



Airports Commission Consultation  
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Our Ref: MANOR\_ROAD

Dear Sirs

## **REVIEW OF CONSULTATION DOCUMENT – GATWICK AIRPORT SECOND RUNWAY**

I write on behalf of my client, Kames Capital, in commenting on the Airports Commission's Consultation Document, with a particular emphasis on the second runway proposed at Gatwick Airport.

### **The Site**

Kames Capital own the freehold on a significant commercial portfolio to the south of Gatwick Airport. These buildings are occupied by a number of different firms, some of which relate to Gatwick Airport, with others taking advantage of the proximity to the M23 in moving goods north and south.

### **The Consultation**

The main proposals for a second runway at Gatwick Airport includes:

- Acquisition of 577 hectares of land additional to the existing airport;
- A 2<sup>nd</sup> runway at an approximate cost of £7.8 billion located 1,045 metres south of the existing runway;
- New terminal, to the south of the two existing terminals located in between the existing and proposed runway, with directly connected piers and possible later construction of remote pier that would double capacity as and when required by traffic growth;
- Gatwick Gateway – Transport Interchange, including improved rail connections with trains to London every 2.5 minutes by 2021, and tripled rail capacity by 2035;
- Diversion of A23 and Balcombe Road enclosing Lowfield Heath Road;
- Additional 65,400 sq m of new cargo facilities;
- Four new maintenance hangars on the northern apron to replace the British Airways hangar retaining the existing Virgin Atlantic hangar;
- Re-directing the River Mole and Crawtersbrook;
- Four short stay car parks at the new terminal, adding approximately 3,500 spaces;
- 30,900 long stay parking spaces on app all located close to the M23 junction 9 to allow for easier access;
- Extra 2,100 spaces for staff car-parking;
- The shuttlewave (automated people mover) between the north terminal and south terminal extended to the new terminal.

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The consultation seeks views on three options, including that referred to above, and outlines assessments which have been undertaken on each. The consultation document confirms that each scheme has been appraised following the approach set out in the Commissions Appraisal Framework. This is based around 29 objectives, which are assessed through 16 appraisal modules. Of note are those under the economy section:

<b>Phase 1 Sift Criteria Categories</b>	<b>Phase 2 Objective</b>	<b>Phase 2 Appraisal Module</b>
Economy	To maximise economic benefits & support the competitiveness of the UK economy.	Economy Impacts
	To promote employment & economic growth in the local area & surrounding region.	Local Economy Impacts
	To produce positive outcomes for local communities & the local economy from any surface access that may be required to support the proposals.	

The consultation document indicates a whole section to "Calculating economic benefits". It confirms that the economic analysis undertaken considers the benefits and dis-benefits associated with each scheme. The Commission has approached each scheme's appraisal from both a micro economic and macro- economic perspective. This dual approach draws on some methods used by the Government but also offers a wider perspective.

The micro-economic approach largely follows standard Government appraisal methodologies, with costs and benefits weighed against each other, although it should be noted that in contrast to most other large transport infrastructure schemes, the cost of new airport infrastructure could be borne entirely or predominantly by the private sector.

The macro-economic approach is more innovative and makes use of computer modelling, which enables the commission to predict the gross domestic product impacts of the scheme.

These micro and macro approaches should not be considered as additional to each other; but they should be viewed as providing different and complimentary perspectives of the likely impacts of expansion. That being said, the commission accepts that it is not possible to assess the transport economic efficiency, delays or wider economic impacts under a carbon cut forecast.

In addition to their economic and environmental impact, each of the short listed options is considered to have a direct impact on local communities through the loss of housing and community facilities, as a result of the landtake required to construct new or extended runways and associated infrastructure. The commission has assessed the scale of housing loss and the specific facilities put at risk for each option, as well as reviewing the potential to mitigate or compensate for these impacts, and the specific mitigation proposals put forward by scheme promoters.

09 December 2014

Turning specifically to the Gatwick proposals, it has been identified that a total of 168 residential properties lie within the airport landtake are likely to be demolished. Further residential properties could also be lost as a result of the serviced access works, depending upon detailed route and construction design and potential mitigation options. In total, 624 hectares and up to 78 hectares will be required for airport and surface access and development respectively, within approximately 9 hectares of this total lying within designated green belt.

Gatwick Airport Ltd suggests that the development will be built in phases, with development being undertaken as demand requires it. The runway would be constructed first, to ensure that the air traffic movements is available as soon as possible. After this, the terminal will be built up in phases as passenger numbers increase to the point of which they are necessary. This phasing approach requires the use of a remote passenger facility during the period following the runway's construction and prior to the opening of the first phase of the new general capacity.

The commission lists a number of local road enhancements that will be required in order to deliver the scheme. This includes a re-alignment of the A23 with the provision of a new section, and a grade-separated section of re-alignment. It has also identified that there will be a new roundabout and approaches to Gatwick Road. At this stage, there are no specific details on the road network proposals – although we have had some indicative plans in the past.

Turning to the local economy, the commissions different scenarios anticipate increased incomes ranging from £42 billion to £127 billion. At the local and regional level, growing passenger numbers at an extended Gatwick Airport would support employment growth in the local area and region (in their view). The number of jobs associated with the airport, include direct, indirect and induced employment, is forecast to be 500 – 23,600 higher in 2030 compared to the "do minimum" rising to 7,900 to 32,600 b 2050. These projections assume Gatwick's business model remains focused on the low cost market prioritising high levels of efficiently and comparatively low ratio of employees to passengers. Using computer modelling, it is anticipated that 49,000 jobs could be generated by 2050 rising to 90,000 by 2060.

The commission's document goes on to say that the delivery of these employment benefits would require housing and associated services being placed to accommodate high numbers of workers and sufficient development land to support business growth. These factors, however, are not considered by the commission to be insuperable challenges, although they would need to be carefully managed.

The consultation document confirms that Gatwick Airport Ltd proposes financial compensation for housing loss, with house values in the safeguarded area protected by a 2005 agreement, though at the moment there is limited information available on the secondary impact of development, for instance where displaced households will be relocated. Similarly Gatwick Airport Ltd proposes financial compensation for community facilities, such as places of worship and the Crawley Rugby Club, as well as re-linking public rights of way and cycle paths.

09 December 2014

## **Objection to Second Runway at Gatwick Airport**

This representation refers to three key areas which have not been fully considered in the consultation document.

### Disregard for the Loss of Employment Land

The consultation document strongly sets out how the local economy will benefit from Gatwick Airport's expansion, but makes no reference to the loss of employment land. Turning back to Gatwick Airport's Consultation earlier in 2014, this stated that *"all options result in the loss of existing industrial and commercial property around the airport including to the south in Lowfield Heath and in City Place. Options 2 and 3 also result in the loss of property in the northernmost parts of Manor Royal. We have identified an opportunity to provide replacement land in the area east of the railway. Whilst not strictly for airport operational requirements, we believe this is an important opportunity to address the impacts of these options. The allocation of land for this purpose would require some intensification of other land use, for example decking of car parking."*

Option 3, which is the preferred option, equates to a land take of 577ha; broken down to 34.9ha of employment land, 40.9ha of settlement area, 359.5ha of agricultural land and 4.7ha of Green Belt land. No comment has been made on this loss of land in the consultation document and therefore the true economic and financial impacts cannot be fully explored and assessed.

### Lack of Financial Compensation for the Loss of Employment Land

As set out in the previous consultation by Gatwick Airport, and picked up in the consultation, the airport is considering implementing two voluntary schemes to negate, wherever possible, issues of blight and the need to go through a Compulsory Purchase Order – which is often time consuming and expensive.

The first is the Home Owner Support Scheme which is for homes which would be close to the expanded airport boundary, and which would be newly exposed to medium to high levels of aircraft noise. The second is the Property Market Support Bond which is for homes which would need to be bought to develop the second runway.

However, both schemes ignore commercial properties which will be lost by way of the expansion plans (as already mentioned). This is at odds with the practices exercised by our airports such as Edinburgh Airport, which states that *"you are eligible for the scheme if, on the date when the Home Ownership Support Scheme option is exercised you are the owner of a commercial property."*

Our client is greatly concerned that the commercial sector is being ignored with regards to this compensation measure. As already mentioned, the loss of some 34.9ha of employment land will have a significant impact on the local employment market and should form part of the Property Market Support Bond.

This would subsequently reflect other legislation and best practice. Rule (6) of section 5 of the Land Compensation Act 1961 provides:

09 December 2014

*"The provisions of rule (2) shall not affect the assessment of compensation for disturbance or any other matter not directly based on the value of land".*

Compensation for disturbance is usually paid to an occupier who is displaced from occupation. For a residential occupier, disturbance is based on the costs of relocation, and for a commercial occupier, compensation is based either on the costs of relocating the business or - in the event that it is cheaper or no suitable relocation properties are available – the costs of closing the business (also known as business extinguishment).

There is not a standard list of costs that are recoverable when a business moves – each claim needs to be considered on its own merits depending on the losses that have actually been incurred.

- The claimant is under a duty to mitigate losses.
- The claimant must act reasonably.
- The costs must be a direct result of being displaced by compulsory purchase.
- The claimant should not be compensated for losses that have provided "value form money" (i.e. replacing old with new, or the fit out of property larger than that being acquired).

Although this list is not exhaustive, the "Heads" of a disturbance claim based on relocation will typically comprise:

- SDLT and other fees/ costs incurred in acquiring relocation premises;
- Double overheads to include rent and rates;
- Removal Costs;
- Fit-out costs and works of special adaptation to a relocation property;
- Physical move costs – people, IT, comms, plant & machinery, utilities etc;
- Management time;
- Temporary and permanent loss of profits; and,
- Other costs relating to the relocation – including costs for; changing stationery; advertising a relocation; and loss on forced sale.

It is my clients' view that as the consultation does not include this invaluable element, the true economic and financial impacts cannot be fully explored and assessed.

#### Lack of Road Realignment Details

My client is concerned that the employment land loss is excessive and unwarranted to deliver the proposals. For example, the need to provide a new internal road network or services need not simply result in employment land loss, but could facilitate and increase in employment land by way of greater road access.

The proposed A23 re-alignment would see the removal my clients' freehold buildings. However, if greater consideration was given to the position of the road, it would be possible to retain the building both during construction and after completion. Furthermore, consideration should be given to the introduction of tunnelled roads – which is commonly found at Heathrow Airport. This ensures that the uses above are not lost to a new road network and would lessen the impact on the environment.

09 December 2014

My client is also concerned that the phasing does not provide clarity on the long term position and raises more questions than answers for the local employment market. Greater information is requested on the phasing of development and how, in practice, the new runway, buildings and roads will come into fruition. This should include the timing of works, likely road closures/diversions and when buildings would need to be demolished to facilitate the expansion proposals.

These lack of details provide little confidence to the local employment market. Without this important aspect being considered by the consultation exercise the true economic and financial impacts cannot be fully explored and assessed.

### **Summary**

My client has commented on three aspects of the consultation exercise with a particular emphasis on the second runway proposed at Gatwick Airport. We would like all of these to be taken into consideration when formulating the proposals and coming to a consensus on the preferred option.

We look forward to being included in any future consultation and urge both the Airports Commission and Gatwick Airport to maintain a dialogue with both local residents and local businesses.

Yours Sincerely

