

Airports Commission **Response**

Inner Thames Estuary Feasibility Studies: *Terms Of Reference*

Observations

2 April 2014

1. Introduction

- 1.1. This document comprises a series of observations made by the Mayor of London's aviation team upon the Airports Commission's recently published Inner Thames Estuary Feasibility Studies terms of reference. They are made in light of the Commission's consultation, and the changes that they have made to the terms of reference as a result.
- 1.2. In January, the Airports Commission published its scoping document for taking forward additional feasibility and impacts work for an Inner Thames Estuary option, in the period up until September 2014. The Mayor submitted a full response to the Commission in early February, and he identified a number of issues that they needed to address.
- 1.3. Positive improvements have been made to the terms of reference. However, there are a number of important issues that were raised that have not been taken on board. The most significant of these are set out in this paper.
- 1.4. This paper should be read in tandem with the observations that the Mayor's aviation team have made on the Commission's Appraisal Framework. That document covers a number of wider issues which the Commission must take into account as it conducts work on an Inner Thames Estuary option, and digests the evidence it receives in response to the terms of reference at the end of May (which will include a submission from the Mayor). Both sets of issues are of critical importance if the Commission is to make the right decision on whether an Inner Thames Estuary option warrants being added to its shortlist.

2. Issues which continue to cause concern

- 2.1. As the Commission develop the Inner Thames Estuary scheme and assess its suitability for adding to the shortlist, **it must:**
 1. **Make full use of existing work and be realistic in its expectations.** The revised terms of reference contain a stronger recognition that a large body of data is

already available, which the Commission should properly analyse. This is welcomed. However, there remains a considerable body of work in other areas of significance which has been undertaken by Transport for London (TfL), its consultants, and other parties last year that can and should be drawn upon.

Detailed modelling of coastal processes and identification of specific compensatory habitats areas, as outlined in the scope of study 1, are examples of elements which the Commission cannot realistically expect to determine in the time available. There are existing studies which the Commission should rely upon where possible, such as the Thames Estuary 2100 study conducted by the Environment Agency.

- 2. Properly understand and present a true and comparable set of capital costs.** Having been identified as an important issue in the Interim Report, it is vital that the costs associated with delivery of an Inner Thames Estuary option are properly understood. 'On-airport' and surface access cost figures, calculated in an entirely consistent manner as the figures put forward for the shortlisted options, must be identified.

The Commission have asked for more details on the potential costs of the surface access infrastructure in the scope of study 4. This is welcome, but it is essential that the Commission identify schemes across all options which deliver comparable levels of provision.

- 3. Review its approach to risk, optimism bias and debt repayment.** The approach must be consistent with that adopted for the shortlisted options. A 110% risk and optimism bias allowance on top of capital costs seems very high, particularly for surface access infrastructure where HM Treasury Green Book appraisal recommends a 66% allowance.

The Commission's approach to the repayment of debts incurred in the construction of 'on-airport' infrastructure must not continue to be set at an arbitrary 20 year period. It must more appropriately reflect the lifetime of the project.

- 4. Properly and fairly evaluate potential socio-economic impacts.** The Airports Commission said in its Interim Report that a new airport in the estuary could have a 'scale of benefits potentially greater than for any of the other options that the Commission has considered'. A significant percentage of those expected benefits would be socio-economic in nature. Therefore, in considering the feasibility of an Inner Thames Estuary option it is imperative that a proper evaluation of the socio-economic impacts is carried out, against a comprehensive framework. This should draw on, but not be limited to, the HM Treasury Green Book and DfT WebTAG guidance.

In doing this work, the Commission must be careful not to continue to assume

that London City Airport, and Southend will both be forced to close by an Inner Thames Estuary airport, as is currently suggested by the scope of study 3. This is not consistent with the advice that TfL have received from National Air Traffic Services (NATS). It is therefore welcomed that further information on the potential airspace implications of an Inner Estuary Airport has been added to the scope of study 2.