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London Luton Airport Expansion

Planning Inspectorate Scheme Ref: TR020001

Volume 8 Additional Submissions (Examination)

**8.56 Applicant's response to Deadline 2 submissions
(Comments from Interested Parties on Deadline 1
submission) Appendix E - The Harpenden Society**

Infrastructure Planning (Examination Procedure) Rules 2010

Application Document Ref: TR020001/APP/8.56

The Planning Act 2008

The Infrastructure Planning (Examination Procedure) Rules 2010

**London Luton Airport Expansion Development Consent
Order 202x**

**8.56 APPLICANT'S RESPONSE TO DEADLINE 2 SUBMISSIONS
(COMMENTS FROM INTERESTED PARTIES ON DEADLINE 1
SUBMISSION) APPENDIX E – THE HARPENDEN SOCIETY**

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Appendix E – The Harpenden Society [REP2-075]

Table E1.1 Applicant's response to The Harpenden Society's comments on Deadline 1 submission

I.D	Response Topic	Comments on deadline 1 submission (Verbatim)	Luton Rising's Response
1	General	<p>Comments on LR submissions</p> <p>1 The Society has reviewed a number of DCO documents submitted for Deadline 1 and offers the Examining Authority ("ExA") the following comments on the evidence.</p>	Noted.
2	Green Horizons Park Economic Need Case	<p>Green Horizons Park ("GHP") economic benefits compared to the Proposed Development economic benefits</p> <p>2 We note that LR has provided copies of various committee reports and other documents (REP1-005 to REP1-011) but has not provided any easily digestible information about the economics of the original GHP application to compare to the economics of the Proposed Development.</p> <p>3 Oxford Economics ("OE") were engaged by LR to produce a report on the economic benefits of GHP to the Three Counties. A summary table of these, extracted directly from OE's report, is shown below: [see page 1 of REP2-075 for figure].</p> <p>We draw the attention of the ExA to the 4,755 jobs that would be supported by the original GHP (on an</p>	<p>The implications of the Proposed Development on the employment that is expected to be supported in the Green Horizons Park is set out at paragraph 11.9.14 in Chapter 11 Economics and Employment of the ES [APP-037]. It is acknowledged that an estimated 593 jobs of the 3,200 projected additional direct on-site jobs would be impacted as a result of the Proposed Development, albeit 50 of these jobs relate to the proposed hotel and are now included within the airport-related employment estimates.</p> <p>The implications in terms of the reduction in the potential employment supported by the Green Horizons Park is not considered to be significant in terms of the overall beneficial employment effects of the Proposed Development.</p>

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		<p>operational basis). OE's economic report for the DCO forecast the following growth in employment in the Three Counties: [see page 2 of REP2-075 for figure].</p> <p>This analysis suggests that the original GHP would provide many more additional jobs in the late 2020's than the Proposed Development (GHP 4,755 compared to 1,000 for the Proposed Development – the difference between the 17,500 shown for 2027 and the 16,500 shown for 2019) and even in 2043, assuming GHP doesn't create further jobs from 2029 to 2043 (a very conservative assumption), the Proposed Development will only have created 6,100 jobs (at a vastly increased environmental cost – this being the difference between the 22,600 shown in 2043 and the 16,500 shown in 2019). Clearly, there are alternative ways to create employment in Luton (the key aim of the Proposed Development) and we would respectively ask the ExA to assess whether any weight should be attached to LR's claim that the Proposed Development is essential for job creation in Luton given its environmental harms (on which subject we note that Lidl has recently opened it's largest warehouse in the world in Luton creating up to 1,500 jobs).</p>	

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3	Governance	<p>Roles and Responsibilities of Luton Borough Council</p> <p>4 LR has submitted a document (REP1-018) which explains the respective roles of Luton Borough Council ("LBC") and LR. We would draw to the ExA's attention to the following practical issues to the relationship between LBC and LR.</p> <p>a. LBC is totally dependent on LR to balance its budget. LBC has, in the past, received and will, in the future, receive all of the concession fee LR generates except, broadly, for the monies paid to charities and in tax. The following table (from the budget papers presented to LBC's full council in February 2023) illustrates the sums that have been paid recently and will be paid in the future from LR to LBC:</p> <p>[see page 3 of REP2-075 for figure].</p> <p>b. To emphasise the dependency, the same budget papers disclosed that LBC's total service expenditure in 2023/24 would be £204 million. Thus, LR covers approximately 20% of LBC's service expenditure (by comparison Council Tax covers approximately 43%). Without the LR payments, LBC would be bankrupt.</p> <p>c. The position has worsened considerably in recent years. In 2012/13 service expenditure was £193 million but the contribution from LR was less than £10 million (i.e. less than 5%).</p>	<p>Note that advice has been sought from Luton Borough Council (LBC) in providing the response below.</p> <p>LBC is not dependent on income from the Applicant to balance its budget, nor would LBC be bankrupt without income from the Applicant.</p> <p>The revenue from the Applicant is an element of the LBC's budget that assists with the delivery of discretionary services to a community where the level of poverty is high. Without that income LBC would be required to reduce the level of its discretionary services. The Board of Directors of the Applicant determines how much of the retained profits are distributed as dividend.</p> <p>LBC has committed to the Department for Housing, Levelling Up and Communities that dividend payments from the Applicant will not be used to balance revenue budgets, and this is reflected in LBC's Medium Term Financial Plan.</p> <p>The Applicant is a separate legal entity to LBC and the Directors have a fiduciary duty to manage the finances of the company. The Applicant has historically borrowed money from LBC to invest in the airport and its infrastructure and has to service the debt. The transactions between the Applicant and LBC are at arm's length and are subject to</p>

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		<p>d. LR borrows the vast majority (if not all) of the funding required to undertake capital investment from LBC. LBC has a charge on the assets of LR as security for its lending. All of LR's borrowing is sourced from LBC for the simple reason that a direct lender to LR would require the company to put the airport up as security for repayment, which LBC won't countenance as it then runs the risk of losing control of the airport. NB LBC itself borrows the monies required for LR from the Public Works Loan Board.</p> <p>e. LR is a frequent topic for discussion by LBC's Executive. However, the minutes of such discussions are usually private. It is therefore impossible to determine the extent to which the described separation of roles outlined in REP1-018) is respected in practice.</p> <p>f. Historically, a report has been made to the LBC Executive setting out performance against a range of targets. These include airport passenger targets. Furthermore, LBC and LR entered into an incentive arrangement with the airport operator to accelerate growth post the granting of the previous planning permission in exchange for a rebate of the concession fee. This is clear evidence that LBC is the guiding hand of LR.</p> <p>We urge the ExA to consider whether, practically, there is any separation between LBC and LR, and</p>	<p>scrutiny by the external auditors of both organisations. There is nothing to stop the Applicant seeking to raise finance from external sources and if it did so LBC would not lose control and would not be required to sell any of its equity.</p> <p>Matters relating to the Applicant are discussed infrequently at LBC's Executive meetings. When such matters are discussed in this forum it is generally because they are commercially confidential. If the point at issue is the separation between LBC as shareholder and LBC as Local Planning Authority then LBC's activities as a shareholder in the Applicant is an Executive function. The Applicant is not aware of any planning functions of LBC being held in private in relation to activities of the Applicant.</p>


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		<p>whether LBC, as host authority, has made any effort to challenge any environmental aspect of LR's application.</p> <p>By way of illustration, LBC participated in the Noise Envelope Design Group but it has made no meaningful attempt to challenge LR's proposal to only measure noise according to the 92 day summer period contours and set those contours at the level the modelling shows is necessary to meet LR's growth projections.</p> <p>LR's proposals fly in the face of government policy to not only mitigate noise but also, where possible, to reduce it. With the growth proposed there is enormous scope to set parameters to reduce noise – a simple example would be to limit aircraft movements to commercial jets and apply an annual quota rather than permit LR to fill gaps in the day with business jets.</p>	
4	Funding	<p>Comment on LR's responses to Relevant Representations</p> <p>Funding</p> <p>5 LR state in their responses to Relevant Representations that LBC is not expected to fund the expansion works. An example is shown below: [see page 4 of REP2-075 for figure].</p>	<p>As explained in the Funding Statement [APP-012], there is a difference between Funding and Finance:</p> <ul style="list-style-type: none"> • Funding is how the expansion will ultimately be paid for, the answer being from the net income (the 'profit') of the airport over time; • Financing is how large upfront costs, such as the construction of the expansion, are paid for when they fall due and typically involve

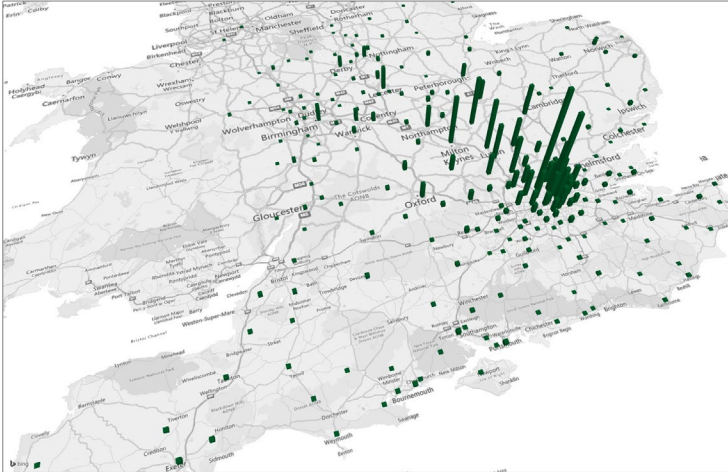
I.D	Response Topic	Comments on deadline 1 submission (Verbatim)	Luton Rising's Response
		<p>6 The LR response (REP1-023) to the Society's concerns about the funding of the Proposed Development elicited a response similar to the above.</p> <p>7 These responses contradict statements made in section 4 of the Funding Statement: "LBC may choose to raise finance through the routes it has available" (Phase 1 option c)) and "Luton Rising would raise money from the private markets or through commercial arrangements determined by LBC to pay for the construction costs of assessment Phase 2" (Phase 2 option a)) and "a concessionaire being appointed to run the airport and deliver the expansion works financed in part by Luton Rising through commercial terms as above" (Phase 2 option c)). All these statements make it clear that LBC will be central to the funding of the expansion works.</p> <p>8 Our concern is that these responses to the legitimate concerns of Interested Parties reinforce the widespread view that LR has no idea how, or indeed whether, it can finance the Proposed Development, in particular the compulsory acquisition costs associated with Phase 2. In the absence of LR being able to demonstrate that reputable lenders are prepared to underwrite the</p>	<p>borrowing of some sort. Such borrowing is then paid off over time by the net income of the airport.</p> <p>Hence, it is correct to say that LBC will not be funding the expansion works. Financial analysis demonstrates that, based on latest forecasts and assumptions, the airport generates sufficient net revenue to pay for the costs of the expansion over time including the repayment of any finance raised to meet capital costs. However, it is possible that LBC will contribute to the upfront financing of the airport expansion on commercial terms as set out in Section 4 of the Funding Statement [APP-012]. This is yet to be determined.</p> <p>In relation to Phase 2 of the airport works and the need for underwritten lender support, please note the timeline as Phase 2 is not until the 2030s. Consequently, it would never be the case that lenders would be prepared to underwrite capital financing at this stage as it would 8-9 years prior to an actual investment in the airport being made.</p>

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		<p>capital funding of the Proposed Development, planning consent should not be granted due the long period of uncertainty that will subsist.</p>	
5	Community First	<p>Community First Fund LR mention in many of its responses to Relevant Representations that it will donate £1 for every passenger above 18 million to a new Community First Fund and it is listed as one of the key socio-economic benefits of the Proposed Development.</p> <p>10 What is not clear is that this is additional funding over and above the existing £7 million donated to local organisations out of the existing concession fee. The “commitment” is not mentioned in the draft Development Consent Order.</p> <p>11 We ask the ExA to ensure this commitment, over and above the existing charitable contributions amounting to approximately £7 million, is included in the draft Development Consent Order or the s106 agreement, otherwise no weight can be attached to it.</p> <p>12 We also ask the ExA to require LR to demonstrate that they are certain that this commitment will be met from the Proposed Development's net revenues as there is no</p>	<p>The respondent is referred to paragraphs 1.1.8, 8.1.6 and 8.1.8 of Draft Compensation Policies Measures and Community First [REP2-005] which respectively cover the securing of Community First via s106 agreement, that the Applicant's existing community funding programme remains unaffected by the Community First proposals, and that the fund will be met from additional revenue flowing to the Applicant (effectively committing that a fixed proportion of concession fee income is directed to Community First).</p>

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		evidence of any “commercial agreement” that will secure this either.	
6	Need Case	<p>Demand forecasts</p> <p>13 LR refer frequently to the use of Jet Zero demand models. However, the latest update from the government “Jet Zero strategy: one year on” states on page 11 that:</p> <p>[see page 5 of REP2-075 for figure].</p> <p>14 Thus, the demand forecast modelling substantially overstates future demand. This is equivalent to a growth rate of approximately 1.2% per annum between 2019 and 2050 which compares to the 50th percentile growth rates of 2.8% for 2019-2030 and 1.0% for 2031-2050 in the Application documents. This reduction in demand will reduce UK passenger numbers to approximately 391 million in 2043.</p> <p>15 If 61% of these passengers are served by London airports (see our earlier Written Representations for the derivation of this %) this is equivalent to 238 million passengers in 2043. As the main London airports current capacity is 217 million passengers and Heathrow’s expansion plans alone would add 45 million passengers this would render any expansion at Gatwick, Luton and Manston completely unnecessary. If the latter all</p>	<p>The demand projections referred to in the <i>Jet Zero strategy: one year on</i> report relate to those published by the Department for Transport (DfT) associated with a consultation on the Sustainable Aviation Fuel Mandate in March 2023 (Ref 1). As with the projections for the Proposed Development, demand growth is expected to be faster in the near term and slower over the longer term. Hence, the estimated passenger market size of 391 million air passengers in 2043 is understated.</p> <p>In any event, the implications of the revised UK passenger demand projections produced by the DfT has been addressed in the Applicant’s Response to Chris Smith Aviation Consultancy Limited [REP2-042], which explains that since the DfT produced those forecasts, economic projections for the UK have been revised upwards again and are now slightly more optimistic over the medium to long term than those adopted by DfT. Hence, the Applicant is confident that the underlying demand projections for the application for development consent are robust and reflect the most recent economic outlook.</p>

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		<p>persevere with their expansion plans too there will be another 42 million passenger capacity, i.e. considerable overcapacity.</p> <p>16 In the light of this, there must be considerable uncertainty as to whether the Luton airport demand figures can be believed particularly when Eurocontrol only forecast annual growth of 0.8% for the UK.</p> <p>17 There is no verifiable data to support the LR demand forecasts other than a coloured map showing where the highest % increases in demand are expected. We have little confidence in the accuracy of this map as it shows demand growth assuming Heathrow's third runway is developed which, conveniently enables LR to predict significant increases in demand along the Thameslink corridor. Clearly, with Gatwick's DCO application having been accepted by the Planning Inspectorate this assumption is no longer valid. This map is also out of date.</p> <p>18 We respectfully ask the ExA to require LR to disclose the detailed figures for passenger growth by location so they can be properly scrutinised</p>	<p>The Eurocontrol forecast referred to is in relation to aircraft movement growth expectations instead of passenger growth.</p> <p>The implications of expansion of other airports on the demand for London Luton Airport are fully set out in Section 5 of the Need Case [AS-125]. Similarly, the implications of any constraints due to the length of the runway at the airport have been taken into account in the forecasts.</p> <p>The basis of the demand forecasts is set out in full in Section 6 of the Need Case [AS-125]. The demand forecasts are based on Civil Aviation Authority passenger survey data, which is a reputable and verifiable data source. The demand in the catchment area is projected forwards as outlined in Section 6. As a consequence of an improved range of services at London Luton Airport over time, when coupled with the improved accessibility already provided by the DART, growth is faster from some parts of the catchment area and this is illustrated at Figure 6.6 of the Need Case [AS-125]. However, whilst growth in demand may be slightly faster in areas to the south of the airport, the main growth in passengers is from the area closest to Luton as illustrated in the figures below, reflecting the position with another runway at Heathrow or the position with Gatwick's use of its</p>

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			<p>north runway. In practice, there is little difference and the majority of passengers expected to use the airport in future come from any area that is closest to it.</p> <p>Heathrow Version – Passenger Absolute Growth by CAA District 2019 to 2043</p>  <p>Gatwick Version - Passenger Absolute Growth by CAA District 2019 to 2043</p>

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7	Noise and Vibration	<p>Avoidance of noise breaches between 2017-2019</p> <p>19 LR's response to a number of community groups regarding LLAOL's breach of noise limits between 2017-2019 is to state that "Appendix 16.2 Operational Noise Management (Explanatory Note) of the Environmental Statement [APP-111] sets out how the proposed Noise Envelope contains mechanisms that should have avoided the noise Limit breaches...". This is nonsense, all this document does is explain the workings of the Noise Envelope Design Group. What community groups have asked for is proof that the Green Controlled Growth ("GCG") proposals are sufficiently robust to ensure that the existing noise limits would not have been breached. If they show</p>	<p>A worked example has been provided that can be used to reasonably conclude that the Noise Envelope would have avoided the historic breaches that occurred in 2017-2019, see Noise Envelope – improvements and worked example [REP2-032]. How the Limits will work in the context of slot allocation timelines has also been explained in the document.</p>

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		<p>they would be, they are clearly inadequate for the Proposed Development.</p> <p>20 We encourage the ExA to require LR to provide not only an analysis of how the GCG proposals would have prevented the 2017-2019 breaches but also practical examples of how the limits will work in the future using data they already have for passenger growth expectations and changes in the fleet mix. These examples should take into account the time lag between slot allocations for the forthcoming seasons and the reporting of noise in those seasons considerably later.</p>	
8	Fleetsmix	<p>Fleet mix</p> <p>21 We remain concerned that the fleet mix used in the modelling does not reflect reality. Responses to Relevant Representations fuel our concern when statements such as “In 2023, approximately 40% of the fleet are made up of new generation aircraft. Fleet modernisation is proceeding in line with expectations” are made. The evidence suggests that fleet modernisation in 2023 is much lower (and similar to the level of modernisation shown to be the case at the public inquiry into the 19 million passengers per annum application).</p> <p>22 In the table below, we have highlighted the number of 320neo and 321neo aircraft as a</p>	<p>The position as stated reflects the confidence that by the end of the year 2023, approximately 40% of scheduled passenger aircraft operations will be by new generation aircraft. In August, the proportion was 38%. The data cited does not seem to include Boeing737-Max aircraft, which are also new generation, and which Ryanair began to use substantively at the airport from June 2023.</p> <p>Overall, the modernisation of the fleet is actually proceeding at a faster pace than anticipated. This is in part supported by commercial incentives put in place by the airport operator.</p>

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		<p>proportion of the whole fleet for three days in May 2023. This is extracted from a spreadsheet for the whole of May, which we can provide to the ExA, if need be.</p> <p>[see page 5 of REP2-075 for table].</p> <p>23 Clearly, fleet modernisation is not happening at the pace LR claim or at the rate their modelling presumes. We again urge the ExA to require LR to explain how it has arrived at its fleet mix and which aircraft are attributable to which airline and whether any sensitivity analysis has been conducted so that a proper assessment of the fleet forecast validity can be carried out.</p>	
9	Fleetmix Noise and Vibration	<p>Problems with the A321neo engine noise</p> <p>24 LR are claiming that the problems with the A321neo engine will be sorted (but it is unclear by when) as the airline operating this engine variant will have switched to an option that more closely matches the engine's noise certification (which is considerably less than the actual noise these aircraft make at Luton airport). All the noise modelling post 2027 is based on this assumption. It therefore does not represent a "worst case" – noise could be considerably higher if the airline doesn't switch to a different engine variant. Given that the A321neo will comprise about 25% of the</p>	<p>The Noise Envelope Limits have been based on the assumption that, by 2039, issues with the A321neo performance would be resolved through fleet transition to equivalent aircraft that are no worse than the expected performance from noise certification testing. If the noise performance issues of the A321neo are not resolved, the outcome would be unchanged as the airport would still need to operate within the Noise Envelope Limits and would need to take steps to achieve this to offset any ongoing issues with the A321neo.</p>

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		<p>fleet in 2043 this could materially impact the noise modelling.</p> <p>25 We urge the ExA to require LR to re-run its noise (and other environmental) modelling on the basis that there is no improvement in the noise performance of the A321neo.</p>	

REFERENCES

Ref 1 HM Government Sustainable Aviation Fuels mandate dataset [October 2023]