

The Mayor of London's response to the Airports Commission consultation on shortlisted options

Local Economy

Supplementary Note 03

February 2015

Key findings

- The Commission's analysis reveals that all shortlisted options would potentially have significant positive impacts on the local economy. These are likely to be greatest at Heathrow.
- The Commission's Appraisal Framework is only partially followed. This has resulted in inconsistencies in how available evidence has been applied and uncertainty as to the overall scale of net benefit that might be realised. In particular, the reporting of potential local displacement and catalytic effects is incomplete and insufficiently robust.
- The Commission's assessment of each shortlisted option's potential to accommodate and therefore realise local economy effects are largely oversimplified, understated and lacking in robust supporting evidence. Particularly lacking is a sound analysis of how local development capacity can be found to absorb net additional housing and social infrastructure need generated by airport growth.

Key recommendations for further work

- Further assessment should be undertaken to address concerns relating to the assessment of both net and catalytic impacts at the local level.
- Assumptions as to how ALL additional growth requirements can be accommodated within the local assessment area need to be revisited and based on clear evidence – collated in partnership with key stakeholders.
- Any risks to realising the full local economic benefits identified should be acknowledged and given appropriate weight when reaching a recommendation.

A: Key observations

1. The impacts that the Commission identify are calculated on the basis of maximum passenger throughput up to 2060

- 1.1. The Commission's approach, whilst welcomed, is inconsistent with the Commission's assessment of other impacts (particularly those which may disadvantage shortlisted schemes), such as the identification of additional surface access demand.

2. The Commission's assessment of local economic impacts makes some key omissions

- 2.1. All three shortlisted options for airport expansion would have significant net additional local employment and housing impacts. However, many uncertainties remain. For example, the Commission's assessment fails to report catalytic and net effects for the local area (for both housing and employment) as per the requirements of the Appraisal Framework. Therefore, the overall scale of economic impacts cannot be fully understood.
- 2.2. One such example is that the scale of employment effects detailed in Tables 16-17 and Tables 21-22 appears overly high compared to proponents' submissions and earlier work undertaken by TfL. The reasons for this are unclear but are likely to reflect the exclusion of potential labour displacement effects (presented as gross rather than net figures) and the use of varying local area definitions for analysing the spatial distribution of effects (see below). Leaving net effects unmeasured means that it is possible that some of the jobs considered in the figures presented will not be new additional jobs.

3. The Commission's assessment is confined to a limited spatial assessment area

- 3.1. The spatial implications of any additional housing and employment requirements as a result of airport expansion are likely to extend beyond the Local Assessment Areas (LAA) identified by the Airports Commission.
- 3.2. The LAA's are too narrowly defined. They are based broadly on existing TTWA patterns for a range of international airports and do not take into account future changes such as surface access patterns or changes to the dynamics of Greater London and South East housing and labour markets. These changes are likely to influence the geographical extent of LAAs which will emerge at the time additional runway capacity comes into effect.
- 3.3. For example, much of Greater London in the context of accommodating local

economic impacts is currently overlooked. London plays an important part in accommodating Heathrow's associated employment (both catalytic and that directly associated with the airport) and workforce. It would be reasonable to consider that this role will be enhanced as a result of improved surface access such as Crossrail. Such an intervention would result in a number of locations to the east of London (such as Ilford, Forest Gate, Stratford, Custom House) which have generally more affordable housing, falling within the 1 hour journey time used as a commuting benchmark within the assessment. It is therefore highly possible that the area impacted on and influenced by airport-related growth will be significantly greater than that currently identified.

4. The Commission overstate the ability to accommodate additional benefits within the Local Assessment Area (LAA)

- 4.1. The Commission's assumption that housing and employment impacts of airport expansion can be accommodated and delivered within the LAAs by 2030 is overstated and lacking in robust evidence. Furthermore, these conclusions are based on accommodating only airport related jobs and ignores wider catalytic requirements – many of which will arise in the vicinity of the airport or other areas of agglomeration.
- 4.2. For example when considering Heathrow, West London and the areas surrounding the airport are already subject to overheated land and property markets with an increasingly limited land supply. These areas will have overheated further, before the additional effects of airport expansion will come to pass and the Commission's assessment fails to fully and robustly consider the context of London's significant and sustained 'background' population growth.
- 4.3. It should be noted that the location of housing provision in Greater London is the responsibility of the Mayor of London through the London Plan. No allowance is currently made for any additional growth and significant additional housing assessment and analysis is necessary before an informed decision about the accommodation of airport related growth can be taken.

5. The Commission have adopted a more optimistic view of the risks to realising economic benefits, than they have previously for alternative options

- 5.1. The Commission has (for example) taken a more optimistic view of the delivery risks for essential supporting infrastructure than they have previously done for alternative options. The non-delivery of supporting infrastructure such as housing in relation to the Inner Thames Estuary was identified as risk to realising potential economic benefits. No reference has been made to the non-delivery of the necessary new surface transport and community infrastructure has been mentioned in the Commission's assessment of the local economic impacts of the shortlisted options,

despite the obvious (yet understated) challenges in accommodating additional housing, employment and other social infrastructure (as set out above).

B: Does the Commission’s assessment constitute a robust approach?

To be robust, the option appraisal must entail a complete assessment. It must also be consistent across all the options, with the Commission’s previous analysis, with best practice in the appraisal of large infrastructure projects – including principles of HM Treasury Green Book – as well being aligned with the Commission’s own Appraisal Framework. The table below sets out a summary of the extent to which the Commission’s assessment meets these requirements.

Table 1: Does the Airports Commission’s assessment constitute a robust approach

Criteria	Met?	Comments/examples
Approach to Assessment		
Aligned with Airports Commission Appraisal Framework?	Partial	Not all stated aspects of Appraisal Framework have been undertaken e.g. net local employment and catalytic effects.
Consistent approach to assessment: <ul style="list-style-type: none"> Between options? With previously considered options? With best practice/Green Book? 	Partial	The assessment is partly based on a standard approach to assessment of local economic benefits. However, local economy impacts are measured in only gross terms without estimates of net impacts. Nor is the most up to date evidence always referred to. The use of CGE modelling for assessing catalytic impacts at the local level does not reflect best practice as its outputs cannot be sufficiently disaggregated.
Assessment complete (evidence gaps addressed, suitable geographic/temporal scope)?	No	Further assessment is required to determine the net local economy effects of employment and housing growth associated with future airport expansion. Catalytic impacts at the local level should also be assessed and the rationale for identification of LAAs should be set out clearly with consideration given to how impact areas may change over time.
Assumptions		
When multiple scenario or assumption sets used, has the most appropriate been identified – or worst case scenario tested?	No	The scale of economic impact is dependent upon a preferred air travel demand scenario. Whilst an indicative range takes into account the worst case scenario, a preferred scenario is not set out. The Commission’s accompanying Literature Review suggests the use of different study areas for indirect and induced employment multipliers. It is recommended that these multipliers should be based on a single defined study area.

Analysis: impacts and conclusions

Risks fully stated and impact reflected in conclusions?	No	Risks relating to the delivery of local economic impacts within the local area are understated.
Understanding of net/cumulative impacts?	No	The assessment fails to take into account cumulative impact of meeting airport related growth (especially catalytic growth) alongside future projected 'background' population and employment growth.