MAG Forecasts & Assumptions

Planning Application UTT/18/4060/FUL: Supplementary Note from SSE

1 Introduction

1.1 For the application to be approved, the relevant planning authority must be satisfied:

(i) that there is a need for the proposed development; and

(ii) that the benefits outweigh the harms.

1.2 Neither of these tests can be properly applied in the absence of credible, well evidenced forecasts. The first relates to market demand and the second to projected benefits and adverse impacts. Both depend entirely upon the forecasts. Taking these points in turn:

2 Market Demand

2.1 The Airports National Policy Statement ('ANPS') sets down the following test for expansion at airports other than Heathrow:

"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."

2.2 The onus is therefore upon MAG to demonstrate need, and this cannot just be a matter of presenting unsubstantiated projections for 43mppa (or whatever). There must be credible evidence, especially – as in this case – where the Applicant's forecasts are wildly different from the Government's forecasts and are based on unsubstantiated assumptions.

2.3 MAG predicts that Stansted will reach its present cap of 35mppa by 2023 and needs to have the cap raised in order to cater for demand of 43mppa by 2028. By comparison, the Department for Transport (DfT) does not expect Stansted to reach 35mppa until 2033 even without a third runway at Heathrow. When Heathrow R3 is incorporated in the DfT forecasts, Stansted is not expected to reach 35mppa until 2043 – 25 years from now.

Why such a vast difference between MAG forecasts and the DfT forecasts?

2.4 MAG claims that tight constraints on other London airports will enable Stansted to increase its share of the London airports market from 15% in 2016 to 21% in 2028[1] whereas the DfT forecasts that Stansted's market share will reduce from 15% in 2016 to just 10% in 2028.

	2016 Actual	**Forecast for 2028**	
		MAG	**DfT**
Stansted (mppa)	24.5	43.0	22.3
All London Airports (mppa)	163.2	202.0	217.6
Stansted Share %	**15%**	**21%**	**10%**

2.5 MAG assumes no Heathrow third runway until 2030 whereas both the Secretary of State and Heathrow Airport Limited insist that this will be built by 2026.[2]

[1] Based on MAG's estimate that the total London airports market in 2028 will be 202mppa. Note that MAG's Environmental Statement erroneously calculates its 2028 market share as 18%.

[2] At the same time as seeking approval for HR3, Heathrow Airport Ltd intends to seek approval for an immediate increase of 25,000 ATMs per annum on top of the existing Heathrow cap of 480,000 ATMs per annum. If granted, this would further undermine demand at Stansted during the period 2021-2026.

2.6 MAG assumes negligible growth at Gatwick whereas Gatwick expects to grow by almost 10mppa in the next five years to reach 53mppa by 2023, and later reach 55mppa.

2.7 MAG assumes that Luton will handle no more than 18mppa through to 2028. Luton handled 16mppa in 2017 and has grown at a faster rate than Stansted over the past five years. Luton has announced plans to grow to 36-38mppa on its existing runway.

2.8 MAG assumes London City is limited to 6.5mppa through to 2028 whereas its planning cap of 120,000 ATMs makes London City capable of handling 8mppa by 2028.

2.9 MAG assumes Southend will handle a maximum of 2mppa in 2028 whereas Southend expects to reach 2mppa in 2019/20 and, having recently become a new Ryanair base, is expected to see rapid growth over the course of the next ten years.

2.10 By substantially understating the capacity of its competitor airports, especially Heathrow, MAG has presented a forecast for Stansted based on increasing its share of the London airports market from 15% to 21%. By comparison, the DfT forecast shows Stansted's market share falling from 15% in 2016 to 10% in 2028, largely due to Heathrow R3.

2.11 MAG also assumes that the size of the London airports market in 2028 will be 202mppa without Heathrow R3, which is 10% higher than the comparable DfT forecast. MAG has not explained the key assumptions (such as UK and foreign GDP growth, oil price and the price of carbon) which underpin its market forecasts. This is in stark contrast to the detailed and fully explained DfT forecasts which are set out in a 149-page document, underpinned by clearly-stated assumptions, analysis and sensitivity tests contained in over 90 supporting spreadsheets. https://www.gov.uk/government/publications/uk-aviation-forecasts-2017.

2.12 In view of all of the above, very little weight can be attached to MAG's demand forecasts for Stansted. Market assumptions are not explained and market competitors are marginalised. Moreover, all the available evidence from the DfT, the Airports Commission and competitor airports – contradicts MAG's assessment of market demand and Stansted's market share.

2.13 MAG has therefore failed to "demonstrate sufficient need" for its proposed development and, as explained above, this is a key test set down by the Government in the ANPS which must be passed for any proposed development in addition to Heathrow R3.

3 Fleet Replacement Assumption

3.1 MAG has assumed a wholly unrealistic timetable for the replacement of the current Stansted fleet of aircraft with 'cleaner and quieter' aircraft types. This assumption has a significant impact on the noise and emissions projections for the 2028 Development Case. It is therefore essential that the veracity of this assumption is independently examined.

3.2 MAG assumes that 80% of the Stansted fleet will be replaced with 'cleaner and quieter' aircraft by 2028. This is wholly implausible. The DfT has recently updated its Fleet Mix Model (FMM) and this has been peer reviewed. It assumes a 22-year service life for scheduled and low-cost carrier airlines and 25 years for charter airlines, and it recognises that aircraft replacement can be on a like-for-like basis, or for a new type, or for a different aircraft type. Cargo aircraft have an average service life of up to 35 years.

3.3 SSE's analysis indicates that less than half of the Stansted fleet will be replaced by 2028. Some of this will be like for like replacement, some will be new 'cleaner and quieter' aircraft types and some will be different aircraft types which are not 'cleaner and quieter'.

3.4 Taking the example of Ryanair, which accounted for 82% of Stansted's passengers in 2016 and 78% of PATMs: Ryanair operates a fleet of about 430 Boeing 737-800 aircraft with an average age of seven years. It has a further 65 of the present aircraft type on order and it has also ordered 110 new B737-800 MAX aircraft. Ryanair is not due to take delivery of its

first B737-800 MAX until April 2019 and expects to receive the remainder of its order (placed in 2014) over the following five years. By 31 March 2024, Ryanair expects to have a fleet of 585 aircraft, of which less than one fifth will be the MAX variant. The company has options for a further 100 B737-800 MAX aircraft but, even if these were to be confirmed, and delivered by 2028 (the order book is currently seven years), Ryanair will by that time have a fleet of at least 650 aircraft, **less than one third** of which will be the new variant.

3.5 In short, MAG's assumptions regarding the replacement of the bulk of the Stansted fleet with 'cleaner and quieter' aircraft by 2028 are simply not credible. These are crucially important assumptions because they feed through to the assessment of the noise, air quality, carbon and health impacts. The effect is that the harms are understated in each of these areas.

4 Conclusions

4.1 MAG's key forecasting assumptions are unsubstantiated and they directly conflict with the evidence published by the DfT and others. MAG's assumptions are clearly self-serving.

4.2 On issues of such fundamental importance to the determination of the application, in terms of assessing the need for the development and its harmful effects, UDC cannot simply accept MAG's forecasts and assumptions at face value.

4.3 We do not expect UDC to rely upon SSE's word for any of the above. We do however urge UDC to commission independent expert advice to examine MAG's demand forecasts and its fleet replacement assumptions.

4.4 All of the above matters are set out more fully in Chapter 8 of SSE's main submission.

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