



**London Luton Airport DCO:
Review of the “Applicant's Response to
Written Questions NE.2.1 and NE.2.2 -
Demand Forecasts” [REP8-037]
Host Authorities
January 2024**



Brief Review of REP 8-037

Introduction

1. This short note reviews the most salient features of the response submitted by the Applicant at Deadline 8 to NE2.1 and NE2.2. The extremely short time available has limited the scope of the review which it has been possible to undertake. The task has not been eased by the significant use made by York of graphical representation, some of which is difficult to follow given the number of lines plotted on some charts. Use of indices based on different starting years may also distort understanding.

GDP Forecasts

2. The forecasts presented by York in general show an increase in both UK and foreign GDP assumptions over the period to 2050, with as York points out often lower growth in the short to medium term, and faster growth in the longer term. This is shown in the document's Figures 2.5 and 2.6, from the assumptions used in its Need Case. It is noted that this implies that the economic forecasters consider that the World's prospects have improved over the last two years.

3. The improvements in GDP assumptions are not large, especially for the important UK GDP assumptions which is one of the growth drivers in categories covering about three quarters of all passengers (see for example Figure 2.5). However, the impact on forecasts demand appears more dramatic with, for example, the new Central Forecast being in 2050 at the same level as the Original Faster Growth forecast (Figure 3.2). There was no corresponding figure to this in the Need Case, and its value is reduced by the forecasts being presented on an index basis. However, if the new Central growth index of 190 in 2050 is applied to a UK passenger base of 221.6 mppa in 2022 (UK CAA Statistics), a total UK forecast in 2050 would be some 420 mppa. The most recent DfT forecast (March 2023) extends only to 2040, but applying York's growth rates (Table 3.1) to the DfT's 2040 end-point indicates a higher figure of 437 mppa. In other words, the new LR forecast may in fact be lower than the most recent DfT forecasts.

Airport Capacity

4. While York has tested a higher capacity for Gatwick with a single runway, no indication is given in this document on York's assumptions for the passenger handling capacity of a two-runway Heathrow. York's previous assumption was that it was capped at 90 mppa in line with DfT assumptions which have now been superseded. The Host Authorities have argued that Heathrow's capacity will also be higher than that assumed by York in view of the increase in passengers per ATM. In the absence of any clarification on this point from York, it is assumed that York has maintained its 90 mppa assumption.

5. Although many scenarios are shown in Section 4 of document, the hybrid scenario of the Need Case of an extra runway at an unspecified airport is not repeated although given



that this was a subjective mix (without mathematical foundation) of the Heathrow and Gatwick alternatives, this is perhaps not surprising.

6. York summarises some aspects of its analysis in Table 5.1. However, despite LR and the Host Authorities agreeing that it is a reasonable assumption that a further runway will be provided in the London area¹, no such scenario is summarised there.

7. Comparison of demand and available airport capacity with an additional runway provides some indication of when LTN might reach 32 mppa. Using the most recent DfT forecasts of March 2023, notwithstanding the possibility that they may be higher than the Applicant's most recent Central forecast, suggests that with this extra runway, LTN's throughput would not reach 32 mppa until several years after 2050, as reflected in the demand:capacity balance.

8. This assessment assumes that available capacity at Heathrow, Gatwick and Stansted would be utilised first, on the basis of the historic dominance of Heathrow and Gatwick and the dominance of a single strong airline at Stansted. The residual demand would then be shared between LTN, London City (with a capacity of 6.5 mppa) and possibly Southend which pre-Pandemic handled 2 mppa, with the assessment making no further judgement as to the further distribution of this demand. The conclusion is though based on the premise that not all demand would go to Luton. All figures are in millions of passengers per annum (mppa).

	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
Demand	236.4	238.5	240.9	243.3	245.7	248.4	251.1	253.9	256.7	259.5	262.4
Capacity with Extra Runway at Gatwick											
LHR	94.9	95.8	96.8	97.8	98.7	99.7	100.7	101.7	102.8	103.8	104.8
LGW	77.0	77.3	77.7	78.0	78.7	79.3	80.0	80.3	80.6	81.0	81.3
STN	43	43	43	43	43	43	43	43	43	43	43
Residual demand	21.5	22.3	23.4	24.5	25.3	26.3	27.4	28.8	30.3	31.8	33.3
Capacity with Extra Runway at Heathrow											
LHR	104.8	105.8	106.9	108.0	109.0	110.1	111.2	112.3	113.5	114.6	115.7
LGW	63.0	63.7	64.3	65.0	65.5	66.1	66.6	67.2	67.8	68.3	68.9
STN	43	43	43	43	43	43	43	43	43	43	43
Residual demand	25.6	26.0	26.7	27.3	28.1	29.2	30.3	31.4	32.5	33.6	34.7

9. The capacities for Heathrow are based on an assumption that passengers per ATM increase at an average rate of 1.0% per annum (as set out in REP2-057, Table 3.3), and if developed a third runway would become operational in 2034. Gatwick capacity figures are based on information supplied in its DCO application, with interpolation up to 2047 and extrapolation post-2047.

¹ The Host Authorities have been advised by CSACL that such an extra runway would be more likely at Gatwick than at Heathrow.