

January 2024

London Luton Airport Expansion

Planning Inspectorate Scheme Ref: TR020001

Volume 8 Additional Submissions (Examination)

**8.174 Applicant's Response to Written Questions NE.2.1
and NE.2.2 - Demand Forecasts**

Infrastructure Planning (Examination Procedure) Rules 2010

Application Document Ref: TR020001/APP/8.174

The Planning Act 2008

The Infrastructure Planning (Examination Procedure) Rules 2010

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

**8.174 APPLICANT'S RESPONSE TO WRITTEN QUESTIONS NE.2.1
AND NE.2.2 – DEMAND FORECASTS**

Deadline:	Deadline 8
Planning Inspectorate Scheme Reference:	TR020001
Document Reference:	TR020001/APP/8.174
Author:	Luton Rising

Version	Date	Status of Version
Issue 1	January 2024	Additional Submission – Deadline 8

Contents

	Page	
1	Background	1
1.1	Introduction	1
1.2	Structure of this Note	2
2	Updating the GDP Growth Assumptions	3
2.1	Introduction	3
2.2	UK GDP Forecasts	6
2.3	Overseas GDP Forecasts	8
2.4	Conclusions	10
3	Updated UK Demand Growth Rates	11
3.1	Introduction	11
3.2	Updated UK Market Forecasts	11
3.3	Comparison to Original UK Demand Growth Rates	13
4	Forecast Scenarios for London Luton Airport	15
4.1	Introduction	15
4.2	Updated GDP Assumptions	15
4.3	Original Growth Rates, Gatwick Capacity 67 mppa Scenarios	17
4.4	Update Economic Forecasts, Gatwick 67 mppa Scenarios	19
5	Conclusion on the impact on the assessment Cases	22
	REFERENCES	23

Tables

Table 2.1: OBR Economic and Fiscal Outlook – Short/Medium Term Forecasts Over Time (Real GDP Growth).....	3
Table 2.2: Updated UK GDP Forecasts	7
Table 2.3: Updated Overseas GDP Forecasts by World Region	9
Table 3.1: Updated Underlying UK Market Growth Rates.....	12
Table 5.1: Comparison of the Year when 32 mppa attained.....	22

Figures

Figure 2.1: Comparison of OBR GDP forecasts March 2022.....	4
Figure 2.2: Comparison of OBR GDP forecasts November 2022	4
Figure 2.3: Comparison of OBR GDP forecasts March 2023.....	5
Figure 2.4: Comparison of OBR GDP forecasts November 2023	5

Figure 2.5: Comparison of Central UK GDP Forecasts in the Original and Updated Forecasts (Index: 2022 = 100)8

Figure 2.6: Comparison of Central Overseas GDP Forecasts in the Original and Updated Forecasts (Index: 2022 = 100) 10

Figure 3.1: Updated range of underlying market growth rates (Index: 2022 = 100) 13

Figure 3.2: Comparison of UK Demand Growth Rates Original and Updated Forecasts (Index: 2022 = 100)..... 14

Figure 4.1: Comparison of the unconstrained passenger demand forecasts for London Luton Airport 16

Figure 4.2: Comparison of London Luton Airport Scenarios with Gatwick Capacity of 67 mppa and 50 mppa based on Original Economic Growth Projections 18

Figure 4.3: Comparison of London Luton Airport Scenarios with Gatwick Capacity of 67 mppa and 50 mppa based on Updated Economic Growth Projections20

1 BACKGROUND

1.1 Introduction

1.1.1 This technical note has been developed by Luton Rising (a trading name of London Luton Airport Limited) ('the Applicant') to support the application for a Development Consent Order (DCO) for the expansion of the airport to 32 million passengers per annum (mppa) (the Proposed Development). The type and scale of the airport expansion proposal meets the thresholds to be classified as a Nationally Significant Infrastructure Project (NSIP) for the purposes of the Planning Act 2008. Therefore, an application has been made to the Secretary of State for Transport for development consent.

1.1.2 In The Examining Authority's Further Written Questions (ExQ2) **[PD-015]** two questions were posed to the Applicant in relation to Need that require extended responses for some elements. These are:

NE.2.1 Revised Gross Domestic Product (GDP) forecast

The Office for Budgetary Responsibility (OBR) published its economic forecasts in November 2023 including revised GDP figures. Given that the model used for future forecasts in the Need Case uses economic forecasts dating back to March 2022, to allow the ExA to provide a recommendation to the Secretary of State (SoS) based on more up-to-date economic data, please provide revised forecasts for the central, slower and faster planning case based on the November 2023 OBR data and a written commentary of the extent to which the revised economic forecast affects the previous demand forecasts. If this is not considered to be appropriate, please explain why not.

And

NE.2.2 Forecasting with Gatwick

The forecasting parameters in the Need Case [AS-125] limits growth at Gatwick Airport to 50 million passengers per annum (mppa), although the response to ExQ1 N.E. 1.4 [REP4-059] states this could rise to 53.5mppa on a single runway by 2050 (51mppa at 2030 and 52mppa). The post hearing submission response for ISH2 from the Joint Host Authorities [REP3-093] comments that Gatwick Airport has estimated that the airport could accommodate a passenger throughput of 67mppa in a base case without a northern runway (ie do-nothing scenario).

Applicant:

1. Explain why there is a difference between your assumptions and that by Gatwick Airport as quoted by the Joint Host Authorities.

2. Explain whether a difference of 14mppa between the figures can be considered 'marginally greater' (using the terminology in your response to ExQ1 NE.1.4 in [REP4-059]) and the implications a difference in increase of 14mppa would have on your forecasting figures.

- 1.1.3 Initial responses to these questions were provided at D7 **[REP7-055]**. In relation to NE.2.1, it was noted that the complexity of the demand forecasting process meant that it was not feasible that the sensitivity tests requested could be completed by D7 and that these would be produced for D8, which was agreed by the ExA. In relation to NE.2.1, the response at D7 explained that it would not be normal practice to update airport long term demand forecasts on every occasion when short term economic forecasts were updated.
- 1.1.4 The response at D7 also addressed the first point under NE.2.2. The Applicant makes clear that it does not accept that the assumption that Gatwick Airport could achieve 67 mppa with its existing single runway, as put forward by the Host Authorities, is robust as a basis for demand modelling for this DCO as it had not yet been validated through the DCO process at Gatwick. The Applicant makes clear that, in its view, it remains appropriate to retain the original assumption as to the capacity achievable with Gatwick's single runway at 50 mppa as used by the Department for Transport in its modelling of the airport's baseline capacity in all current published forecasts.
- 1.1.5 Without prejudice to the answers already given, this paper addresses NE.2.1 and the second part of NE.2.2. It presents revised total market growth rates for the UK market, the equivalent of those shown in Figure 6.2 of the **Need Case [AS-125]**, and a new set of forecasts for London Luton Airport in the different unconstrained demand scenarios, replicating the scenarios presented at Figure 6.3 of the **Need Case [AS-125]**. The latter element considers the potential effects of 67 mppa being attainable at Gatwick Airport with its existing single runway, as NE.2.2, notwithstanding the Applicant's position outlined above.
- 1.1.6 The implications of these revised unconstrained scenarios for the Assessment Cases for the DCO is then outlined.

1.2 Structure of this Note

- 1.2.1 This note is structured as follows:
- a. Section 2 identifies the revised GDP growth assumptions that support the updated forecasts and compare these to the previous assumptions adopted;
 - b. Section 3 presents the updated demand growth rates for the UK market and compares these rates to those used in the original demand forecasts;
 - c. Section 4 then sets out the updated forecast scenarios for London Luton Airport considering both the updated UK growth rates and alternate capacity assumptions for Gatwick;
 - d. Section 5 then considers the extent to which these new scenarios for London Luton Airport would impact on the Assessment Cases.

2 UPDATING THE GDP GROWTH ASSUMPTIONS

2.1 Introduction

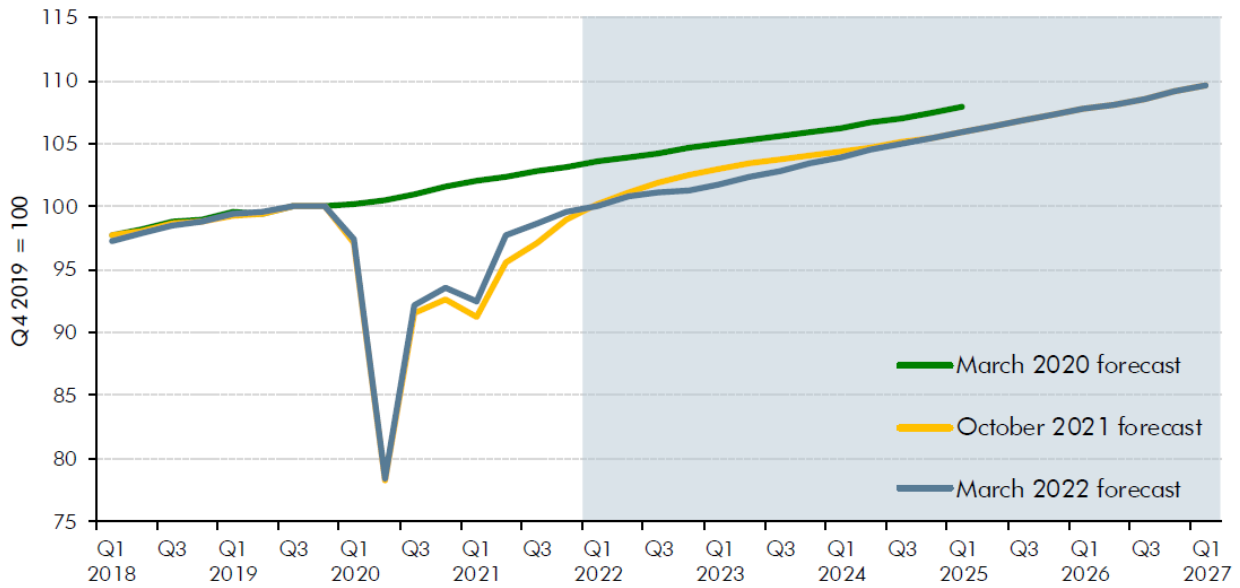
- 2.1.1 Since the time that the demand forecasts presented within the **Need Case [AS-125]** were prepared the forecasts for the UK economy from the Office for Budgetary Responsibility (OBR) have been revised several times. As set out in Table 2.1 of the Applicant's **Response to Chris Smith Aviation Consultancy Limited - Initial Review of DCO Need Case for the Host Authorities [REP2-042]**, the economic forecasts of March 2023 were slightly more optimistic over the period to 2030 than those used in the Need Case.
- 2.1.2 The latest set of medium term forecasts (now to 2028) were issued in November 2023 (Ref 1). Over the same period, longer term forecasts for UK economy have also been adjusted and these are set out, alongside the November 2023 OBR medium term forecasts, in the latest iteration of the WebTAG databook, again issued in November 2023 (Ref 2). These economic forecasts, as set out in the WebTAG databook, have been used in the updated forecasts and are set out below.
- 2.1.3 To assist the ExA in understanding in the broad changes in the core economic variable used in the forecasting process, Table 2.1 below shows the short to medium term projections of UK GDP produced by the OBR over the last few years. The cumulative implication of these projections is shown in Figures 2.1 to 2.4 taken from the relevant OBR Economic and fiscal outlook publications (Ref 3).

Table 2.1: OBR Economic and Fiscal Outlook – Short/Medium Term Forecasts Over Time (Real GDP Growth)

Public ation Date	2020	2021	2022	2023	2024	2025	2026	2027	2028	Start Year of Forec ast
Nov-23			4.3%	0.6%	0.7%	1.4%	2.0%	2.0%	1.7%	2023
Mar-23		7.6%	4.0%	-0.2%	1.8%	2.5%	2.1%	1.9%		2022
Nov-22		7.5%	4.2%	-1.4%	1.3%	2.6%	2.7%	2.2%		2022
Mar-22	-9.4%	7.5%	3.8%	1.8%	2.1%	1.8%	1.7%			2021
Oct-21	-9.8%	6.5%	6.0%	2.1%	1.3%	1.6%	1.7%			2021

Figure 2.1: Comparison of OBR GDP forecasts March 2022

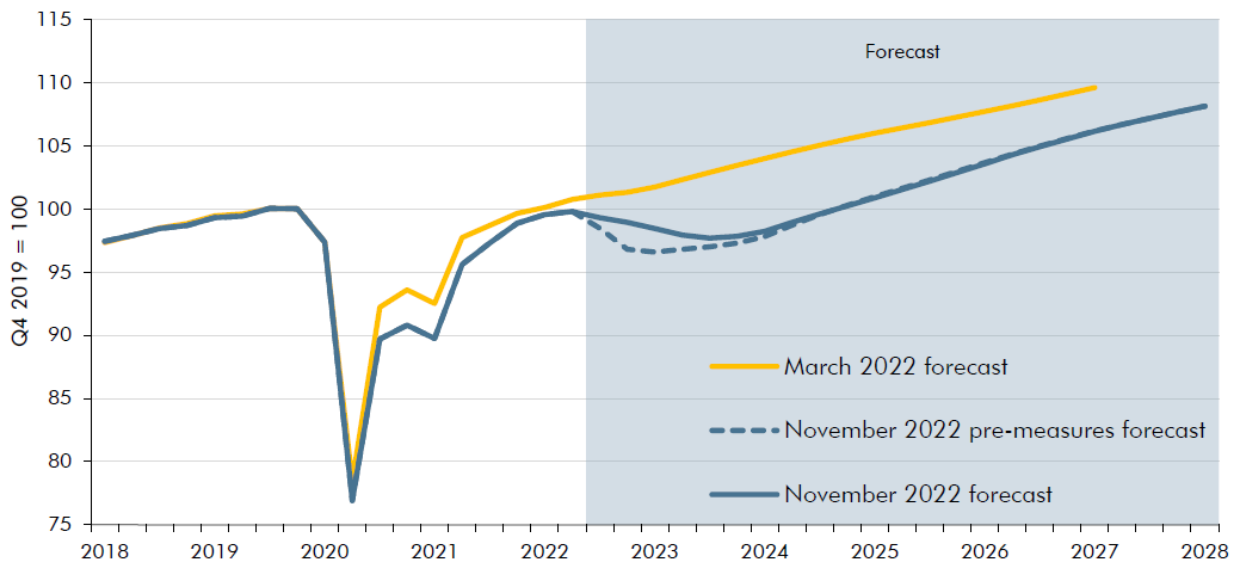
Chart 1.4: Real GDP



Note: Outturn data are consistent with the first estimate of the fourth quarter of 2021.
Source: ONS, OBR

Figure 2.2: Comparison of OBR GDP forecasts November 2022

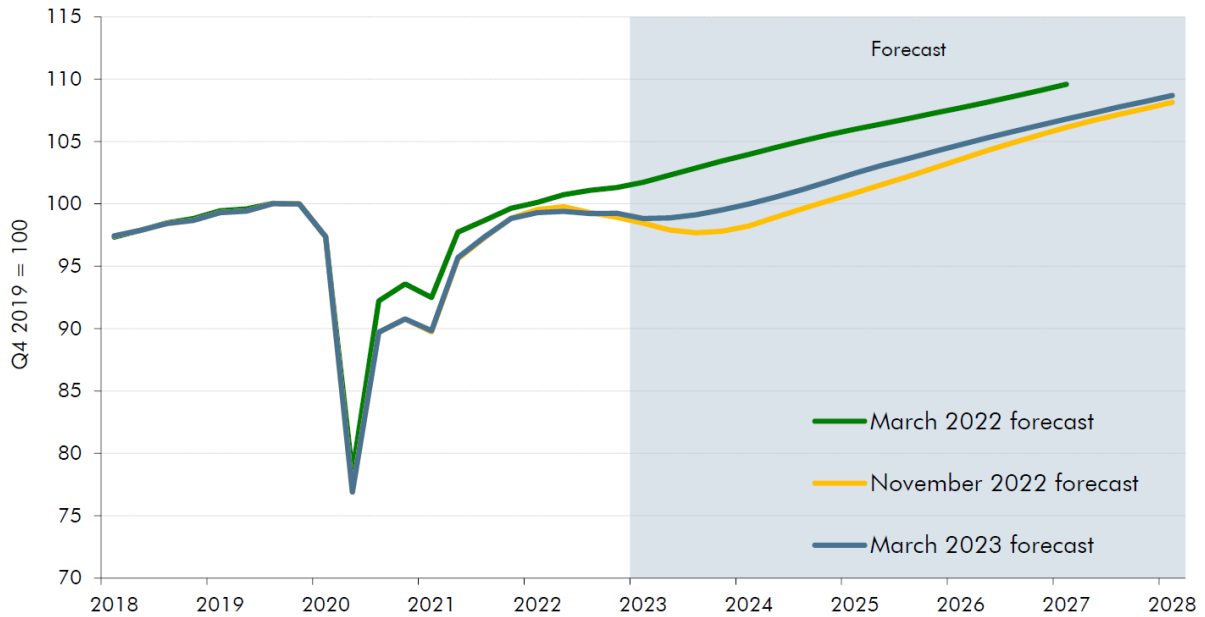
Chart 1: Real GDP



Source: ONS, OBR

Figure 2.3: Comparison of OBR GDP forecasts March 2023

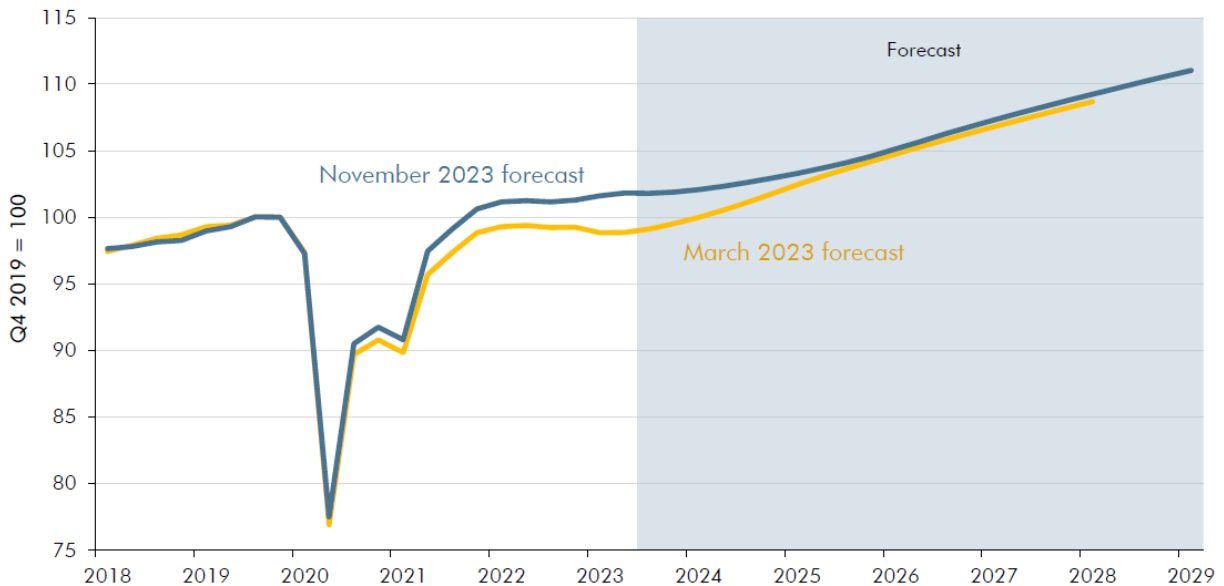
Chart 1.2: Real GDP



Source: ONS, OBR

Figure 2.4: Comparison of OBR GDP forecasts November 2023

Chart 1.2: Real GDP



Source: ONS, OBR

2.1.4 The Application forecasts were based on the OBR (and other relevant economic projections) as at May 2022, i.e. those from March 2022. These were very similar to the October 2021 forecasts that were used to inform the Jet Zero Strategy (Ref 4) forecasts. In November 2022 the GDP projections were adjusted downwards, reflecting uncertainties about the effect of the Ukraine

War, as referred to by Chris Smith Aviation Consultancy Limited (CSACL) at paragraph 3.29 of **REP2-057**. These lower forecasts informed the updated forecast produced for the consultation into the SAF¹ Mandate and referenced in Jet Zero Strategy: one year on (Ref 5). There were similar lower projections of economic growth across Europe at the time when these forecasts were produced and, in combination, these resulted in the lower overall long term demand projections referenced at page 11 of Jet Zero Strategy: one year on.

2.1.5 As discussed at ISH2, the then most recent OBR GDP projections (March 2023) were showing growth ahead of that projected in the November 2022 projections and the most recent November 2023 projections are slightly higher again. This highlights the hazards of adjusting long term trend forecasts every time there is an adjustment to short term projections. As discussed at ISH2, the Applicant remains confident that its Assessment Cases are robust but presents, in this paper, the effect of updating to the November 2023 OBR projections.

2.1.6 As noted above, just as GDP forecasts for the UK have changed over time, those for overseas economies have also changed. In the update, the forecasts for overseas world regions have been updated using the latest medium term forecasts from the IMF (October 2023) (Ref 6) and long term forecasts from the OECD (December 2023) (Ref 7). These GDP forecasts have been used in these updated forecasts.

2.2 UK GDP Forecasts

2.2.1 The forecast assumptions adopted are shown in Table 2.2. The Central scenario forecasts is based on the OBR base forecast and taken directly from WebTAG. The High and Low GDP forecasts reflect the 70th and 30th percentile OBR forecasts for the medium term (to 2028). Beyond 2028, the growth rates are 20% higher or lower than OBR long term forecast in the absence of actual high and low scenarios from OBR. This approach to longer term GDP forecasts is consistent with that adopted in the original forecasts as set out in **Appendix B to the Need Case [APP-214]**.

¹ Sustainable Aviation Fuels.

Table 2.2: Updated UK GDP Forecasts

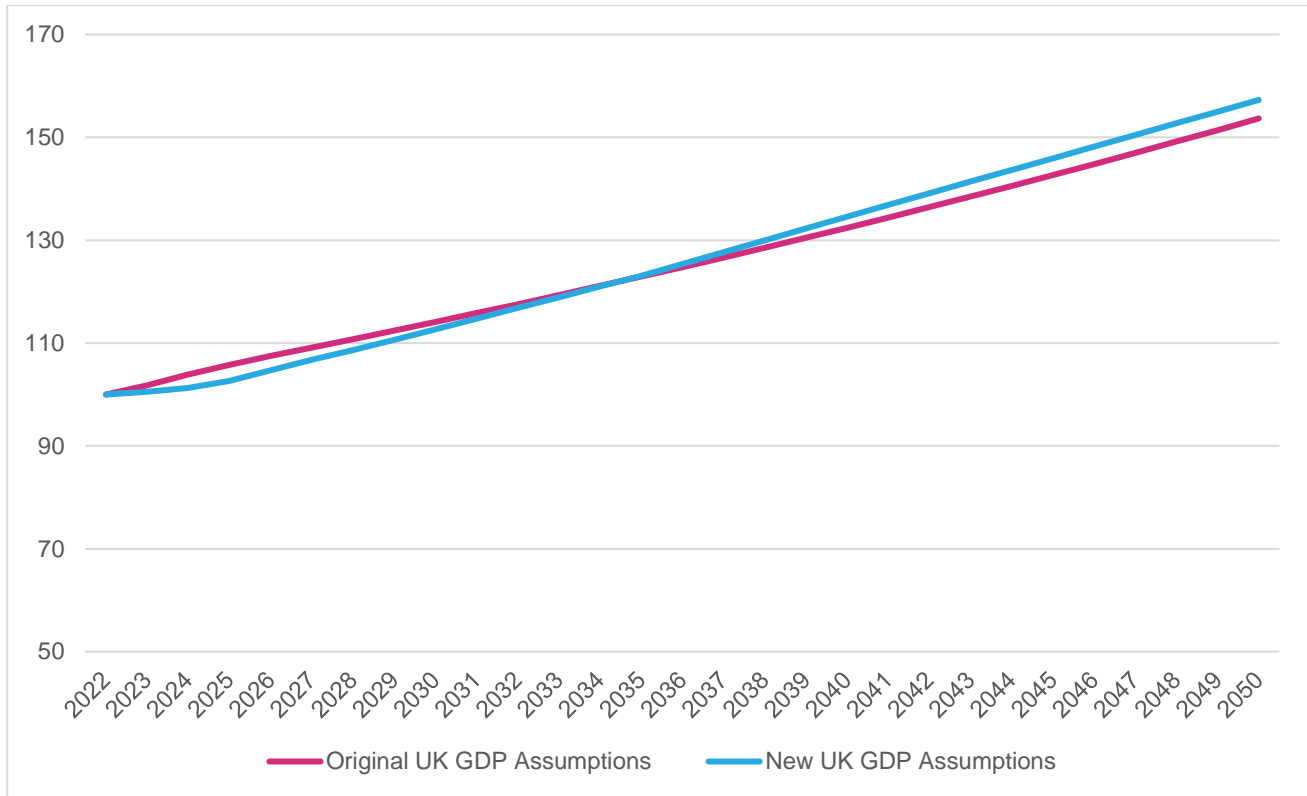
Year	Central	High	Low
2023	0.6%	1.1%	0.1%
2024	0.7%	1.4%	0.0%
2025	1.4%	2.8%	-0.2%
2026	2.0%	3.4%	0.4%
2027	2.0%	3.4%	0.4%
2028	1.7%	3.2%	0.2%
2029	1.8%	2.2%	1.5%
2030	1.9%	2.3%	1.5%
2031	1.8%	2.2%	1.5%
2032	1.8%	2.2%	1.4%
2033	1.8%	2.1%	1.4%
2034	1.8%	2.1%	1.4%
2035	1.7%	2.1%	1.4%
2036	1.9%	2.2%	1.5%
2037	1.8%	2.2%	1.5%
2038	1.8%	2.2%	1.4%
2039	1.8%	2.1%	1.4%
2040	1.7%	2.1%	1.4%
2041	1.7%	2.0%	1.4%
2042	1.7%	2.0%	1.3%
2043	1.6%	2.0%	1.3%
2044	1.6%	1.9%	1.3%
2045	1.6%	1.9%	1.3%
2046	1.6%	1.9%	1.3%
2047	1.5%	1.8%	1.2%
2048	1.5%	1.8%	1.2%
2049	1.5%	1.8%	1.2%
2050	1.5%	1.8%	1.2%

Source: OBR from WebTAG and York Aviation.

2.2.2 Figure 2.5 considers how these GDP forecasts compare to those used in the original forecasts put forward in the **Need Case [AS-125]**. It shows an index of the UK economy and how it grows in the two different forecasts. This set to 100 in 2022. This shows that, while the new UK GDP forecasts are slightly lower in the short to medium term, they are higher in the long term, which ultimately results in UK GDP growth that is in fact slightly higher by the mid-2030s than the original UK GDP assumptions. This continues through to 2050. This will

support slightly higher demand growth across the UK market. As stated at ISH2, the current GDP projections are very similar to those originally used in the DCO forecasts over the longer term.

Figure 2.5: Comparison of Central UK GDP Forecasts in the Original and Updated Forecasts (Index: 2022 = 100)



Source: York Aviation analysis of OBR GDP Forecasts

2.3 Overseas GDP Forecasts

2.3.1 Table 2.3 shows the updated overseas GDP assumptions used in the forecasts presented here. In each case, the central forecast is taken directly from the IMF and OECD forecasts mentioned above. These growth rates have then again been adjusted up or down in each year to create high and low cases.

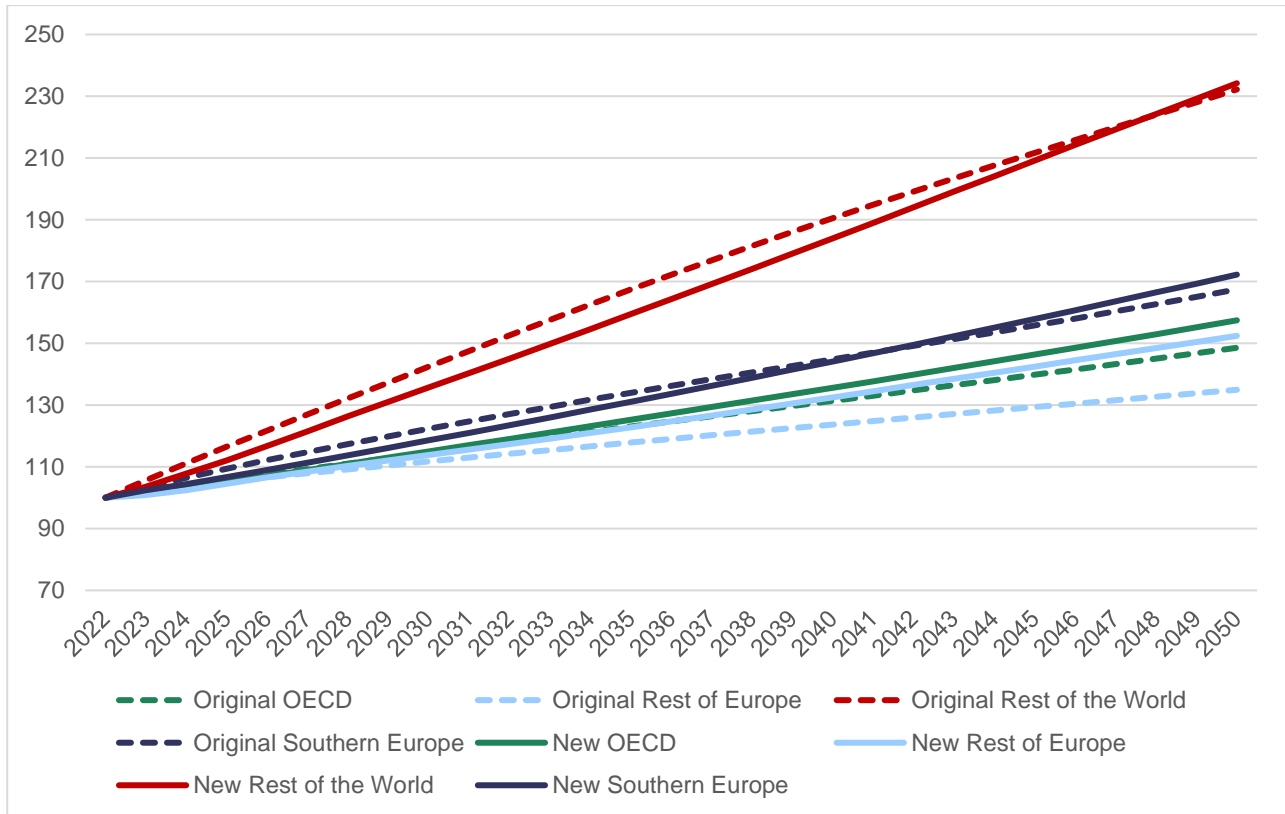
Table 2.3: Updated Overseas GDP Forecasts by World Region

Year	Southern Europe			Rest of Europe			OECD			Rest of the World		
	Central	High	Low	Central	High	Low	Central	High	Low	Central	High	Low
2023	2.4%	3.1%	1.8%	0.9%	1.1%	0.7%	2.0%	2.4%	1.5%	3.6%	4.5%	2.7%
2024	1.9%	2.4%	1.4%	1.5%	1.9%	1.1%	1.4%	1.7%	1.0%	4.1%	5.1%	3.1%
2025	2.2%	2.7%	1.6%	2.0%	2.5%	1.5%	1.7%	2.1%	1.3%	4.0%	5.0%	3.0%
2026	2.2%	2.7%	1.6%	2.0%	2.5%	1.5%	1.8%	2.2%	1.3%	4.2%	5.2%	3.1%
2027	2.2%	2.7%	1.6%	1.8%	2.2%	1.3%	1.8%	2.3%	1.4%	4.1%	5.1%	3.1%
2028	2.1%	2.6%	1.6%	1.7%	2.1%	1.3%	1.8%	2.3%	1.4%	4.0%	5.0%	3.0%
2029	2.2%	2.7%	1.6%	1.6%	2.0%	1.2%	1.8%	2.3%	1.4%	3.7%	4.6%	2.8%
2030	2.1%	2.6%	1.6%	1.6%	2.0%	1.2%	1.8%	2.2%	1.3%	3.5%	4.4%	2.7%
2031	2.1%	2.6%	1.6%	1.5%	1.9%	1.2%	1.8%	2.2%	1.3%	3.4%	4.3%	2.6%
2032	2.0%	2.6%	1.5%	1.5%	1.9%	1.1%	1.7%	2.2%	1.3%	3.3%	4.2%	2.5%
2033	2.0%	2.5%	1.5%	1.5%	1.9%	1.1%	1.7%	2.2%	1.3%	3.3%	4.1%	2.5%
2034	2.0%	2.5%	1.5%	1.5%	1.9%	1.1%	1.7%	2.1%	1.3%	3.2%	4.0%	2.4%
2035	2.0%	2.5%	1.5%	1.5%	1.9%	1.2%	1.7%	2.1%	1.3%	3.1%	3.9%	2.3%
2036	2.0%	2.4%	1.5%	1.5%	1.9%	1.2%	1.6%	2.1%	1.2%	3.0%	3.8%	2.3%
2037	1.9%	2.4%	1.5%	1.5%	1.9%	1.2%	1.6%	2.0%	1.2%	3.0%	3.7%	2.2%
2038	1.9%	2.4%	1.4%	1.5%	1.9%	1.2%	1.6%	2.0%	1.2%	2.9%	3.6%	2.2%
2039	1.9%	2.4%	1.4%	1.5%	1.9%	1.1%	1.6%	2.0%	1.2%	2.8%	3.6%	2.1%
2040	1.9%	2.3%	1.4%	1.5%	1.9%	1.1%	1.6%	2.0%	1.2%	2.8%	3.5%	2.1%
2041	1.9%	2.3%	1.4%	1.5%	1.9%	1.1%	1.6%	1.9%	1.2%	2.7%	3.4%	2.0%
2042	1.8%	2.3%	1.4%	1.5%	1.9%	1.1%	1.5%	1.9%	1.2%	2.7%	3.3%	2.0%
2043	1.8%	2.3%	1.4%	1.5%	1.8%	1.1%	1.5%	1.9%	1.2%	2.6%	3.2%	1.9%
2044	1.8%	2.3%	1.4%	1.4%	1.8%	1.1%	1.5%	1.9%	1.1%	2.5%	3.2%	1.9%
2045	1.8%	2.3%	1.4%	1.4%	1.8%	1.1%	1.5%	1.9%	1.1%	2.5%	3.1%	1.9%
2046	1.8%	2.2%	1.3%	1.4%	1.7%	1.0%	1.5%	1.9%	1.1%	2.4%	3.0%	1.8%
2047	1.8%	2.2%	1.3%	1.4%	1.7%	1.0%	1.5%	1.9%	1.1%	2.3%	2.9%	1.8%
2048	1.8%	2.2%	1.3%	1.4%	1.7%	1.0%	1.5%	1.8%	1.1%	2.3%	2.9%	1.7%
2049	1.7%	2.2%	1.3%	1.3%	1.7%	1.0%	1.5%	1.8%	1.1%	2.2%	2.8%	1.7%
2050	1.7%	2.1%	1.3%	1.3%	1.7%	1.0%	1.5%	1.8%	1.1%	2.2%	2.7%	1.6%

Source: IMF, OECD and York Aviation

2.3.2 Again, the new GDP assumptions are compared to those used in the original forecasts in Figure 2.6. This shows the central case for each world region for the original and new GDP forecasts in an index based to 100 in 2022.

Figure 2.6: Comparison of Central Overseas GDP Forecasts in the Original and Updated Forecasts (Index: 2022 = 100)



Source: York Aviation analysis of IMF and OECD

2.3.3 In all world regions, the GDP forecasts have changed. Over the period to 2050, they are more positive than the previous forecasts in all cases. In Southern Europe and the Rest of the World, the original GDP forecasts include faster growth in the short to medium term but slower growth in the longer term. This is reflected in the indices for the new GDP forecasts lagging behind the equivalent original forecast, before catching up and overtaking in the longer term.

2.4 Conclusions

2.4.1 The updated GDP forecast assumptions have been set out above. In all cases, by 2050, the new GDP forecasts are more positive over the long term than those used in the original forecasts presented in the **Need Case [AS-125]**. This will support more underlying demand growth for air passenger travel over the period. The consequences of this for growth in UK air passenger demand overall is shown in the next section, with the specific implications for demand projections at London Luton Airport shown in the following section.

3 UPDATED UK DEMAND GROWTH RATES

3.1 Introduction

3.1.1 This section sets out the updated underlying demand growth rates for the UK market that underpin the forecasts for London Luton Airport.

3.1.2 Where not stated in the previous section, all other input assumptions remain as set out in **Appendix B to the Need Case [APP-214]** as no updated assumption information is available.

3.2 Updated UK Market Forecasts

3.2.1 Table 3.1 shows the UK market growth rates for the 50th percentile, 80th percentile and 20th percentile from the Monte Carlo growth rates model² described in the **Need Case [AS-125]** in Section 6.3. As described at paragraph 6.3.11 of the Need Case, these articulate the 'Most Likely', a 'realistic upper bound' and a realistic lower bound to future growth in underlying demand respectively.

² Monte Carlo simulation is a mathematical technique based on probabilities of occurrence of the various input assumptions. The simulation runs the potential different combinations of inputs, weighted by their probabilities, many times to determine a broad range of growth rates for each year for the forecast.

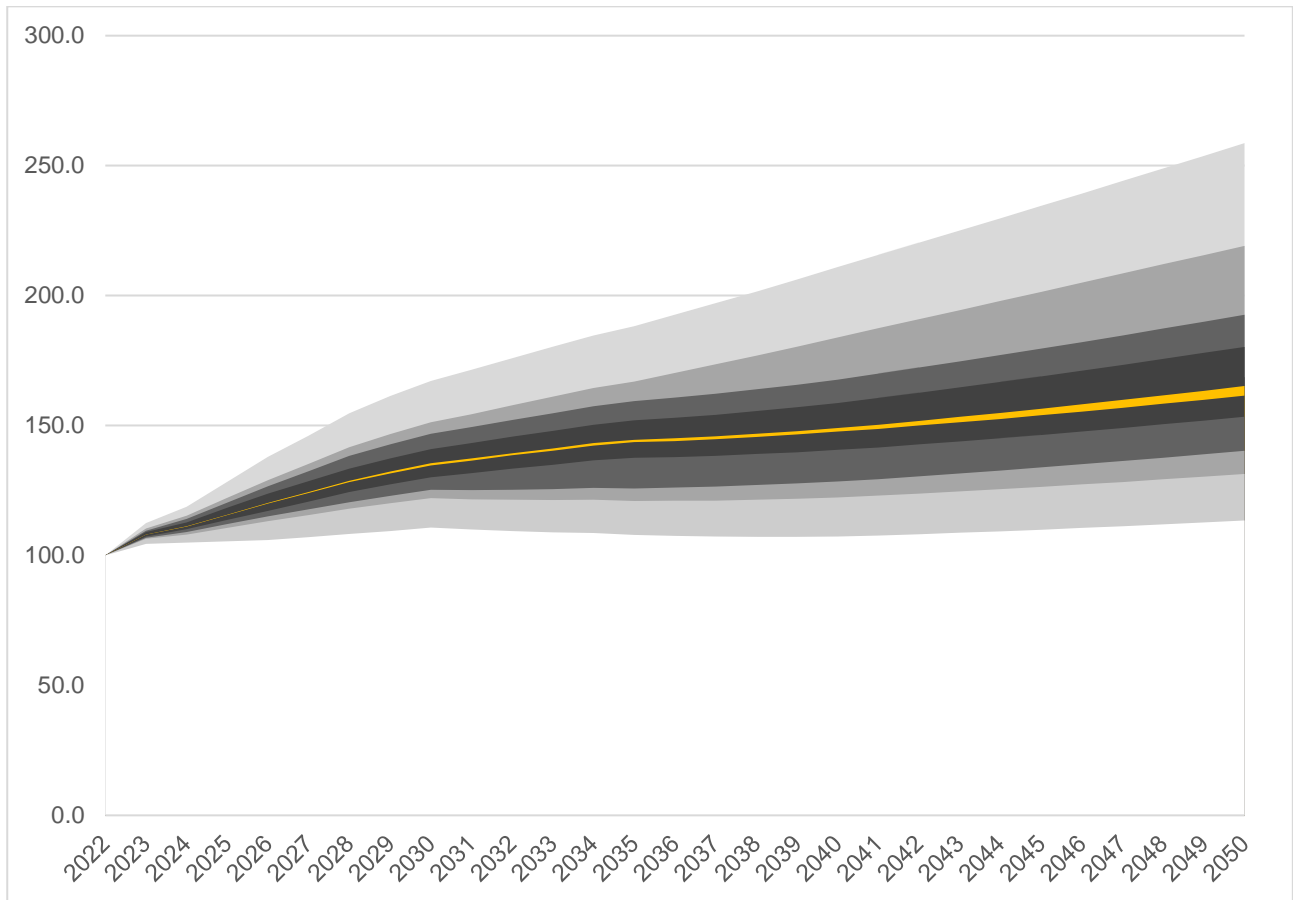
Table 3.1: Updated Underlying UK Market Growth Rates

Year	50th Percentile 'Most Likely'	80th Percentile	20th Percentile
2024	2.9%	4.2%	2.0%
2025	4.1%	5.5%	2.8%
2026	3.9%	5.2%	2.7%
2027	3.5%	4.5%	2.3%
2028	3.5%	4.5%	2.3%
2029	2.7%	3.2%	2.1%
2030	2.4%	2.8%	1.8%
2031	1.4%	1.7%	-0.1%
2032	1.5%	1.8%	0.1%
2033	1.3%	1.7%	0.2%
2034	1.4%	1.8%	0.4%
2035	0.9%	1.2%	-0.1%
2036	0.4%	0.8%	0.2%
2037	0.5%	0.9%	0.3%
2038	0.7%	1.1%	0.5%
2039	0.7%	1.1%	0.5%
2040	0.8%	1.2%	0.6%
2041	0.9%	1.4%	0.7%
2042	1.0%	1.4%	0.8%
2043	1.0%	1.4%	0.8%
2044	1.0%	1.4%	0.8%
2045	1.1%	1.4%	0.9%
2046	1.1%	1.4%	0.9%
2047	1.1%	1.4%	0.9%
2048	1.1%	1.4%	1.0%
2049	1.1%	1.4%	0.9%
2050	1.1%	1.4%	1.0%

Source: York Aviation.

3.2.2 Figure 3.1 presents an update to Figure 6.2 in the **Need Case [AS-125]**. This fan chart shows the full range of underlying demand forecasts from the Monte Carlo analysis of future growth rates.

Figure 3.1: Updated range of underlying market growth rates (Index: 2022 = 100)



Source: York Aviation

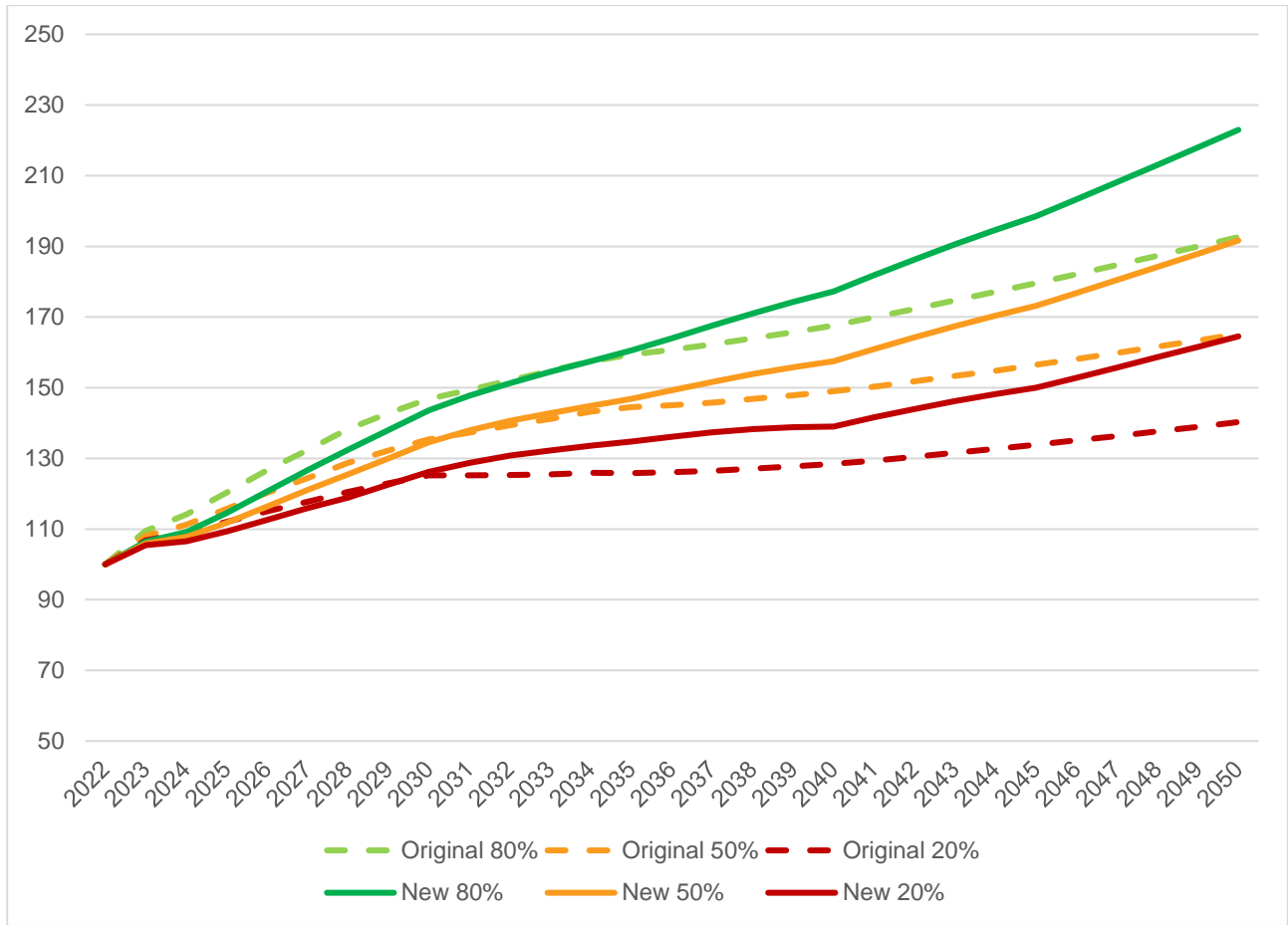
3.2.3 The effect of updating the economic assumptions has resulted in a slightly narrower range of forecasts between the higher and lower end of bands.

3.3 Comparison to Original UK Demand Growth Rates

3.3.1 As described in Section 2, the updated demand forecasts reflect updated GDP forecasts, which are both higher over the period to 2050 and different in profile. Figure 3.2 shows a comparison of the 50% percentile, 80th percentile and 20th percentile growth rates from the original Need Case forecasts and the updated forecasts presented here.

3.3.2 This shows that, while lower short to medium term GDP growth rates mean that demand growth is slightly slower in the short to medium term, in the longer term, when GDP growth is higher than in the previous forecasts, demand growth is stronger. Ultimately, the quantum of underlying demand in the UK market is higher than it was in the original forecasts presented in the Need Case over the longer term.

Figure 3.2: Comparison of UK Demand Growth Rates Original and Updated Forecasts (Index: 2022 = 100)



Source: York Aviation

4 FORECAST SCENARIOS FOR LONDON LUTON AIRPORT

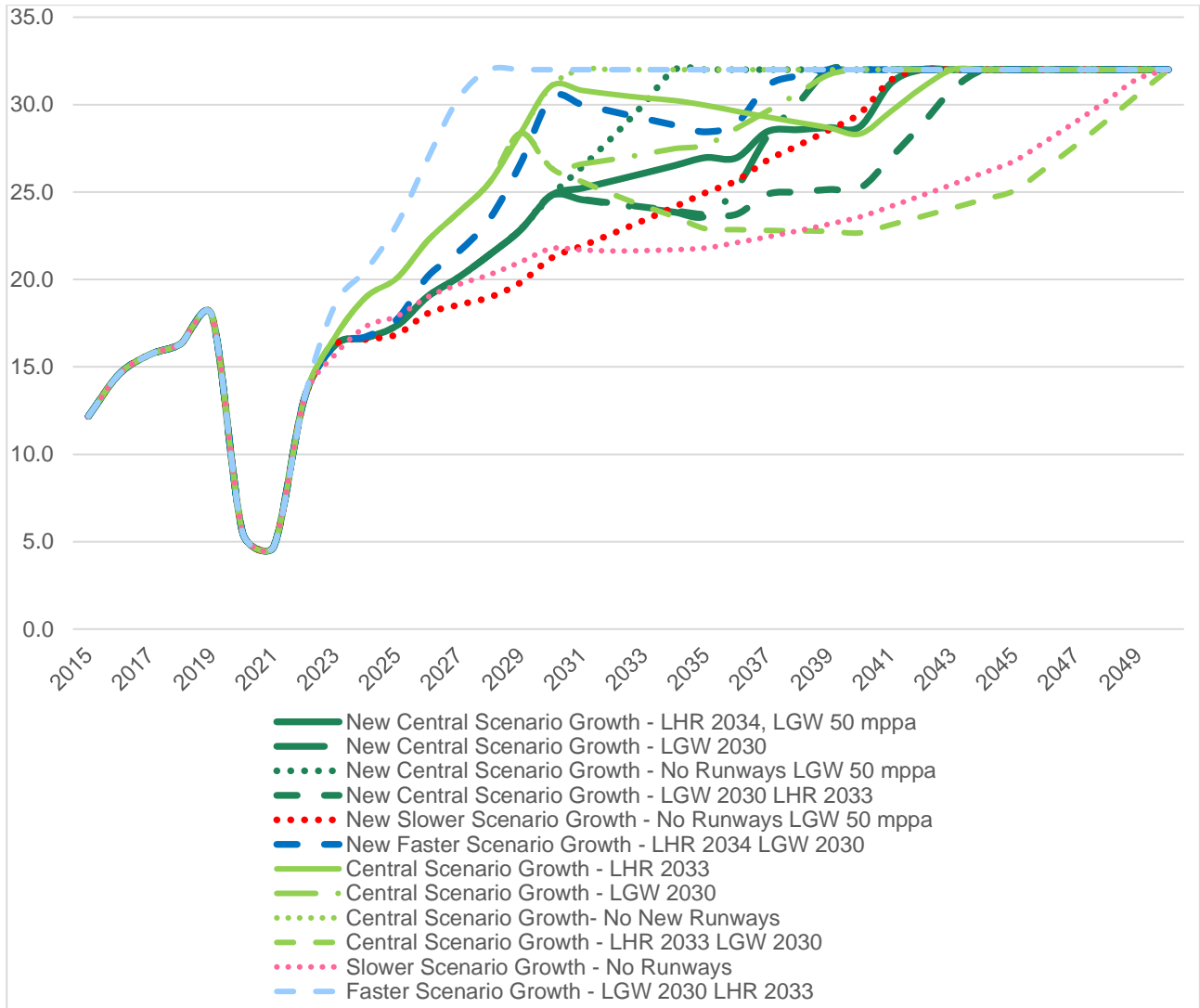
4.1 Introduction

- 4.1.1 This section sets out a series of demand forecast scenarios for London Luton Airport. These reflect both the updated UK underlying demand forecasts described in Section 3 and also, where relevant, a variant assumption for Gatwick Airport's capacity based on its claim that it could achieve a passenger throughput of 67 mppa without an additional runway, as opposed to the original Need Case [AS-125 paragraph 6.3.21] assumption of 50 mppa as used by the Department for Transport in its modelling of that airport constrained to a single runway.
- 4.1.2 In line with the general approach to updating the forecast scenarios, the timescale over which a new runway at Heathrow could feasibly be delivered has been further adjusted to 2034 (compared to 2033 adopted in the **Need Case** [AS-125] at paragraph 6.3.22) taking into account further delays to it re-initiating the DCO pre-application process.

4.2 Updated GDP Assumptions

- 4.2.1 This paper first addresses the effect of the updated GDP assumptions, including the change to the assumed delivery of a third runway at Heathrow in relevant scenarios to address the ExAs WQ NE.2.1. These projections retain the assumption that the maximum single runway capacity of Gatwick remains at 50 mppa. Figure 4.1 shows the updated unconstrained demand scenarios for London Luton Airport compared to those set out in Figure 6.3 of the **Need Case** [AS-125]. The original scenarios, like for like, are shown in paler colours and the updated scenarios in darker colours.

Figure 4.1: Comparison of the unconstrained passenger demand forecasts for London Luton Airport



Source: York Aviation

4.2.2 As can be seen, the effect of the narrower band of underlying market demand forecasts results in the updated unconstrained projection of when the airport would reach 32 mppa narrowing from 2028 to 2050 to between 2034 and 2045. This compares to between 2028 and 2050 in the original Need Case. The slower economic growth experienced in the short term has delayed the point at which London Luton Airport first reaches 32 mppa but the faster and greater GDP growth in the longer term results in the latest point at which the airport reaches 32 mppa coming forward in time.

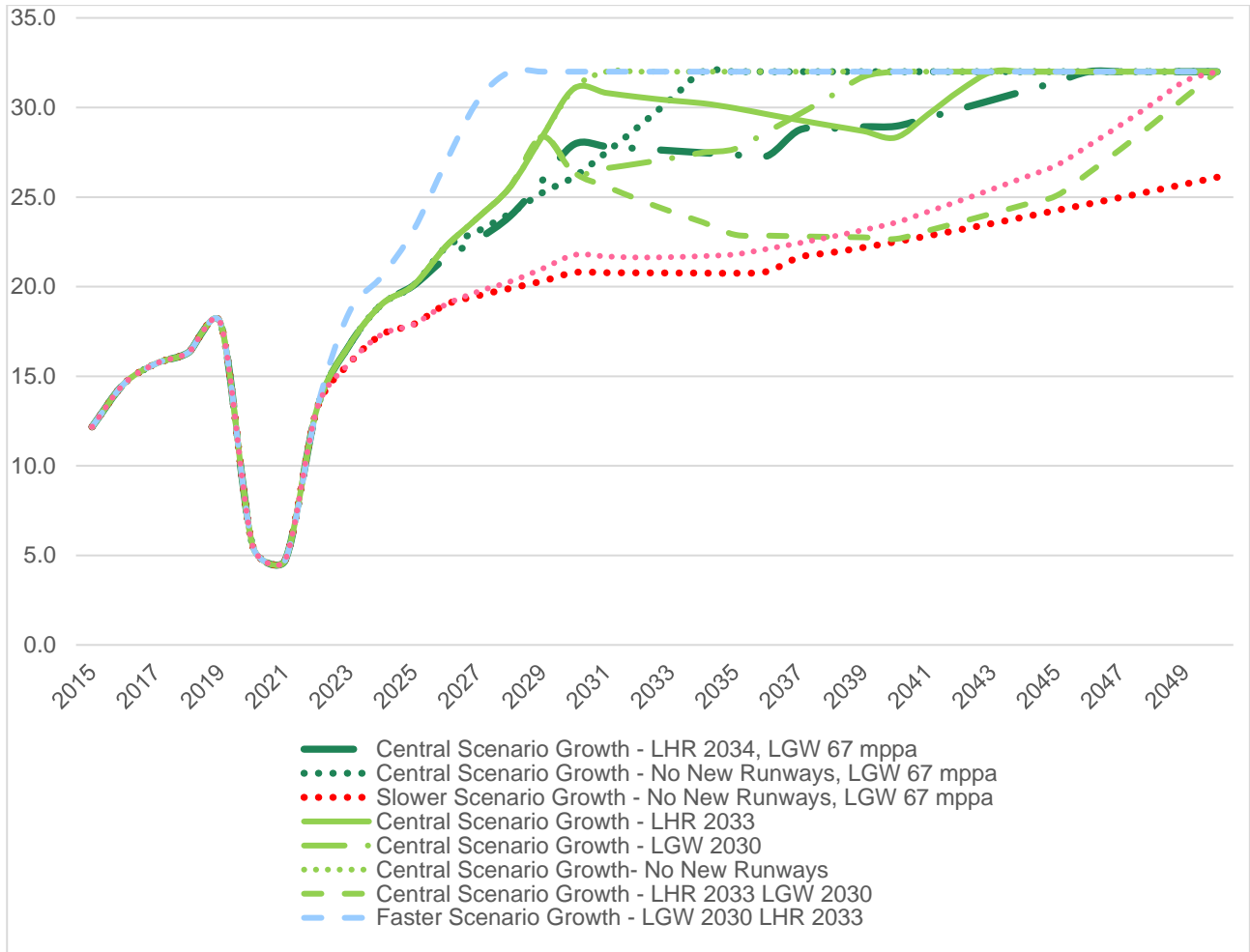
4.2.3 Ultimately, the changes in the underlying growth rates do not significantly affect the distribution of the scenarios in terms of the point at which London Luton Airport reaches 32 mppa. Based on the assumed phasing of capacity delivery, the airport is not expected to be able to attain 32 mppa until 2042 in any event under the Faster Growth Case (**Need Case [AS-125]**, paragraph 6.4.15). This would be unaltered by the updated economic scenarios.

- 4.2.4 However, compared to the original forecasts, the time when 32 mppa would be reached in the Slower Growth Case would come forward to 2045 compared to 2049 (**Need Case [AS-125]**, paragraph 6.4.16).
- 4.2.5 Although the slower short term economic growth projections mean that the build up of unconstrained demand might be slower initially than in the original forecasts, the underlying passenger demand to use London Luton Airport remains above that assessed in the Core Planning Case, which reflects the assumptions regarding phasing of capacity delivery. Taking the same assumptions for the Core Planning Case of one additional runway being delivered at either Heathrow or Gatwick, the updated forecasts still show the airport reaching 32 mppa by 2043, consistent with the original Core Planning Case.

4.3 Original Growth Rates, Gatwick Capacity 67 mppa Scenarios

- 4.3.1 Figure 4.2 shows the new scenarios with the higher 67 mppa capacity for Gatwick using the original market growth rates compared to their equivalents from the Need Case with Gatwick with a capacity limit of 50 mppa. Other unchanged scenarios where Gatwick is assumed to bring its northern runway into use are shown for completeness.

Figure 4.2: Comparison of London Luton Airport Scenarios with Gatwick Capacity of 67 mppa and 50 mppa based on Original Economic Growth Projections



Source: York Aviation

4.3.2 As can be seen in Figure 4.2, the effect of Gatwick being able to attain 67 mppa with its single runway would defer the airport reaching 32 mppa in the Core Planning Case circumstance of a new runway being constructed at Heathrow to 2046. Should Gatwick develop its north runway in circumstances where Heathrow does not develop another runway, the underlying demand scenario is unaffected, with the airport having the potential to attain 32 mppa earlier than 2043, subject to the timing of delivery of new capacity. Given that the Core Planning Case is a hybrid of these two scenarios (**Need Case [AS-125]** paragraph 6.4.8), prima facie there is no reason to adjust the Core Planning Case assumption that the airport would reach 32 mppa by 2043 but, even if the attainment of the Core Planning Case was slipped to 2046, this would be within the timescale assessed between the Core Planning Case and the Slower Growth Case.

4.3.3 In relation to the Faster Growth Case, this is a composite of faster underlying growth with two new runways and the central demand growth with no new runways delivered. The former of these scenarios is unaffected by changing the baseline capacity assumption for Gatwick but the second scenario sees the

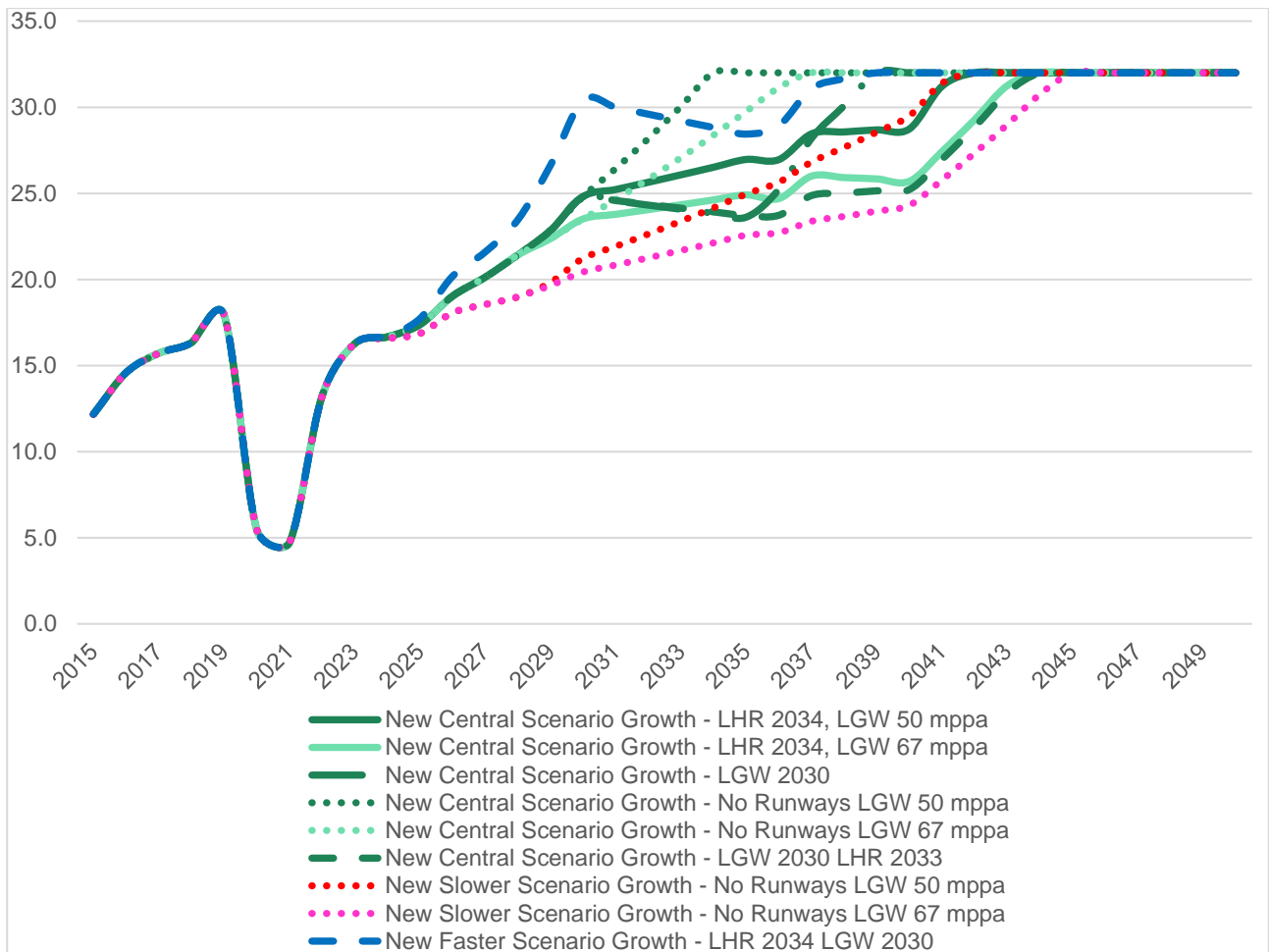
higher capacity at Gatwick result in a deferral of London Luton Airport reaching 32 mppa from 2031 to 2034, both well ahead of the assumed delivery of Phase 2 capacity. Hence, there is no reason to adjust the Faster Growth Case to the potential circumstance of Gatwick being able to reach 67 mppa with its single runway.

- 4.3.4 In the slower demand growth scenario, the effect of Gatwick being able to attain 67 mppa with its single runway would mean London Luton Airport not reaching 32 mppa until after 2050. However, with slower demand growth, it is less likely that Gatwick would reach 67 mppa over that timeframe either. Gatwick's own projections in its core case show that it only expects to attain 67 mppa by 2047 in its base case (Ref 8) and, with slower growth, this timescale would be expected to slip materially. Hence, as the Slower Growth Case for the Proposed Development is a composite of slower demand growth with no new runways and the central demand growth scenario with 2 new runways, which is unaltered (**Need Case [AS-125]**), it is not considered necessary to adjust the Slower Growth Case used for assessment.

4.4 Update Economic Forecasts, Gatwick 67 mppa Scenarios

- 4.4.1 The effect of Gatwick being assumed to have a single runway capacity of 67 mppa compared to the updated economic scenarios is shown in Figure 4.3.

Figure 4.3: Comparison of London Luton Airport Scenarios with Gatwick Capacity of 67 mppa and 50 mppa based on Updated Economic Growth Projections



Source: York Aviation

- 4.4.2 The effect of higher capacity assumed at Gatwick defers London Luton Airport reaching 32 mppa until 2037, compared with 2034 at 50 mppa Gatwick capacity with faster underlying demand growth. This has no impact on the Faster Growth Case used for assessment.
- 4.4.3 With central demand growth, the effect of Gatwick having an assumed capacity of 67 mppa defers the attainment of 32 mppa at Luton to 2044 in the circumstances of Heathrow developing a new runway, compared to 2042 with the original 50 mppa capacity assumption. However, the other scenario used to inform the Core Planning Case is unchanged and is ahead of the date of 2043 used in the Core Planning Case for assessment. Hence, the Applicant does not consider there is need to adjust the Core Planning Case for the circumstance of Gatwick having the potential to grow to 67 mppa with a single runway.
- 4.4.4 Because of the narrowing of the range of underlying demand growth scenarios with the updated economic assumptions, the effect on the timing when London Luton Airport might attain 32 mppa is more limited than under the original economic assumptions. Both of the underlying demand scenarios that are used to derive the Slower Growth Case for assessment would suggest that 32 mppa

could be reached by c.2045, which is earlier than 2049 as originally assessed but later than under the Core Planning Case.

5 CONCLUSION ON THE IMPACT ON THE ASSESSMENT CASES

- 5.1.1 The Applicant’s conclusion on the sensitivity testing carried out on the demand forecasts used for the assessment of the impact of the Proposed Development is that neither the adoption of updated economic forecasts nor the raising of the assumed single runway capacity of Gatwick has a material effect on the three forecast Cases used for assessment purposes or, therefore, the conclusions of environmental assessments which employ them. These Cases remain composites of different potential future scenarios, some of which are adjusted but others are not impacted.
- 5.1.2 The effect of slightly lower short term economic projections means that growth to 21.5/23 mppa might be slightly slower in the short term, with possible slippage of the timescale for attainment to 2028 rather than 2027 but this is still earlier than assumed in the Slower Growth Case, 2030.
- 5.1.3 The Applicant’s conclusion as to the impact of the sensitivity testing on the timing when 32 mppa would be reached under the three Assessment Cases is summarised in Table 5.1 below.

Table 5.1: Comparison of the Year when 32 mppa attained

Economic Assumption	Gatwick Single Runway Capacity	Core Planning Case	Faster Growth Case	Slower Growth Case
Original Economic Assumptions	50 mppa	2043	2042	2049
	67 mppa	2043	2042	2049
Updated Economic Assumptions	50 mppa	2043	2042	2045
	67 mppa	2043	2042	2045

REFERENCES

Ref 1 Office for Budgetary Responsibility – Economic and Fiscal Outlook (November 2023).

Ref 2 Department for Transport – TAG Databook v1.22 November 2023.

Ref 3 Office for Budget Responsibility, Economic and fiscal outlook October 2021, Economic and fiscal outlook March 2022, Economic and fiscal outlook November 2022, Economic and fiscal outlook March 2023, Ref Economic and fiscal outlook November 2023.

Ref 4 Department for Transport, Jet Zero Strategy, 2022.

Ref 5 Department for Transport, Jet Zero Strategy: one year on, 2023.

Ref 6 International Monetary Fund – World Economic Outlook (October 2023).

Ref 7 Organisation for Economic Co-operation and Development – Economic Outlook No 114 - December 2023 - Long-term baseline projections.

Ref 8 Gatwick Airport Ltd, North Runway Project DCO, Appendix 4.3.1 to the Environmental Statement.