



# **Strategic Fit:**

## Cover Note

November 2014

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# Strategic Fit: Cover Note

As stated in the Airports Commission's *Appraisal Framework*<sup>1</sup>, the Strategic Fit appraisal module incorporates assessments against the following objectives:

- To provide additional capacity that facilitates connectivity in line with the *assessment of need*;
- To improve the experience of passengers and other users of aviation;
- To maximise the benefits of competition to aviation users and the broader economy;
- To maximise benefits in line with relevant long-term strategies for economic and spatial development.

The Strategic Fit assessments outlined in the *Appraisal Framework* are discussed in the Commission's Strategic Case, which forms part of the Commission's Business Case.

This cover note provides a summary of the Strategic Fit assessments conducted by the Commission as background work to forming the Strategic Case for each scheme, with references where appropriate to the *Appraisal Framework* modules from which evidence to conduct these assessments was drawn.

These assessments are divided up into two distinct parts, both of which are discussed in the Commission's Strategic Case.

## 1. *Assessment of need* in terms of the (potential) capacity, connectivity and benefits of competition provided, and its impacts on passenger experience and the freight sector

### **Capacity and connectivity assessments**

The Commission has used a scenario-based approach to assess the (potential) future capacity and connectivity outcomes for each of the proposals. These assessments are described in the Commission's Strategic Case.

An important aspect of the Commission's appraisals is that they are not centred on one potential view of the future. This is because the development of the aviation sector is inherently difficult to predict.

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1 [www.gov.uk/government/consultations/airports-commission-appraisal-framework](http://www.gov.uk/government/consultations/airports-commission-appraisal-framework)

Therefore, rather than base its analysis on one likely pattern of future demand, the Commission has constructed five future scenarios. These scenarios are reflected in the Commission's passenger demand forecasts, and inform the assessments set out in the consultation. By considering each scheme in relation to multiple potential futures, the Commission aims to stress-test the robustness of its analysis, and ultimately its final recommendations to Government.

The Commission's scenarios broadly follow the approach taken in the first phase of its work, in which a set of scenarios were developed to test the overall assessment of the need for new capacity set out in the *Interim Report*<sup>2</sup>. They reflect different potential outcomes in respect of the development of the global economy and the international aviation sector.

Detailed capacity and connectivity assessments can be found in the following document published alongside the consultation:

- Strategic Fit: Forecasts

## **Impacts on users of aviation: passengers and freight**

The Commission considered impacts of the expansion proposals on the future passenger experience, in terms of getting to and from the airport, the facilities offered inside the terminal buildings, and of the opportunities that expansion may create for the freight sector. In doing so, the Commission scrutinised relevant details of the scheme designs submitted to the Commission by the scheme promoters, these details mainly pertain to the assessments that were conducted by the Commission in the Surface Access and Operational Efficiency appraisal modules.

Detailed assessments of impacts of airport expansion on users of aviation can be found in the following documents published alongside the consultation:

- Jacobs (2014) *Module 4. Surface Access: Gatwick Airport Second Runway*
- Jacobs (2014) *Module 4. Surface Access: Heathrow Airport Extended Northern Runway*
- Jacobs (2014) *Module 4. Surface Access: Heathrow Airport North West Runway*
- LeighFisher/Jacobs (2014) *Module 14. Operational Efficiency: Ground-Infrastructure Gatwick Airport Second Runway*
- LeighFisher/Jacobs (2014) *Module 14. Operational Efficiency: Ground-Infrastructure Heathrow Airport Extended Northern Runway*
- LeighFisher/Jacobs (2014) *Module 14. Operational Efficiency: Ground-Infrastructure Heathrow Airport North West Runway*

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2 [www.gov.uk/government/publications/airports-commission-interim-report](http://www.gov.uk/government/publications/airports-commission-interim-report)

The passenger experience section also draws on the following report by the CAA

- Civil Aviation Authority (2013) *CAA Passenger Research: Satisfaction with the Airport Experience: Heathrow, Gatwick and Stansted*, <http://www.caa.co.uk/application.aspx?catid=33&pagetype=65&appid=11&mode=detail&id=5573>

## **Impacts on connectivity and competition of different airline responses**

In developing the Strategic Fit module prior to consultation, the Airports Commission identified that alleviating capacity constraints could have significant benefits to passengers and other users of aviation through altering the competitive dynamics between airports (recognising the competitive nature of the UK airports sector), by strengthening competition between airlines, either across airports or at a single airport.

The Airports Commission aviation demand model does not account for step changes in airline behaviour. In order to fill this evidence gap, the Commission asked the International Transport Forum and the SEO Economic Research (ITF/SEO) to investigate how airlines could potentially respond across a range of different global scenarios to expanding runway capacity at either Gatwick or Heathrow.

The ITF/SEO provided the Commission with a set of likely potential airline responses in each of the five global scenarios adapted from the *Interim Report (assessment of need, global growth, relative decline of Europe, low-cost is king and global fragmentation)* and a qualitative assessment of how these airline responses could affect connectivity provided to various users of aviation and competition in the London and UK-wide airport system.

In November 2014, the Airports Commission commissioned a study to quantitatively model the outcomes of the ITF/SEO study. It is the Commission's intention to look at the following impacts:

- *Connectivity*: What would be the travel time saved due to higher frequencies and shorter travel times resulting from capacity expansion?
- *Competition*: What would be the air fare savings to passengers due to changes in the competitive nature of the expanded London airport system?
- *Scarcity*: What would be the air fare savings to passengers due to reductions in excess demand for aviation resulting from capacity expansion?

The Commission intends to publish this study in December this year.

Detailed assessments of impacts on connectivity and competition of different airline responses can be found in the following document published alongside the consultation:

- ITF/SEO (2014) *Module 1. Strategic Fit: Expanding Airport Capacity – Competition and Connectivity*

## 2. Assessment of the wider economic, social and environmental impacts, with reference to existing spatial and economic strategies

The Commission also assessed the wider economic, social and environmental impacts of each of the short-listed airport expansion options, with reference to the existing spatial and economic strategies. The Commission conducted these assessments as part of different appraisal modules, notably Economy and Local Economy Impacts modules and a number of environmental modules and its Sustainability Assessments.

The Commission has also prepared a review of existing plans – a range of Local Plans, Strategic Economic Plans set out by Local Enterprise Partnerships, regional development plans, most particularly the London Plan and wider national strategic frameworks such as the National Planning Framework and Aviation Policy Framework – in order to assess the value that is placed on the airports as part of socio-economic strategies and other strategic goals that may need to be adapted to accommodate airport expansion.

The review of existing plans as listed above can be found in the following document published alongside the consultation:

- *Module 1. Strategic Fit: Fit with Wider Spatial and Socio-Economic Development Strategies*

## **Contact Information**

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