Luton Rising
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November 2023

London Luton Airport Expansion

Planning Inspectorate Scheme Ref: TR020001

Volume 8 Additional Submissions (Examination)

8.114 Applicant's Response to Deadline 4 Submissions Dacorum Borough Council, Hertfordshire County Council & North Hertfordshire Council (CSACL Response) (REP4-162)

Infrastructure Planning (Examination Procedure) Rules 2010

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The Planning Act 2008

The Infrastructure Planning (Examination Procedure) Rules 2010

London Luton Airport Expansion Development Consent Order 202x

APPLICANT'S RESPONSE TO DEADLINE 4 SUBMISSIONS - APPENDIX D DACORUM BOROUGH COUNCIL, HERTFORDSHIRE COUNTY COUNCIL & NORTH HERTFORDSHIRE COUNCIL (CSACL RESPONSE) [REP4-162]

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Table 1.1 Applicant's response to submission by Dacorum Borough Council, Hertfordshire County Council & North Hertfordshire Council at Deadline 4

I.D	Topic	Deadline 4 submission (Verbatim)	Luton Rising's Response
1	Need Case	York Paragraph 1.1.4 Materiality of CSACL comments of slower growth CSACL Response Comments in relation to slower growth are material as they may guide the Host Authorities and the ExA in the weight to be given to the several different forecasting scenarios presented in the Need Case. Ultimately, decisionmakers need to make choices between scenarios and reach a conclusion despite the uncertainty.	There is no need for decision makers to choose between forecasts because the impacts of each scenario, including the positive benefits and negative costs have been assessed against the Core Planning, Faster and Slower Growth Cases so they can all be assessed. CSACL has indicated that it believes 32 mppa would be reached by 2048 which is earlier than the Slower Growth Case (page 20, London Luton Airport: Initial Review of DCO Need Case Host Authorities [**REP2-057**] and therefore falls within the assessments made as part of the application.
2	Need Case	York Paragraph 2.1.2 b Consideration of Climate Change Committee recommendations CSACL Response The opinion and recommendations of the CCC were presented to ensure the Host Authorities (and the ExA) were aware of these facts. At no point has it been suggested that they form part of current government policy.	The Applicant notes the position of CSACL that at no point that it has suggested that the opinion and recommendations of the CCC form part of current Government policy. This accords with the Applicant's clearly held view that this is not Government Policy and the Government has confirmed that there has been no change to its policies in support of growth. This has previously been addressed in **8.43 Response to Chris Smith Aviation Consultancy Limited - Initial Review of DCO Need Case for the Host Authorities [REP2-042]** on page 3.
3	Need Case	York Paragraph 2.1.3 DfT explanation of similarity between forecasts pre- and post-Pandemic CSACL Response York refers to Paragraph 3.6 of a Jet Zero document noting a fuel efficiency feedback loop which lowers fuel costs leading to higher demand as the explanation of the similarity. Notwithstanding the very small likelihood of a feedback loop relating to a small contribution to a minority fare component having such a large impact on demand, a later sentence of the same Para 3.6 notes "…The impact of higher carbon pricing in the model is the opposite – carbon costs lead to higher fares and therefore lower demand…". In the 2017 DfT forecasts, by 2050, fuel costs were estimated to represent 18% and carbon costs 21% of average air fares. In the 2017 work, carbon costs in 2050 were assumed to be £221 per tonne of CO2, while in 2022 for Jet Zero it was £378 per tonne. With an increase in price elasticity from -0.6 in 2017 to -0.9 in 2022, it is difficult to understand how this could be an explanation of the similarity of the two forecast outcomes. The DfT, during a meeting with CSACL on 26 September 2023, indicated that the similarity in forecasts was not due to the feedback loop, but to other factors including the division of the European market into two forecasting regions (previously identified by CSACL), and the use of higher load factors in the passenger allocation model (the NAPAM module).	The Applicant is unclear as to why this discussion is relevant as it pertains to the differences between DfT forecasts. While the demand forecasts for the Proposed Development use a similar approach to the DfT forecasts and adopt some of the same assumptions, they are ultimately independent. CSACL has agreed that the DCO forecasts have been prepared using a robust methodology with appropriate assumptions. The Applicant has discussed, in some detail, the evidence around the recovery of business travel (pages 3 to 6) **8.39 Applicant's response to Written Representations - Appendix (NEF) [REP2-038]** and pages 3-5 8.**107 Applicant's response to Deadline 3 Submissions - Appendix A New Economics Foundation [REP4-096]**. The evidence available suggests that business travel is recovering from the pandemic more strongly than expected and that there is currently no sign that climate awareness or disposable income concerns are dampening the demand for travel.

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4	Need Case	York Paragraph 2.1.4 DfT elasticities CSACL Response York notes that elasticities were recalibrated in 2022, but does not make clear that this was when the recalibration was undertaken and that the underlying passenger data was pre-Pandemic, as noted in Paragraph 3.34 of the CSACL report (REP2-057). CSACL's point was not that the DfT's elasticies were not the best option available, but rather that they carried a weakness of being based on pre-Pandemic relationships. The DfT has confirmed to CSACL that the elasticities reflect passenger behaviours and attitudes up to 2019 on air travel before the Pandemic. Hence, they reflect, inter alia, pre-Pandemic behaviour on use of video-conferencing, awareness of climate change, and priorities for the use of disposable income. The form of the DfT's forecasting model (and it is believed also of York's) is that an annual change in an explanatory variable (e.g. UK GDP) is multiplied by an elasticity to give passenger growth in that year. Hence, a faster increase in video-conferencing has a long term impact and decreases the forecasts produced even if the end-point use of video-conferencing in 2050 is the same.	The Applicant notes CSACL's comment that it is not suggesting that the DfT elasticities are not the best available option. CSACL is correct that the DfT's analysis draws on data from before the pandemic. However, the Applicant would note that there is no practical other option. Not least because passenger numbers during the pandemic were reflective not of demand but the extent of travel restrictions. CSACL's comment appears to be simply a statement on the position facing DfT and, indeed, anyone else undertaking such an analysis. They do not materially influence the forecasts. The Applicant would also note again that the elasticities have been derived through a very long time-series analysis, which includes multiple changes in consumer behaviours, improvements in communication technologies and periods of growth and recession. This issue has already been considered on pages 2 to 3 of **8.43 Response to Chris Smith Aviation Consultancy Limited - Initial Review of DCO Need Case for the Host Authorities [REP2-042]**. The long term nature of such analyses allows for structural change and it should be recognised that they describe average effects over time. There will always be periods when the market departs from the forecast path, either positively or negatively. It is the overall long term trend that is relevant and from this perspective, the Applicant position remains that there is no reason to believe that the DfT's elasticities do not provide an appropriate input for long term forecasting.
5	Climate Change	York Paragraph 2.1.5 The CCC's advice CSACL Response CSACL does not and has not disputed the points made by York. Again, reference to the CCC was made to ensure the HAs were fully informed	It is noted that CSACL does not dispute the points. The need to be fully informed regarding the CCC is dealt with in relation to point 2.1.b earlier in this response.
6	Need Case	York Paragraph 2.2.1 CSACL downside risks CSACL Response These are noted by York, although in the CSACL document the economic forecasts were described as 'generally' pre-dating the major external events (some did not), although this is acknowledged in York's paragraph 2.2.2. The CSACL report (REP2-057) also noted York's difficulties (faced by all forecasters).	Noted.
7	Need Case	York Paragraph 2.2.3 More optimistic UK GDP forecasts CSACL Response The assumptions given in Table 2.1 of York's response, show the same growth rates post 2030 for the Need Case and more recent projections, so are not 'more optimistic' in the long term. Applying the growth rates to a 2019 base of 100 shows the Need Case (not the more recent assumptions presented by York) to be more	The Applicant notes that the wider economic background for the UK economy is ultimately reflected in the Office for Budgetary Responsibility's economic forecasts. Their purpose is to provide a basis for considering the future performance of the UK economy to inform Government decision making. This issue has already been considered in some detail on pages 4 and 5 of **8.43 Response to Chris Smith Aviation Consultancy Limited - Initial Review of DCO Need Case for the Host Authorities [REP2-042]**.

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		optimistic by 2030, while starting from 100 in 2022 results in identical growth to 2030. CSACL's concern is though not focused on the monthly micro adjustments and revisions, but rather with the wider economic background to the forecasts.	
8	Need Case	York Paragraph 2.2.5 Higher staff costs and Balance Sheet rebuilding are short term fluctuations CSACL Response The Pandemic had a very considerable impact on the air transport industry, with passengers at UK airports dropping to below 10% of the previous peak (on a moving annual basis), leading to considerable job losses, and significant borrowing and equity injections to companies involved in the business. The recovery saw a shortage of staff in many areas which sometimes resulted in disruption to service standards. While higher staff costs may prove to be part of a normal cycle of variation of staff costs (as suggested by York), rebuilding the balance sheet will represent significant extra costs in the short to medium terms. With the structure of the forecasting models being based on calculation of annual changes this will delay growth during the whole forecasting period. It is possible that these factors may already be holding back growth.	The Applicant considers this response to be speculative and there is no evidence that these factors are holding back growth across the industry. The rapid bounce back of passenger demand in the UK through 2023 suggests this is not the case.
9	Need Case	York Paragraph 2.2.6 DCO forecasts are not the same as those used by DfT CSACL Response This has been acknowledged (REP2-057, Para 3.33). It also means that they do not have the same pedigree as those of the DfT	The forecasting methodology used by the Applicant has been developed over a long period of time by experienced air traffic forecasters with a long track record in the UK market. The approach has been considered robust in relation to previous planning decisions, including at the Bristol Airport Inquiry and for London City Airport.
10	Need Case	York Paragraph 2.2.7 Costs of SAF CSACL Response The carbon costs included in the DfT's model are for the purchase of emissions permits bought as part of the UK ETS and CORSIA schemes. The funds raised are intended to pay for the purchase of permits from sectors that are easier to de-carbonise than aviation, for offset schemes and for carbon removal projects including Carbon Capture and Storage (CCS) infrastructure. It is not clear that the carbon costs used in the model would generate sufficient funds for these off-set measures, particularly in the short/medium term. There is no reason why these costs in total should equal the total incremental costs of purchasing SAF (rather than Kerosene), unless, as a policy, carbon costs were set sufficiently high to act as an incentive. This would firstly require the total for the true aviation carbon costs to be less than the total incremental costs of SAF; and secondly it would need agreement within CORSIA and to a lesser extent the ETS for this to be implemented. It may of course be that carbon costs are	It appears to the Applicant that CSACL seems to fundamentally misunderstand the application of the BEIS carbon appraisal values. They are not intended to be reflective of the cost allowances within an emissions trading scheme or similar mechanism but to reflect the marginal cost of removing an additional tonne of carbon. As such, they are intended to be reflective of the investment required to implement SAF or other zero emissions technologies in aviation. They are reflective of the investment required for aviation to meet net zero. This is, again, an issue that has been considered previously in the Applicant's previous response to CSACL **[REP2-042]**, page 6.The Applicant also notes that the great majority of flights from Luton Airport will be captured by the emissions trading scheme (around 84% in the core planning case in 2050 – see page 4, **8.90 Applicant's response to Issue Specific Hearing 2 Actions 15, 17, 22, 23: Greenhouse Gases and Climate Change Matters [REP4-078]**. In this context CORSIA is clearly less relevant. However, the Applicant would also highlight that it is believed to be unlikely that CORSIA or a replacement will be less stringent than

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		greater than incremental costs of SAF, although the exercise undertaken by CSACL and noted in Para 3.39 (REP2-057) suggests that this is not the case for the assumptions in the short/medium term to the early/mid 2030s, largely as a consequence of very low CORSIA carbon costs, with CORSIA flights accounting for some 70% of UK emissions. This latter exercise was discussed with DfT on 26 September. The Department appeared conscious of the low CORSIA carbon costs in the short/medium term which make it cheaper for airlines to pay the carbon cost rather than to buy SAF. It is therefore planning to introduce a SAF Mandate which would require, inter alia, airlines to buy a certain amount of SAF. It is also including explicitly SAF costs in its modelling for the next forecasting exercise which is underway. On the basis of this, CSACL sees no reason to revise its view that there is downside risk arising from the carbon costs assumptions (and absence of SAF costs) in the DfT's most recent published forecasts.	emissions trading at paragraph 2.2.10 of **8.90 Applicant's response to Issue Specific Hearing 2 Actions 15, 17, 22, 23: Greenhouse Gases and Climate Change Matters [REP4-078]**.
11	Need Case	York Paragraph - CSACL Response York has focused on some of the factors which influence demand growth, but there are others, including: • the use of optimistic assumptions of improvements in fuel burn (REP2-057, Para 3.32), • future changes in ADP, • any increases in the ownership costs and non-fuel and non-carbon operating costs of new aircraft entering airline fleets (and such changes are not included in the DfT's most recent forecasts). Additionally, if the possibility of more 'unknown unknowns' is considered (and three have emerged in recent months in the form of RAAC concrete, UK local government financial crises, and the violence in the Near East) they add to the downside risk identified. It should be noted that the overall downside risk is important because it arises from consideration of these possibilities collectively: some of the risks may not materialise, but CSACL considers it is improbable that none will happen.	The Applicant considers that this is little more than speculation on the part of CSACL and to be largely immaterial. It also notes that downside risks of this nature are, of course, a critical part of the monte carlo analysis that underpins the market growth rates used for the demand forecasts, as explained in the **Need Case [AS-125]** in Section 6.
12	Need Case	York Paragraph 2.2.11 Capacity assumptions at Heathrow and Gatwick in the absence of additional runways CSACL Response York has indicated that it has capped the capacities of these two airports at 90 mppa and 50 mppa in line with the figures in the DfT's 2017 forecasts. In the 2022 modelling for the Jet Zero Strategy (Modelling Framework), the DfT indicates in Para 3.16 that it only set a passenger terminal capacity if there was a planning	This point is addressed for the Deadline 4 submission by the Applicant and is covered in Written Questions NE.1.4 (see page 3, **8.73 Applicant's response to Written Questions - Need Case [REP4-059]**)

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		restriction in place. For most airports, the DfT calculated an effective passenger capacity by multiplying ATMs by expected numbers of passengers per ATM for each year. This is in line with the MBU policy. This means that passenger capacity was considered by the DfT not to be a static figure but a parameter that could change. With no passenger caps in place at either Heathrow or Gatwick, the DfT did not assign a passenger capacity but its model allowed their capacities to rise without constraint to reflect growth in average passengers per ATM. As noted in TR020001-001882 (Page 6 of the Host Authorities' ISH2 Post Hearing Submission), Gatwick Airport Limited also considers that its passenger handing capacity will continue to grow even with a fixed number of aircraft movements as a result of continuing increases in the average number of passengers per ATM.	
13	Need Case	York Paragraph 2.2.13 The role of long haul services in allowing passengers per ATM to increase at Heathrow CSACL Response York suggests that there was a clear trend evident in CSACL's Figure 3.1 (REP2-057) that long haul passengers displacing short haul passengers at Heathrow. While CSACL considers the gradient (or lack thereof) in this chart speaks for itself, in the period from 2009 to 2019, the percentage of long haul passengers at Heathrow rose from 52.9% to 53.0%. The development was not monotonic suggesting that changes are more related to small perturbations than to any clear trend.	This point is addressed for the Deadline 4 submission by the Applicant and is covered in Written Questions NE.1.4 (see page 3, **8.73 Applicant's response to Written Questions - Need Case [REP4-059]**)
14	Need Case	York Paragraph 2.2.14 No material effect on Luton demand projections CSACL Response The CSACL analysis suggests that the application of a passenger cap of 90 mppa at Heathrow in the Core Planning Case makes a five to seven year difference in when Luton might reach 32 mppa: in 2041 or 2043 with the cap (REP2-057, Para 3.64 or York's demand case respectively) and 2048 without a cap (REP2-057,Para 3.62 and Table 3.7). CSACL assumes that some parties may consider this material rather than largely moot.	This point is addressed for the Deadline 4 submission by the Applicant and is covered in Written Questions NE.1.4 (see page 3, **8.73 Applicant's response to Written Questions - Need Case [REP4-059]**)
15	Need Case	York Paragraph 2.3.4 Long haul projections CSACL Response CSACL recognises that the long haul destinations are indicative, although presumably these are the destinations which show the most potential on an historic basis. CSACL reservations are based not just on the current dominance of Heathrow in the provision of long haul services, but also of its own experience of working with airlines to develop such services and the many factors that are considered. It expressed an opinion on which destinations were most likely to	No evidence or market analysis has been presented by CSACL . The forecasts for long haul are based on projected growth in underlying demand over time which is expected to make services from other London airports more attractive. The destinations assessed are those which would be likely to show most potential over time given that they have the largest underlying demand presently.

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		attract a service from Luton and accepted if they did not materialise it is likely they would be replaced by short haul services.	
16	Need Case	York Paragraph 2.3.8 Timing of reaching 32 mppa CSACL Response As the DCO's Core Planning Case is based on one extra runway in the London area (an assumption agreed by CSACL as the most likely outcome), the more important date to consider in the CSACL assessment is that of 2048. It should be noted that this was based on (a) CSACL's best estimate of what York's wider demand forecast might be and (b) does not apply any of the downside risks factors identified: if these were to be applied, the time when 32 mppa might be reached would be later than 2048. It should also be noted that CSACL's high-level assessment of timings described in REP2-057, Para 3.62 with a passenger cap at Heathrow produces in the Core Planning Case a 32 mppa date of 2041 (REP2-057, Para 3.64), against York's more detailed approach of 2043. In other words, the CSACL approach and apportionment assumptions produce an earlier date than does York. Use of a more detailed approach without a passenger cap at Heathrow would be likely to delay reaching 32 mppa at Luton beyond 2048, even before adjusting for the many factors with downside risk.	The Applicant's view is that the response of CSACL confirms that the development of forecasts with Faster and Slower Growth cases is a reasonable basis for assessing the DCO given that CSACL's own projections fall within the outrebounds of the forecasts presented in the Need Case and Environmental Statements.
17	Need Case	York Paragraph 2.3.10 CSACL Response Others and time will judge which aspects of the passenger forecasting exercises are more reliable. CSACL notes though that a detailed modelling approach does not of itself lead to a robust set of forecasts.	CSACL has already indicated that the forecasting methodology is robust and therefore, if the input assumptions are also considered robust then the results from the modelling should also be considered as robust. There is no evidence provided by CSACL that the results are not robust.
18	Need Case	York Paragraph 5 Overall Conclusions CSACL Response While CSACL considers the demand forecasting approach adopted by York to be reasonable, it does not accept that the forecasts produced are robust and considers that environmental impacts and economic benefits will be seen later than in the Core Planning Case. The Applicant's Slower Growth Case offers a more realistic evaluation, although this may still be too early.	Whilst the Applicant and CSACL have differing views over the point at which 32 mppa is most likely to be reached, this confirms that there is no materiality to the CSACL comments because the CSACL forecast for 32 mppa occurs within the range of forecasts produced by the Applicant and assessed within the Environmental Statement.