

## **Inner Thames Estuary Feasibility Studies**

### **Study 3 – Socio-economic impacts**

#### ***Comments from Kent County Council***

On the whole, Kent County Council (KCC) welcomes the study, which broadly concludes that the economic impacts of a Thames Estuary airport are highly uncertain, especially when considered at national rather than local level.

However, there are some data points and comments on the analysis and conclusions, which are highlighted below.

Taking each chapter in turn:

#### **Ch. 2: Rationale for airport closure and commercial considerations**

Essentially, this concludes that for the Estuary airport to be viable, Heathrow would need to close. Even if incentives were very strong to drive demand to a new Estuary airport, the inherent strengths of Heathrow would still make it an attractive option, and the evidence cites several examples of new airports developed alongside existing airports that remained open and the difficulty that this presented in enabling the new airports to be viable.

Assuming that Heathrow closes, the review highlights significant remaining risks in the commercial viability of a new airport, based on passenger revenue (which it concludes are stated as higher than likely), the potential of operators to seek alternative airports and the costs of buying Heathrow (estimated at £13.5bn - £21.5bn), not including compensation that may need to be paid to owners of non-airport assets.

The report's conclusions reflect those that we have also reached in Kent and Medway.

#### **Ch. 3: National economic impacts**

The chapter makes the important point that the construction impacts associated with the Estuary airport are in reality costs rather than benefits, and (largely) discounts the evidence of construction and operational impacts, as opposed to the effects on the wider economy.

Regarding connectivity impacts, the evidence seems to be inconclusive, given the comparison of potential benefits in the promoters' scenarios to the Do Minimum scenario (which may not be plausible as demand rises anyway and does not take account of alternative solutions). However, the Commission's general conclusion is that there is likely to be some connectivity benefit, albeit lower than that cited by the promoters.

We are surprised that the review does not say more about productivity impacts driven by concentrations of industry which may cluster around an airport. It notes the likely weakening of agglomeration effects around West London/ M4 Corridor, but in considering the national economic impacts, we would have thought it would be worth looking at the regional aspects of this, given that much more of the UK is to the west of London than to the east. There are likely to be negative impacts on, for example, Bristol, South Wales and the West Midlands, as a result of Heathrow's closure, and would this not potentially damage national as well as regional competitiveness?

#### **Ch. 4: Local socio-economic impacts**

The definition of the Inner Estuary Airport 'local area' is probably fair enough for Kent (North Kent plus Maidstone and Tonbridge & Malling) as a basis for measuring impacts. The report notes substantial forecast population and household growth, highlighting limited capacity.

However, the numbers quoted in Table 4.1 and the following narrative on pages 43-44 does not look correct. In particular, the statement quoted that employment will rise by just 8,000 in the North Kent area between 2012 and 2030 is not correct, and is obviously inconsistent with the data presented for South Essex, which shows a much higher rise in employment (in fact, the two areas should be more or less comparable).

Our own Kent Economic Forecasting Model does not project as far as 2030 (and is a bit out of date now anyway), but we have attached the figures taken from the East of England Forecasting Model (EEFM), developed by Oxford Economics in Table 1.

**Table 1**  
**Population and employment change, based on EEFM forecasts**

<b>Kent</b>															
<b>2012 baseline</b>				<b>2030 projections</b>				<b>Change (number)</b>				<b>Change (%)</b>			
	Population	Employment	Households		Population	Employment	Households		Population	Employment	Households		Population	Employment	Households
	000s	000s	000s		000s	000s	000s		000s	000s	000s		%	%	%
Dartford	98.90	62.90	40.70		134.70	78.40	57.00		35.80	15.50	16.30		36.20	24.64	40.05
Gravesham	102.80	31.30	40.70		108.10	32.30	45.80		5.30	1.00	5.10		5.16	3.19	12.53
Maidstone	157.30	83.00	64.50		166.90	86.90	73.50		9.60	3.90	9.00		6.10	4.70	13.95
Medway	268.20	97.70	107.40		282.80	102.00	123.50		14.60	4.30	16.10		5.44	4.40	14.99
Swale	137.70	55.30	56.30		151.00	61.80	65.80		13.30	6.50	9.50		9.66	11.75	16.87
Tonbridge and Malling	121.90	69.20	48.60		132.90	79.30	57.10		11.00	10.10	8.50		9.02	14.60	17.49
Kent Estuary Airport Area	886.80	399.40	358.20		976.40	440.70	422.70		89.60	41.30	64.50		10.10	10.34	18.01
<b>Essex</b>															
<b>2012 baseline</b>				<b>2030 projections</b>				<b>Change (number)</b>				<b>Change (%)</b>			
	Population	Employment	Households		Population	Employment	Households		Population	Employment	Households		Population	Employment	Households
	000s	000s	000s		000s	000s	000s		000s	000s	000s		%	%	%
Basildon	176.50	90.20	73.00		195.90	95.10	83.00		19.40	4.90	10.00		10.99	5.43	13.70
Castle Point	88.20	24.90	37.20		93.90	25.20	40.40		5.70	0.30	3.20		6.46	1.20	8.60
Rochford	83.90	25.70	33.70		92.30	27.00	38.00		8.40	1.30	4.30		10.01	5.06	12.76
Southend	174.80	73.80	75.80		191.10	80.40	84.50		16.30	6.60	8.70		9.32	8.94	11.48
Thurrock	159.50	69.10	63.20		191.60	86.00	77.30		32.10	16.90	14.10		20.13	24.46	22.31
Essex Estuary Airport Area	682.90	283.70	282.90		764.80	313.70	323.20		81.90	30.00	40.30		11.99	10.57	14.25
<b>Total Estuary Airport Area</b>	<b>1,569.70</b>	<b>683.10</b>	<b>641.10</b>		<b>1,741.20</b>	<b>754.40</b>	<b>745.90</b>		<b>171.50</b>	<b>71.30</b>	<b>104.80</b>		<b>10.93</b>	<b>10.44</b>	<b>16.35</b>

These indicate a rise in employment between 2012 and 2030 of about 10.4% in the 'Estuary Airport Area', roughly keeping pace with population growth. This is consistent across North Kent and South Essex. The distribution is also consistent with planned development (i.e. higher growth in Dartford and Thurrock), so looks right. We are not sure why the numbers in the review are so out of line - it may be just an error (e.g. counting total employment in one column but just including employee jobs in another).

In addition, the review makes the point based on employment forecast data that out-commuting is likely to be exceptionally high. This could mean that an airport would be a substitute for out-commuting and that there might be local capacity. In fact, forecasts suggest that population and employment more or less grow in line anyway, without an airport. This should also be taken into account in the labour supply section on page 49.

Having said that, North Kent and South Essex do have important commuter economies linked to London, and it is plausible that with London's further growth and increased usage of high speed rail (HS1), London-based opportunities might grow as well. This is especially the case given that much of the housing growth is accounted for by Dartford at the London end of North Kent. Therefore North Kent could reasonably expect a tight labour market, even if a bit less tight than around Heathrow.

Therefore we question if the analysis in Table 4.7 is a bit optimistic. It does not seem right that housing and labour supply is not a major issue in Dartford and Tonbridge & Malling, both of which have fairly buoyant labour markets.

## **Ch. 5: Local catalytic impacts**

Although the report notes that there would be an eastwards move of catalytic activity, "there is a huge amount of uncertainty over the extent to which building an airport in the Thames Estuary would catalyse additional economic activity in the East of London", due to the complexity of drivers of location decisions. The paper also notes that positive local catalytic effects might be nationally negative overall (if the costs of weakening the West of London economy are greater). This impact may be more pronounced, given that the population catchment area of Heathrow is that much greater (and extends beyond the South East).

## **Overall conclusion**

The study broadly concludes that the economic impacts of a Thames Estuary airport are highly uncertain, especially when considered at national rather than local level.

From the conclusions of this study, Kent County Council urges that the Airports Commission rules out the Inner Thames Estuary airport option from short listing for further consideration as a feasible solution for additional airport capacity.

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