



**Horsham
District
Council**



Gatwick Airport Northern Runway Project

Examination Ref: TR020005

Response to Additional Documents submitted at Deadline 3 Case for the Scheme and Related Matters

Deadline 4: 15 May 2024

Crawley Borough Council (GATW-AFP107)
Mid Sussex District Council (20044737)
Reigate and Banstead Borough Council (20044474)
East Sussex County Council (20044514)
Mole Valley District Council (20044578)

Horsham District Council (20044739)
West Sussex County Council (20044715)
Surrey County Council (20044665)
Tandridge District Council (GATW-S57419)
Kent County Council (20044780)



**Gatwick North Runway Project
Response to Additional Documents submitted at Deadline 3
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1. York Aviation (YAL) has been appointed by the Host and Neighbouring Authorities, collectively known as the Joint Local Authorities (JLAs), to provide advice in relation to aviation capacity, need and forecasting, and aspects of the socio-economic case for Gatwick Airport Ltd's (GAL's) North Runway Project (NRP). This submission is prepared in response to documents submitted at Deadline 3 relevant to the Needs Case and associated matters as listed above.
2. The documents referred to in this Note are:
 - a. GAL Responses to Local Impact Reports (LIRs):
 - REP3-078 - Overall Response to LIRs
 - REP3-079 - Appendix A Principle of Development
 - REP3-079 - Response to Needs Case Appendix to the LIRs
 - b. GAL Responses to ExQ1:
 - REP3-083 - Air Quality
 - REP3-084 - Case for the Scheme
 - REP3-083 - Climate Change and Greenhouse Gases
 - REP3-088 - Cumulative Effects
 - REP3-089 - Draft DCO
 - REP3-091 - General and Cross Topic
 - REP3-097 - LVIA
 - REP3-101 - Noise
 - REP3-103 - Socio Economic Effects
 - c. GAL Responses to Written Representations:
 - REP3-073 - Policy Responses
 - REP3-075 - Heathrow Airport Ltd
 - REP3-076 - NEF
 - d. Other documents:
 - REP3-068 - Draft Statement of Common Ground with the Civil Aviation Authority
 - REP3-132 - REP3-171 Heathrow Airport Ltd Response to ExQ1
 - REP3-111 - CAA Response to ExQ1
3. This response is set out thematically to assist the ExA in understanding the implications for the case as presented and assessed. Ultimately, the principal concern of the JLAs is to ensure that the impact of the project is fully understood and that appropriate controls are put in place. This requires a holistic understanding of how elements of the case are linked in terms of the interdependence between the physical capacity deliverable with the NRP, in terms of hourly and daily capacity available having regard to acceptable standards of service for the airlines, and its ability to attract a share of the underlying

market within which Gatwick competes with other airports to attract airlines to operate services to meet passenger demand.

4. The Case for the Scheme comprises a policy argument and the demand forecasts underpinning the case for the NRP, as well as the broader economic justification for expansion. A key issue is, therefore, the application of paragraph 1.42 of the Airports National Policy Statement (ANPS) where it states that *“the Government accepts that it may well be possible for existing airports to demonstrate sufficient need for their proposals, additional to (or different from) the need which is met by the provision of a Northwest Runway at Heathrow”*, linked to the in principle policy support for airports other than Heathrow to make best use of their existing runways.

Heathrow

5. In its response to the Representation from Heathrow **[REP3-075]**, GAL notes that Heathrow Airport Ltd (HAL) does not raise objection to the NRP as a point of principle. However, in response to a question from the ExA **[REP3-132]**, HAL sets out two tests that:

- *“the aviation demand to be served at Gatwick with the Gatwick NRP will be additional to, or different from, the additional hub capacity to be delivered by the Heathrow NWR scheme; and*
- *the Gatwick NRP is complementary to, but will not threaten, the achievement of the core policy objective of maintaining the UK’s global hub status through the provision of the Heathrow NWR scheme”*

6. HAL makes clear that understanding the implications of these two points is fundamental to demonstrating whether or not the NRP meets the policy tests set out in the Airports National Policy Statement (ANPS) and to fulfilling the requirement in the Planning Inspectorate’s Scoping Opinion to ensure that a robust assessment of cumulative effects is undertaken.

7. At paragraph 1.1.4 of **REP3-075**, GAL states that it would have no objection to a third runway being brought forward at Heathrow and that it accepts that there is a need for such a runway to achieve the broader objectives of the ANPS regarding the need for more hub airport capacity, which only Heathrow can provide for the UK.

8. However, we take issue with the second bullet of paragraph 1.1.4 of **REP3-075** and its response to ExQ1 C.1.20 **[REP3-084]**, where GAL states that the NRP does not seek to meet the need which could be met at Heathrow. In **REP3-075**, GAL focuses solely on transfer passengers and, in so doing, ignores the extent to which erosion of point to point demand at Heathrow would, of itself, undermine the hub role as flights are made viable by a combination of point to point and transfer demand at a hub. There is an inevitable overlap with demand that could be met at Gatwick with the NRP and at Heathrow with a third runway given the overlap of catchment areas, particularly in central and the southwestern quadrant of London and the Home Counties. In this regard, we do not agree with GAL’s position in relation to the requirement to demonstrate that there is a need for the NRP that is different from that which would be met by the provision of a third runway at Heathrow as set out in paragraph 1.2.7 of **REP3-073**. It is clear from the Manston decision (included in **REP3-085**) at paragraph 37 that need is intrinsically related to the projections of demand for a project in order that the benefits and other impacts can be assessed and a decision taken:

“The Secretary of State considers that the benefits expected from a proposed development would materialise if there is a need for that development. Therefore, in order to assess whether the expected economic benefits will outweigh the expected environmental and other impacts from this Development, the Secretary of State has considered need in the context of identifying the likely usage of the Development”

9. In this case, we consider that the likely usage of Gatwick with the NRP must take cognisance of the likelihood of additional capacity being brought forward at Heathrow and other airports over the period to 2047 through robust sensitivity testing. We would highlight that paragraph 1.39 of the ANPS requires proposals to make best use of runways to *“judged on their individual merits by the relevant planning authority, taking careful account of all relevant considerations, particularly economic and environmental impacts.”* In this case, such assessments necessarily have to be specific to the demand that Gatwick can realistically attract having regard to that element of overall passenger demand that is specific to Heathrow and could only realistically be met at Heathrow. We were not suggesting in **REP1-068** that Gatwick should base its forecasts on an already constrained assessment of the market, as GAL seeks to suggest at paragraph 1.4.6 of **REP3-080**, rather that, when benchmarking against the total system forecasts, it should be cognisant of the demand that it could not reasonably hope to attract, i.e. the transfer element of demand at Heathrow and other elements of demand that are specific to other airports, in part because of the relative remoteness of parts of their catchment areas north of London to Gatwick. To some degree, this concern has been corrected in the new top down modelling presented in the Needs Case Technical Appendix **REP1-052**.
10. At paragraph 3.1.4 of **REP3-075**, GAL states that it is unaware of how Heathrow and others consider that the demand which it forecasts could be handled by the NRP differs from that which could be handled by a third runway at Heathrow. The extent of this overlap is clearly evident from GAL’s own sensitivity testing as set out in **REP1-052**. At paragraph 7.1.10, it is clearly stated that *“firstly the opening of LHR R3 has a significant impact on long haul volumes”*. Figure 52 shows that, with a third runway at Heathrow, Gatwick would be handling around 10 million fewer passengers from its opening than in GAL’s planning case. However, paragraph 7.1.10 points out that this reflects a greater loss of long haul passengers being replaced by more short haul flights. Hence, crossover in terms of long haul point demand is at least 10 mppa and is more likely to be of the order of 15 mppa. Indeed, it is evident from the Markets and ‘Pipelines’ Report at Appendix 6 to the Forecast Data Book appended to the ES **[APP-075]** that, in developing the long haul demand forecasts, no consideration was given to the extent to which any of the routes and frequencies of service considered were dependent on volumes of transfer passengers at the hub to sustain the routes and frequencies considered as we explained at paragraph 21 of **REP3-123**.
11. Furthermore, point to point long haul demand would be an important component of Heathrow fulfilling its hub role so in the circumstances of supply of airport capacity exceeding demand (Figure 51 of **REP1-052**), this would have one of two consequences; either growth at Gatwick to the full extent claimed would be contrary to policy in undermining Heathrow’s hub role or, more likely, airlines would chose to meet that point to point demand at Heathrow, so reducing the forecasts of demand for Gatwick with the NRP.
12. Although the MBU policy can be construed as providing implicit support for airports to make best use of their runways, past decisions, including that for Manston cited by GAL in response to ExQ1 CS 1.20 **[REP3-084]**, require that the demand likely to use any airport and the benefits arising from that demand are properly assessed. Whilst we recognise that, as stated at paragraph 3.1.12 of **REP3-075**, lower forecasts of demand with the NRP mean that the environmental impacts have been overstated, this would apply equally to the benefits. To the extent that the ExA concludes that a lower Baseline Case is more reasonable (Rule 17 Request 9th May 2024), this would, of course, counterbalance such effects. Even without such counterbalancing effects, ensuring that the future forecasts of demand to use Gatwick with the NRP are robust is important given the potential implications for the mitigations that need to be put in place, in particular the Noise Envelope, which is set specifically having regard to the forecast effects based on the demand projections.
13. Whilst we understand the challenges of assessing the cumulative effects of concurrent development of a third runway at Heathrow in detail (GAL’s response to ExQ1 CE.1.1 **[REP3-088]**), it remains important that the implications for the demand and benefits case to be fully understood. Given the language in the ANPS regarding demonstrating that the demand to be met is different from or

additional to that which could be met at Heathrow, it is arguable that the case with a third runway developed should form the central case for assessment purposes. This would have implications for the demand forecasts but would have significant consequential implications for the wider economic case (Needs Case Appendix 1 **[APP-251]**), which is entirely predicated on the NRP being the only additional capacity to be consented in the London airport system over the period to 2047. We note that, in response to ExQ1 CS.1.25 **[REP3-084]**, GAL acknowledges that it would lose some long haul services to Heathrow if that airport were to develop more runway capacity. This serves to highlight the extent to which the prospects for the NRP cannot properly be assessed without considering fully the interaction with the provision of additional capacity elsewhere. Notwithstanding GAL's response to ExQ1 GEN.1.29 **[REP3-091]**, it is not entirely clear that it has consistently considered the impacts.

The Principle of Development

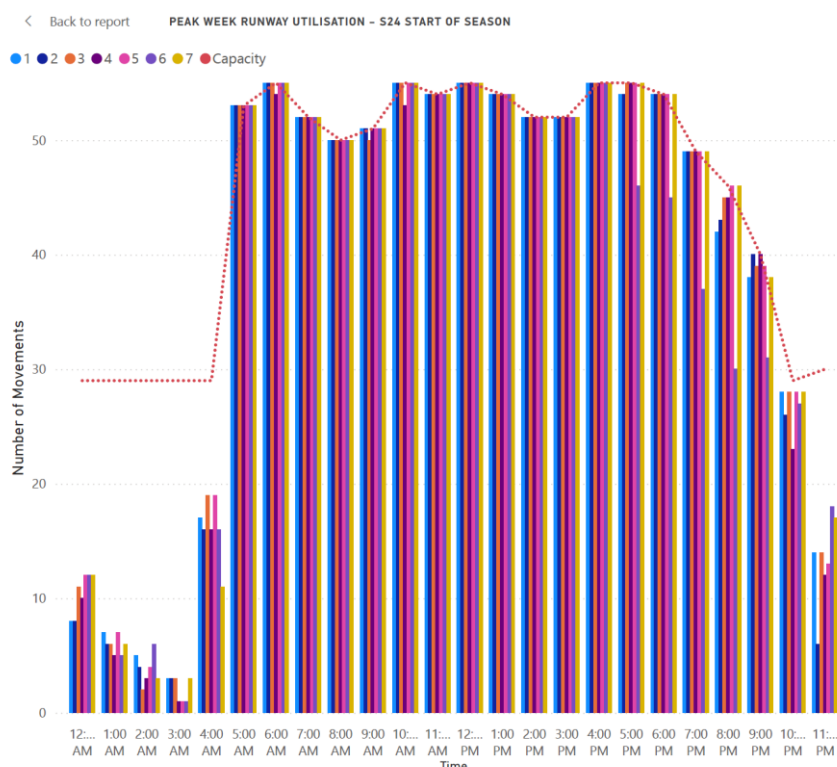
14. GAL addresses issues relating to the Principle of Development as set out in the Local Impact Reports and our review of the Need Case appended to the LIRs of the JLAs (Appendix F to **REP1-069/REP1-099**) in **REP3-079** and **REP3-080**.
15. We address first the more general response to the LIRs regarding the Principle of Development **[REP3-079]**. Part 2 of this document addresses the MBU as the underpinning policy supporting the NRP. However, for the reasons set out above, we consider that the MBU policy does still require an applicant to put forward reasonable forecasts of demand, both with and without development, in order that the effects of making best use of a runway or runways are appropriately assessed. Our position was set out in more detail in **REP1-099** (paragraphs 6-9).
16. We note that improving the resilience of the sector and reducing delays is a part of national aviation policy, as set out by GAL in Section 3 of **REP3-079** and accept that Gatwick, with its single runway, was fully used, to the limits of acceptable delay, in 2019 and will be so again the near future. Prima facie, then, there is a capacity argument for the use of the Northern Runway, subject of course to the environmental impacts of its use being considered acceptable having regard to the benefits. It is in this context that ensuring robust forecasts of demand and usage for both the Baseline and NRP Cases is critical to ensure that the balance of benefits and harms can be established.
17. At paragraph 3.1.5 of **REP3-079**, GAL notes the difference of view between it and the JLAs on the appropriate forecast for the Baseline Case and that this could result in a wider gap between the with and without development cases. It is accepted that this is likely to result in a wider demand gap between the with and without development cases, so strengthening the aviation need for the NRP. However, this is still subject to the assessment of the net effects, both positive and negative of the wider gap, being considered acceptable.
18. Section 4 of **REP3-079** then goes on to address points that relate to the Baseline Case by reference to paragraphs 5 and 11-13 of **REP1-099**. Whilst GAL does not accept the view of the JLAs (paragraph 4.1.5 of **REP3-079**), it presents no evidence as to why the view expressed is wrong or how Gatwick can achieve any material growth in aircraft movements with only the single runway. It provides no cogent explanation as to why recovery at Gatwick is lagging that of other major UK airports.
19. We note also that the new rapid exit taxiway, referred to at paragraph 4.1.13 of **REP3-079** has reduced runway occupancy time for arriving flights but we note that GAL is already declaring more movements over a 17 hour day in summer 2024¹ (882 over 17) hours than were modelled for the purpose of the Baseline Case (869), as set out on page 3 of Appendix 7 to the Forecast Data Book Appendix 4.3.1 to the ES **[APP-075]**. Hence, it there would appear to be some inconsistency in the GAL's position and, if the intention is to declare further capacity, the implications of this have not been modelled (see the GAL's Capacity and Operations Paper Summary and Appendix **[REP3-053 and REP3-054]**), which shows

¹ Airport Coordination Ltd, Gatwick Airport Summer 2024 Capacity Declaration.

departure delays above normally acceptable levels (10 minutes average in peak periods) in the Baseline Case with the new RET assumed to be in operation and at a lower number of aircraft movements over a 7 hour day than are currently being scheduled.

20. Although GAL suggests, at paragraph 4.1.16 of **REP3-079** that the airlines oversubscription of slots indicates that they do not see current levels of delay as an impediment to operations, it does not indicate that airlines would still be willing to operate if delay levels increased as a consequence of scheduling more flights over a busy day. Rather the fact that airlines are not willing to adjust their flight timings to take up the remaining spare slots, as illustrated in **Figure 1** below², highlights why GAL’s assertion that it can continue to materially grow the number of annual aircraft movements within the runway capacity it has assessed for the Baseline Case is implausible. The 7% growth claimed by GAL for 2024 reflects continued recovery at Gatwick towards the level of annual movements attained in 2019, when the Airport was operating at full capacity, not growth above that number.

Figure 1: Peak Week Runway Utilisation Summer 2024³



21. We note GAL’s point, at paragraph 4.1.17 of **REP3-079**, that its rate of traffic recovery from the effects of the pandemic is, in part, a reflection of the strategies of its key airline customers. However, GAL itself acknowledges that slot constraints at airports are also a factor. Whilst easyJet does not explicitly cite resilience concerns at Gatwick Airport itself, in relation to its hand back of Gatwick slots to British Airways (paragraph 4.1.18 of **REP3-079**), it is clear that operational resilience is a major concern to the airline and it has expressed its concerns about the Gatwick operation in its Relevant Representation **[RR-1256]**. We do not agree with GAL, at paragraph 4.1.19 of **REP3-079**, where it claims that none of the airline representations were critical of the development proposals. It is evident that the airlines **[RR-1256, REP1-198, RR-1493]** have concerns about the deliverability of the project and these are material to assessing the ultimate capacity and throughput deliverable by the NRP.

² Airport Coordination Ltd, Gatwick Airport Start of Season Report Summer 2024.

³ Different coloured bars represent different days in the week compared to the capacity shown by a dotted line. Times are in UTC, i.e. Greenwich Mean Time, not British Summer Time.

22. We also note that GAL states, at paragraphs 4.1.20-4.1.22 of **REP3-079**, that it has growth agreements in place with several of its key airline customers. However, in our experience, such agreements seldom represent binding agreements with airlines to deliver any particular quantum of growth but rather set out discounted airport charges available if growth is delivered. As such, airlines still have decisions to make as to whether to grow at any particular airport and such agreements seldom prevent an airline from withdrawing capacity if other circumstances, such as excessive delays, outweigh the benefits from operating. However, in this context, we accept that airline concerns regarding current performance (paragraph 4.1.24 of **REP3-079**) do present prima facie evidence of airline support for further development at Gatwick to deliver additional capacity at the required standard of service.

Baseline Capacity

23. In Section 5 of **REP3-079**, GAL goes on to respond to our comments regarding the Baseline capacity assumed. We recognise that, if the Baseline is lower, this will increase the benefits from the development as assessed as well environmental impacts. However, this does not necessarily mean that the effects will be symmetric in all cases and the JLA's consider it important that the impacts of the NRP are fully and appropriately understood by reference to a realistic Baseline.
24. In response to the point made by GAL at paragraph 5.1.4 of **REP3-079**, it is important to clarify that when we refer to Baseline capacity in this context, it is to the maximum attainable throughput in terms of annual passengers and aircraft movements having regard to the physical capacity available. In this regard, we are consistent with how airport capacity is applied by the Department for Transport in its modelling of how UK airport capacity would be used⁴.
25. In relation to capacity deliverable in the Baseline and NRP cases, we have separately responded to **REP1-053** and **REP1-054** in **REP3-123** and participated in the discussion on the Baseline at ISH7, as well as having further dialogue with GAL. As noted at ISH7, GAL itself succinctly summarises the difficulty in relying on substantial continued growth in the Baseline case at paragraph 6.1.32 of **REP3-079**:
- “While the pandemic has created some slot opportunities to accommodate the spill or transfer of demand from Heathrow, the Airport is also full during the peak summer season and the scope for additional services is therefore very limited, particularly as airlines will not launch new services without access to the lucrative peak summer slot capacity where the most profitable opportunities lie.”*
26. We note GAL's response to ExQ1 CS.1.14 [**REP3-084**] regarding year round services. Whilst a higher proportion of services operating on year round basis will contribute to spreading the peak in the NRP case, by definition such year round services still require peak period slots in order to commence in the first place. This is one of the primary factors limiting the scope for peak spreading in the Baseline Case, so reducing the maximum passenger throughput that will be attainable.
27. We note also the GAL's response to ExQ1 GEN.1.25 [**REP3-091**] that refers to only a 2% increase in hourly throughput required through the terminals in the Baseline Case. However, this is not consistent with the components of Baseline growth claimed by GAL in Figure 36 of **REP1-052**, which shows 13 mppa of growth coming from aircraft size and load factor growth, i.e. growth of some 28% in terms of passengers carried on each aircraft. As the ExA has queried, it is not clear how an hourly passenger uplift of such magnitude could be accommodated with the existing terminal capacity.
28. The JLA's will be responding separately to the ExA's Rule 17 Request (issued on 9th May) at Deadline 4 providing further details of the Authorities' view as to the appropriate Future Baseline for assessment.

⁴ Department for Transport, Jet Zero: modelling framework, 2022, paragraph 3.16.

Demand Forecasts

29. We note that **REP1-052** was produced by GAL in an attempt to address our concerns regarding the long term forecasts of demand for the NRP. We have addressed the extent to which it has done so in **REP3-123**. We do not agree that the concerns can be dismissed as simply a difference of opinion between two airport forecasting organisations, as GAL seeks to do at paragraph 6.1.6 of **REP3-079**, rather it is a matter of being able to robustly test the assumptions underlying the forecasts of long term air passenger demand available to Gatwick.
30. Until **REP1-052**, GAL was placing absolute reliance on bottom up assertions as to the frequencies of service that Gatwick hoped to be able to attract in each market, in the Markets and ‘Pipelines’ Report (Annex 6 to the Forecast Data Book [**APP-075**]), and benchmarking against out of date projections of demand for the London airports, including hub traffic that could only realistically be accommodated if an additional runway is provided at Heathrow. Hence, we believe that it was appropriate to highlight the inadequacies of the forecasting approach adopted by GAL
31. We do not accept that it is not possible to properly calibrate a top down model to replicate the past performance of an individual airport (paragraph 6.1.16 of **REP3-079**) but the model needs to be validated at the individual airport level as being able to robustly predict past performance.
32. Nor do we accept (paragraph 6.1.24 of **REP3-079**) that bottom up forecasting is somehow only relevant where there is pent up demand. A bottom up approach is commonly used by airports to reflect their short term market prospects, given that this is based on individual airlines decisions as to when to start a service and the expectation of the frequency of that service, and so is often more realistic in terms of the phasing of growth over the near term. In the context of the Market and ‘Pipelines’ Report, dated 2021, this would, in normal circumstances, have been considered as a reasonable indication of the possible growth trajectory to 2026 but the ongoing impact of the pandemic has rendered even this unreliable. The reason that this matters is because the whole of the assessment of the impacts of the NRP has been based on these out of date judgements as contained in the Markets and ‘Pipelines’ Report.
33. We stand by our previous criticisms of the Markets and ‘Pipelines’ Report in terms of whether it provides sufficient confidence in the robustness of the projections so as to underpin the assessment of the effects of a major development project out to 2047, not least as it addresses only the period to 2032 in any event. The fact that this report suggests that the Airport might effectively be full by 2032 (paragraph 6.1.12 of **REP3-079**) is not corroborated by GAL’s more recent top down demand modelling having regard to more recent forecasts of passenger demand growth in the UK, as published in by the Department for Transport in 2023 in connection with its consultation on the Sustainable Aviation Fuels Mandate⁵.
34. Although GAL cites the Secretary of State’s decision in respect of Manston Airport as relying on qualitative bottom up projections of usage (paragraph 6.1.18 of **REP3-079**), there are real risks in relying on a more qualitative approach as to which airlines might decide to commence services to/from Gatwick and which routes might be operated as the basis for a long term forecast. By way of example, the difficulty of relying on such an approach based on discussions with airlines is highlighted by Section 6.1.1.2 of the Markets and ‘Pipelines’ Report (Annex 6 to the Forecast Databook [**APP-075**]), which states:

“In 2019 over 2m passengers flew directly to/from C&S America which was dominated by routes to Cancun and Sao Paulo accounting for over 800k passengers or nearly 40% of total demand. New routes to Bogota, Puerto Vallarta, Santiago (Chile), San Jose and Lima have been introduced since 2015.”

⁵ Department for Transport, SAF Mandate Dataset.

35. The inference here is that growth in this market will build on this range of services. However, the Online Airline Guide (OAG) indicates there has been no Bogota service operating at Gatwick, at least since 2014. Lima and San Jose services ceased in 2019 and have not yet recommenced. Leisure services to Puerto Vallarta are still operating but with only 7 flights over the whole of summer 2024. This shows the difficulty of relying solely on a bottom up approach to add additional flights, particularly without taking into account the extent to which some new routes will prosper and grow but that others may fail or effectively only replace other services. Whilst noting GAL's response to ExQ1 CS.1.17 **[REP3-084]** providing further information regarding which of the airlines in the 'pipeline' have commenced services, this does not of itself guarantee that all of these services will be sustained into the longer term.
36. Examination of Gatwick's long haul network over the period from 2014 (using schedule data from OAG) shows that only 55% of long haul flights (excluding the Mediterranean coast of North Africa) in the summer season 2019 were operated by the same airlines operating in the same markets as in 2014. 59% of summer 2024 long haul capacity is by the same airlines operating in the same markets and many of these routes are leisure type routes to the Caribbean and North America operated by British Airways and TUI. In core markets where substantial growth is anticipated, such as the Asian markets, there is no communality between the airlines operating in those markets as between 2014 and 2019 and, indeed, little communality in terms of routes and airlines as between 2019 and 2024.
37. In the crucial North American market, which makes up 1/3 of the long haul frequency growth claimed, the number of frequencies operated in August 2024 averages 18 a day compared to 26 a day in 2019 (not the 34 indicated in the Markets and 'Pipelines' Report (page 4 of Annex 6 to the Forecast Databook **[APP-075]**) so, of the additional 25 frequencies claimed, a substantial element will not constitute net growth but be replacing lost services. This, again, highlights the importance of not assuming all of the routes claimed in the Markets and 'Pipelines' Report will be net additional over the longer term.
38. What this tells us is that the long haul network at Gatwick is subject to substantial levels of 'churn' and that it is not prudent to rely on specific airlines and route forecasts over the longer term without reference to the underlying demand in the catchment area specific to Gatwick, which is clearly evident in the approach adopted by ourselves in assessing the scope for some limited long haul growth at Luton if its DCO is approved by reference to the underlying market and the prospects for Luton capturing a share of that market having regard to competition from other airports (paragraph 6.1.22 of **REP3-079**). GAL omits crucial paragraphs from the Luton Need Case explaining the approach:

"6.3.31 The model then determines how much of this demand the airport could expect to attract if services were available using identified market capture rates. These rates have been established based on the proportion of underlying demand that chooses London Luton Airport over alternative airports on existing routes where it competes with a number of other neighbouring airports offering services to the same destinations as a proxy for the market capture on long haul routes. This approach reflects that long haul markets that might be served from the airport are highly likely to be the more popular routes also served from one or more of the other London airports. These market capture rates are applied to each district to provide the scope of demand which would theoretically be available to the airport in 2019 if such services had operated.

6.3.33 The demand for each long haul opportunity is then grown forward based on the same market growth rates set out in Table 6.2 to identify which routes are likely to be viable and over what timescale, taking into account realistic annual frequencies of service, aircraft capacities and load factors. Any route which could not credibly be served from airport's runway is excluded at this point. For the remaining routes, a minimum threshold is set, below which services would be unlikely to be unviable, based on typical minimum frequencies for the route and likely aircraft types."

This is a much more detailed approach than applied by GAL and more appropriate over the longer term than relying on short term airline conversations.

39. Properly applied a top down approach assumes that airlines are rational and operate to meet the market demand over the longer term but that routes that are not viable based on underlying demand levels will not be sustained. Hence, a top down approach is more robust in terms of the overall scale of growth that it is realistic to expect at any given airport based on overall levels of market demand rather than relying on individual route projections that could be short lived.
40. Although some further explanation of the top down modelling approach adopted by GAL has been provided in Section 1.2 of **REP3-080**, we remain concerned as to how this model has been calibrated and validated, particularly in terms of the extent to which demand 'spilt' from Heathrow would necessarily be available to Gatwick. A key requirement is to understand how much of the overall demand is actually available to Gatwick. In the original top down benchmarking of the demand forecasts, GAL had essentially assumed that all London airport passenger demand was 'available' to it whereas, in reality, a substantial proportion of passengers using the other airports are from north of London for which Gatwick might not be a viable or attractive option. For example, a passenger from the South Midlands travelling to China might decide it was better to connect from Birmingham via Dubai or Qatar as an alternative to a direct flight from Heathrow. This is why the overall scale of the market available to Gatwick needs to be properly modelled. Once the scale of the available market is estimated, it is then appropriate to consider the likelihood of airlines putting on services to meet that demand.
41. Despite these ongoing reservations, as stated at paragraph 36 of **REP3-123**, we consider that the outputs of this top down modelling work present a more robust assessment of the rate at which demand would build up at Gatwick with the NRP and that these forecasts, rather than those as originally submitted, should be used as the basis for all of the assessment work. This is particularly so for the reason that a more appropriate base of UK point to point demand has now been used as the basis for the modelling, as set out in Section 1.3 of **REP3-080**. Based on the use of appropriate forecasts, GAL's claim in response to ExQ1 CS.1.13 [**REP3-084**] that the NRP would be 'maxed' out by 2032, with slower growth thereafter, would not be correct.
42. Adopting realistic projections as to the rate at which demand would build up at Gatwick is particularly important in the context of setting robust environmental controls and, in particular, the 1st Noise Envelope Limit and the trajectory of subsequent limits.

Runway Capacity

43. An outstanding concern, which we are seeking to resolve with the assistance of GAL, is to validate the achievability of 80.2 mppa ultimately with the physical capacity deliverable with the NRP. GAL provides some further clarifications in respect of its runway capacity in response to ExQ1 Case for the Scheme [**REP3-084**]. Here, GAL highlights, in response to CS.1.5, that the maximum capacity of a runway is only attainable in perfect weather conditions, which in the UK context means that some caution needs to be applied to the overall sustainability of any declared runway movement rate. It is for this reason that we consider that it is important that a realistic assessment is made of the actual declarable capacity to ensure that there is sufficient resilience to mitigate delays (answer to CS.1.3). GAL further notes, in response to CS.1.7 the importance of ensuring sufficient capacity in the early morning departure period to allow based airlines, which make up a substantial proportion of the Gatwick operation both now and projected for the future, can attain 2-3 aircraft rotations a day. This confirms our view as to the criticality of ensuring that the assessment of capacity in the morning departure peak is robust.
44. Based on the outputs of the runway capacity simulation modelling undertaken, the rates of delay reported at Table 9 of **REP1-054** for future years appear reasonable in the NRP Case, such that it may be plausible for a throughput of 80.2 mppa to ultimately be handled, subject to the comment above regarding the rate of build up to that traffic level. This is subject to some final clarification questions posed to GAL regarding the calibration of the model against actual performance in 2018 to ensure that

the delay outputs are robust. Whereas delays in the NRP case appear reasonable, it is notable that delays in the Baseline Case are materially higher, which will be addressed further in the separate Rule 17 response on the Baseline Case.

45. There is a further consideration in terms of the timescale over which the ultimate movement capacity of the NRP might be attained as it depends on the use of 'Charlie Box' as a holding area separate from the aircraft holding area for the existing south runway. We note, from the construction sequencing shown in **REP2-016**, as referred to in response to ExQ1 GEN.1.8 [**REP3-091**], that this facility is not scheduled to be provided until 2032, suggesting that the ability to gain a material increase in departure capacity upon the opening of the NRP may be more limited. We note also that Pier 7, necessary to service the additional passengers and flights, is not due to be provided until 2035. Additional bussing operations, to get passengers to aircraft, over the period to 2035, are likely to increase airfield congestion, impacting on capacity. These phasing concerns reinforce our view that some caution needs to be applied to the projections of the throughput of passengers and movements at Gatwick at least in the 2029 and 2032 assessment years from a physical capacity point of view as well as a demand perspective.
46. We note that in response to EXQ1 DCO.1.40 (R19) [**REP3-089**], GAL contends that there is no requirement for the DCO so specify a passenger limit as this is highly unlikely to be exceeded. However, it does not follow that, because there are risks to the attainment of 80.2 mppa over the timescale claimed by GAL, that such a throughput might never be exceeded. In the absence of other effective controls on the impacts, which is addressed in a separate paper from the JLAs, it would seem prudent to include some ultimate limits on the throughput to ensure that the impact, such as those on the surface access network, are not exceeded.

Sensitivity Testing

47. Over and above the question of whether GAL has appropriately considered the extent to which the demand that it claims for the NRP is actually additional to or different from the demand that would be met by a third runway at Heathrow, it is a general concern that GAL has not undertaken sufficient sensitivity testing of its demand forecasts to ensure that the assessment of impacts is robust and that the risks to the delivery of benefits are fully understood. For the reasons set out in **REP3-123**, paragraphs 38-40, the demand forecasts are impacted by the assumptions made about capacity available at other airports over the longer term. At paragraph 3.1.4 of **REP3-075**, GAL seeks to draw similarities with the Luton Airport DCO. It should be noted that a full range of sensitivity tests was presented with the Application in that case⁶ and further sensitivity testing submitted during the Examination. These sensitivity tests included consideration of different permutations of capacity coming forward at the other airports, with high and low case projections presented and assessed, quantitatively or qualitatively in the ES.
48. Importantly, these sensitivity tests also considered the impact of varying assumed rates of growth driven by different assumptions about economic growth and the cost of flying including, importantly, the cost of carbon or its abatement. This is material in so far as GAL seeks to rely on the Jet Zero Strategy and mitigations imposed by Government to ensure that targets are met, as set out in response to ExQ1, CC.1.3 [**REP3-086**]. Such measures might include increases in the costs of carbon permits under the ETS, increase in CORSIA prices or other costs related to mitigation or abatement. Whilst the Government does not propose measures to manage demand directly, such actions, upon which GAL relies, could have the effect of increasing the cost of air travel so depressing demand. This could result in the scale of growth being less than claimed and the benefits less. Without transparent sensitivity testing, which GAL has not presented, the potential effect of ensuring that Jet Zero targets are met is simply not known and the impact on the case for the scheme cannot be assessed.

⁶ See London Luton Airport DCO Library, Need Case, **AS-125**.

49. Although GAL has now set out some sensitivity testing of the impact of additional capacity being provided at other London airports over the period to 2047 (**REP1-052** as referred to at paragraph 6.1.34 of **REP3-079**), this is not carried through to any sensitivity testing of the impacts. In particular, as noted at paragraph 13 above, the UK level economic impact assessment is predicated on no additional capacity at all being provided across the London airports over the period to 2047 and is highly likely to have substantially overstated the benefits of the NRP, not least as many of the air fare saving benefits are likely to be realised through expansion at Heathrow rather than through expansion at Gatwick.
50. Furthermore, we do not agree with GAL's response to ExQ1 CS.1.18 [**REP3-084**] where it continues to assert that *"Even with the latest lower demand projections from UK Jet Zero 2023, the modelling highlights how lack of capacity in the London market is becoming more pronounced."* Our analysis as set out Figures 4-7 of **REP3-123** suggests that the capacity shortfall is highly dependent on what assumptions are made regarding the capacity to be brought forward at the other airports, albeit a lower Baseline Capacity at Gatwick would bring forward the timing when the NRP would in fact be needed. We do not consider GAL's response to the ExA's request for further sensitivity testing (ExQ1, CS.1.19 [**REP3-084**]) to be reasonable, not least as the provision of an HS2 station at Birmingham Airport is likely to make it more competitive in the London market and may well enable it to attract additional long haul services providing greater competition to Gatwick for a wider market area than simply Birmingham and Solihull.

Economic Case

51. The Applicant has addressed the concerns expressed about the wider economic case in two places - in its response to the LIR and in answer to the ExA's questions.

UK Level Economic Assessment

52. On page 99 (Para 4.25) of **REP3-078**, GAL refers to the criticisms made of its UK level modelling. For the reasons set out above, we still do not consider that the passenger forecasts underpinning this assessment are robust and, at the very least, any calculation of the net present value of growth should be modified to reflect a slower build up of passenger demand, consistent with the GAL's revised 'top down' passenger forecasts.
53. Another key issue is the treatment of Heathrow in the UK level economic assessment (as set out in Appendix 1 to the Needs Case [**APP-251**]). The UK level economic assessment was undertaken on the basis that the London Airport system is completely full and that any growth at Gatwick above the Baseline is additional at the London level. It was based on the benchmarking of demand undertaken by the Applicant based on the Department for Transport's 2017 UK Aviation Forecasts. The Applicant has now acknowledged (in **REP1-052**) that the appropriate UK level forecasts are those underpinning Jet Zero - one year on, which are materially lower. Furthermore, as we have set out in **REP3-123**, paragraphs 38-40, dependent on the assumptions made about capacity coming on stream at other airports, the traffic that Gatwick seeks to attract would not in fact be incremental at the London level but would involve displacement of activity from other airports. These displacement effects have not been accounted for in the assessment of economic benefits.
54. Furthermore, the estimation of the benefits from the NRP relies to a large extent on the assessment of air fare savings to passengers on the assumption of high fares in a constrained airport system being reduced through additional capacity being available. Whilst theoretically correct, there are two problems with the approach adopted by the Applicant:
- ➔ Firstly, the air fares assumed are based on the whole London system and so reflect the higher fares achieved by the airlines at Heathrow. Growth at Gatwick would not necessarily lead to a reduction in such fares overall if Heathrow is assumed to remain constrained. In

the alternative, if capacity is increased at Heathrow, the extent to which GAL could claim air fare benefits from the NRP would be reduced. We do not agree with the Applicant's statement in response to the New Economics Foundation (**REP3-076**, paragraph 3.1.3) that the estimates are robust and believe that the approach adopted by GAL goes a long way to explaining why the benefits of the NRP have been overstated compared to the DfT's previous work in connection with the ANPS (**REP3-076**, paragraphs 3.1.6/7); and

→ Secondly, the air fare savings are reverse engineered from the scale of passenger growth assumed, i.e. they are estimated using an elasticity that estimates the extent to which air fares would need to be reduced to achieve the growth that GAL projects. This does not appear robust and appears to be a self-fulfilling prophecy that conflicts with the notion that there is excess demand in the London system which the NRP seeks to meet. The latter circumstance would not necessarily lead to air fare savings of the magnitude used in the UK level economic assessment.

55. We note also that, in response to the New Economics Foundation (paragraph 3.1.14 of **REP3-076**), GAL points out that the latest Department for Transport air passenger forecasts assume lower elasticities for some market segments, in particular business travel and, whilst it argues that this bolsters the air fare savings attributable to the NRP in the UK level economic assessment, it is not clear the extent to which GAL has taken into account the lower demand elasticities in its demand forecasts other than through the adoption of the DfT projections as its top down benchmark. However, no consideration appears to have been given to the fact that levels of business travel may be lower in the demand forecasts as a consequence and that this would also impact on the UK level economic assessment if there are fewer business passengers in the forecasts.

56. Overall, then, we remain of the view that the UK level economic assessment substantially overstates the benefits of the NRP.

Catalytic Impacts

57. In response to ExQ1 SE.1.20 [**REP3-103**], regarding the catalytic impact methodology, GAL cross refers to a more detailed response provided at 4.25 on page 99-103 of **REP3-078** and seeks to address our concerns as expressed. Whilst we understand what GAL has attempted to do, it still remains a highly theoretical approach, derived in countries where there is no actual data on air passenger demand by reference to the catchment area for each airport and where there may be less local competition between airports for that passenger demand than is the case across much of the UK.

58. As we understand the methodology:

- areas are defined based on local authority areas containing airports;
- a theoretical estimate is made of how much air passenger demand might be generated in an area based on its demographics;
- the total employment in the area is calculated and then the combined direct, indirect and induced employment (operational) footprint estimated for the airport is deducted from the total employment to estimate net non-airport related employment;
- a cross-sectional relationship is derived for the remaining non-airport related employment and the level of air passenger demand assumed for each area. This is used to derive a multiplier for the change in air passenger demand and the change in non-airport related employment across the local authority areas considered;

- this multiplier is then applied to the local employment in the vicinity of Gatwick, after deducting the operational footprint of the Airport, based on the uplift in passengers assumed with the NRP.
59. Notwithstanding the explanation provided by the Applicant, we still do not consider this to be robust for two principal reasons:
- By failing to take account of actual levels of air passenger demand arising in any given area, which is obtainable from CAA Passenger Survey data, the methodology is likely to derive a false relationship between air passenger demand and non-airport related employment; and
 - By applying the derived relationship to the total passenger uplift assumed with the NRP, the employment impact may be incorrectly attributed to the local area if account is not taken of the extent to which passenger demand growth may be derived differentially compared to the current catchment area, e.g. if in future more of the demand to use Gatwick derives from central London.
60. In the context of the concerns expressed by the JLAs regarding the local labour and housing markets, it is important that the overall employment implications of the NRP are properly understood. We remain of the view that the analysis presented by GAL is likely to give rise to erroneous results and, as such, little reliance can be placed on it.

Other Matters

Fleet Mix

61. Whilst acknowledging that over the longer term, as GAL states in response to ExQ1 AQ.1.11 **[REP3-083]**, the fleet will have transferred almost entirely to new (next) generation aircraft by the late 2030s, the JLAs continue to have concerns regarding the appropriateness of the GAL's Slow Transition Fleet Case as the basis for setting controls on the impacts of the development. We do not agree with the GAL's response to EXQ1 DCO.1.40 (R19) **[REP3-089]** in this regard. This Slow Fleet transition was developed prior to the PEIR in 2021 and has not been updated to reflect the greater certainty in airline fleet transition given more recent fleet orders as referenced at Item 7 of the ISH5 Post-Hearing Submission **[REP1-215]**. The JLAs consider that a revised Slow Fleet Transition Case should be presented and agreed with the JLAs covering the early period of transition material to setting the 1st Noise Envelope Limit.
62. A further consideration is that the next generation of zero or low carbon aircraft may or may not have the same noise characteristics as those they replace. GAL has not presented any sensitivity analysis of these effects.
63. We now understand, from the response to the LIRs (14.1S of **REP3-078**) that GAL is actually suggesting that it will revise its Central Case Fleet Transition to be slower than the original case in the light of post pandemic information. We will give this fleet mix further consideration once submitted but, prima facie, GAL's position does not appear consistent with what has been stated elsewhere, as referenced above, regarding the faster introduction of new larger aircraft so vindicating its aircraft size growth assumptions (paragraph 5.1.24 of **REP1-062**).

Airspace

64. We have noted that, in response to the ExA's question NV.1.4 **[REP3-111]** the CAA refers to modelling undertaken by National Air Traffic Services (NATS) for GAL which it believes demonstrates that attaining the throughput claimed with the NRP would not be contingent on wider airspace change. Although the CAA states that it understood that this modelling work would be submitted by the Applicant at D3, we are unaware of this having been provided. As understanding the ultimate throughput attainable

with the NRP is fundamental to understanding its impacts, it is important that this airspace modelling by NATS is fully disclosed so that the ExA can be certain effects have been properly assessed and mitigated.

65. Whilst Gatwick has provided some further information regarding its position in relation to airspace in Section 7 of **REP3-079**, the fundamental question remains unanswered. Of particular interest to the JLAs is the potential for airspace modernisation to require fundamentally different use of the various departure routes, particularly WIZAD SID, should it be required to reduce airspace congestion over areas to the north of the Airport, as referred to at paragraphs 22-26 of the Need and Capacity Case Appendix to the LIRs **[REP1-099]**. Although GAL states, in response to ExQ1 LV.1.6 **[REP3-097]**, that it has made a worst case assessment of the extent to which WIZAD might need to be used in future and that it considers that this level of usage would not require a formal airspace change, this only serves to highlight the concern that broader airspace congestion issues could drive a requirement for even greater use of WIZAD in future in order to ensure that the NRP can be used to maximum capacity.
66. We also note that in the Draft Statement of Common Ground (SOCG) **[REP3.068]** at 2.3.1.3, the CAA clarifies that it has *“made no decision concerning GAL’s use of its Northern runway”* in terms of the wider airspace requirements, noting that the airspace change that was approved was solely in relation adjustments to the Aeronautical Information Publication to allow simultaneous use of the two runways. The CAA goes on, at 2.3.1.4, to note that *“it is too early in the Airspace Modernisation programme to say what trade-offs will be required to resolve any conflict between the sponsors of separate airspace changes, or between different objectives. Therefore, it is also too early to say what benefits individual airports might achieve from airspace modernisation, whilst recognising that one of the goals for the AMS is to provide greater capacity overall.”* This does leave residual uncertainty as to whether a) wider airspace change will require adjustments to the arrival and departure routes at Gatwick sufficient to impact the modelling of noise contours and the setting of the Noise Envelope and b) the extent to which wider airspace change requirements could frustrate the ability to deliver the full uplift in capacity assumed with the NRP. Notwithstanding GAL’s response to ExQ1 NV1.4 **[REP3-111]**, it is not clear that GAL has undertaken any sensitivity analysis of the implications of air space change in the context of the NRP so as to inform broader consideration of the implications, in particular for noise controls.

Airfield Layout

67. We note that the CAA considers the airfield capable of safe operation and of being certificated for use in due course at 2.3.1.6-2.3.1.32 of the Draft SOCG **[REP3.068]**. However, as noted on page 4 of Appendix F to the West Sussex Authorities Local Impact Report **[REP1-069]**, the Draft SOCG makes no comment on the ability of the infrastructure to deliver the claimed increase in capacity, simply setting out the requirements for the two runways to be operated safely.

YAL/13.5.24