luton has only 31 destinations in 2011, none of which are Low Cost Carriers
- Edinburgh has only 26 destinations in 2011, none by LCCs.
- Birmingham's destinations fall from 120 in 2011 to 49 in 2050.
- Glasgow' destinations fall from 178 in 2011 to 125 in 2050.
- Norwich serves 33 destinations in 2050, despite a passenger forecast of zero mppa.

Conclusion

- 13 The DfT's National Air Passenger Demand Model gives a good indication of national, unconstrained demand, and a higher than central forecast should be used for planning purposes to deal with uncertainty. However, both the NAPDM and the National Air Passenger Allocation Model appear to produce strange results, both constrained and unconstrained, for London Southend Airport, and for various other airports. This may be because Southend had virtually no traffic in the base year, or that the model is being used at too fine a level to be accurate for small airports, in particular over a long period. It may also be because Southend is sometimes seen as a London airport, while at other times in the model it appears as a 'regional' airport. It is also the case that the capacity assumption used for Southend is, in fact, a 2020 forecast and the longer term capacity is likely to be significantly greater. In any event, the Airports Commission should not take the forecasts produced by the DfT model as being a likely indication of the numbers of passengers, aircraft movements or routes for London Southend Airport.