

Airports Commission - Consultation on increasing the UK's long-term aviation capacity

Savills on behalf of:

**The Wilky Group Ltd
Parallel House
32 London Road
Guildford
Surrey GU1 2AB**

[REDACTED] [REDACTED]
[REDACTED]
[REDACTED] [REDACTED]

Q1: What conclusions, if any, do you draw in respect of the three short-listed options?

In answering this question please take into account the Commission's consultation documents and any other information you consider relevant.

Response:

We do not draw any conclusions from the Commission's assessment of the three short-listed options. The Commission will need to address any issues raised with respect to its current assessment work from the comments contained in this response and from others, and re-evaluate the shortlisted options on that basis.

Q2: Do you have any suggestions for how the short-listed options could be improved, i.e. their benefits enhanced or negative impacts mitigated?

The options and their impacts are summarised in section three.

Response:

No comment.

Q3: Do you have any comments on how the Commission has carried out its appraisal?

The appraisal process is summarised in section two.

Response:

The Wilky Group supports in principle the proposed second runway at Gatwick Airport, in the context of being able to deliver its own plans for an international business hub near the Airport. Consistent with this position, we wish to bring to the attention of the Commission a number of issues relating specifically to the assessment of the Gatwick Airport option, and more specifically to the employment displacement effects of the proposed second runway; the level of jobs growth; the implications for the nature of mitigation and additional employment land; the adverse impacts of, and the lack of justification for the extent of, airport safeguarding, and the adverse impacts of safeguarding on the economy and the ability of the Local Planning Authority to plan for future economic needs.

Our concerns in relation to these matters are set out below – we urge the Commission to undertake more investigations into these issues and seek justification from Gatwick Airport Ltd (GAL) to its approach to and extent of airport safeguarding for the second runway.

Loss of employment land at Crawley / Gatwick associated with the expansion of Gatwick Airport

The Consultation Document (CD) describes the scheme for the proposed Gatwick Airport Second Runway at section 3, and in particular the amount of residential properties that need to be demolished to accommodate the second runway. Paragraphs 3.5 and 3.36 make reference to the need to demolish 168 houses, with many of these falling within the Airport's proposed 'safeguarded development zone'. However, the CD makes no reference to the significant loss of established employment land at Manor Royal (outwith the Airport's boundary) and City Place (within the Airport's boundary) or the quantum of loss associated with the second runway proposal. It also appears that this impact is not referred to in the Gatwick Airport Second Runway Business Case and Sustainability Assessment (BCSA): paragraphs 2.59-2.60 and 2.64 refer only to loss of housing. The BCSA contains a section on local economy impacts in relation to Business Space (paragraphs 8.16 to 8.19), but the assessment focuses on accommodating the jobs arising from the expansion of the Airport, as identified in paragraphs 8.5 to 8.9, rather than those displaced as a result of the second runway land-take.

The quantum of loss is significant. In a report by Stiles Harold Williams for the Gatwick Diamond sub-regional initiative (Potential Loss of B1/B2/B8 Commercial Space Due To Proposed 2nd Runway, May 2014), the loss of employment floorspace as a direct consequence of the second runway proposal was estimated to be about 22,000 sqm (about 2.37M sq ft) at Manor Royal, Lowfield Place and City Place south of the Airport. This quantum of loss has been acknowledged by Gatwick Airport Ltd (GAL), whilst its own evidence to the Commission suggests that the loss would be around 35% of Manor Royal's land area and all of City Place, equating to about 371,612 sqm (about 4M sq ft) of office or industrial accommodation and five hotels (about 566 rooms). There is also a temporal aspect to this loss – alternative employment land must be readily available and serviced in advance of the point in time when businesses are making critical decisions about alternative sites and accommodation needs, and certainly in advance of any physical relocation.

The loss of employment land is a major impact of the Gatwick second runway plans that needs to be fully understood and the related negative business space (and related socio-economic) impacts assessed alongside any mitigation proposed by GAL. Any such mitigation should fully acknowledge that much of the employment land to be lost contains private commercial and industrial (B class uses) businesses that will need to be accommodated on equivalent land, i.e. off-airport land in close proximity to the Airport. This is important to ensure that existing businesses at Manor Royal can access land with the

same occupancy-cost profile as their existing sites/premises. In addition to the need for this impact to be assessed by the Commission, GAL must address suitable mitigation in any further work before the Commission can release its final decision. Furthermore, how new employment generated solely as a result of the expansion of the Airport could be accommodated is an issue which is addressed in more detail below.

The only acknowledgement in the BCSA to the impacts on existing employment, is in the context of the Commission's assessment of the number of jobs to be created, which in paragraph 2.55 is noted as a net figure taking account of any 'displacement effects'. If the economic case has taken account of the loss of jobs by allowing for displacement effects, then the assessment of impacts on related business space must also be addressed.

Employment impacts associated with expansion at Gatwick Airport

The Commission has estimated the number of additional jobs to be generated as a result of the expansion of Gatwick Airport. Taking account of direct, indirect and induced jobs, this is expected to be between 200 and 23,600 jobs by 2030 and between 7,900 and 32,500 jobs by 2050. A more sophisticated forecasting model was used by the Commission, which included the catalytic effects of airport expansion resulting in job growth estimates of 49,600 additional jobs by 2050 and 90,400 additional jobs by 2060.

We have no comment on the methods used to generate the job estimates, but we would urge the Commission to err towards the high end estimates of job growth given experience at other airports and evidence from research that catalytic and agglomeration effects do occur. Research by the University of Portsmouth into economic gateways (ports and airports) shows that the areas around international gateways benefit from higher levels of economic growth (GVA) and clusters of support businesses to serve the gateway and those that use it. The level of economic growth within 1km of the gateway was measured as twice that achieved in areas over 1km away from the gateway. This phenomenon has been seen at other international airports, most notably at Amsterdam Schiphol, Frankfurt-am-Main (Airrail Centre), Dusseldorf, and is being planned for at Manchester and Dublin airports.

Evidence supports higher levels of job growth associated with airport expansion, and it is suggested that the Commission undertakes any further assessments based on high job growth somewhere between its high end estimates and the estimates including catalytic effects. This is considered to be a reasonable approach, and will ensure that the related impacts on business space and the local economy can be fully understood.

In relation to the distribution of growth, the assessment of wider economic impacts in the BCSA (paragraph 2.50) notes that from a literature review, aviation has an important role in attracting FDI. It cites research by Strauss-Kham and Vives (2009), which found that the probability of firms in the US relocating to a particular location increased by 90% if there was a large airport nearby. The DC (paragraph 3.25) states that the delivery of employment benefits would require new housing and 'sufficient development land to support business growth'. It goes on to state that these requirements are 'not considered to present insuperable challenges'. This conclusion is at variance with the assessment of impacts on business space in the BCSA (paragraphs 8.16 to 8.18), which concludes that there are constraints on the supply of new employment land near to the Airport within Crawley Borough, based on current local plan policy. It is considered that the expansion of Gatwick Airport will lead to high levels of job growth, with a significant proportion of that growth naturally looking to gravitate to locations near the Airport. Under these circumstances, the Commission must be clear on the land use implication of expanding Gatwick Airport, and if these can be accommodated. This is an important consideration if the economic benefits of expanding Gatwick are to be realised.

Sub-regional and local policy

Sub-regional and local economic policy is an important factor in understanding the appetite of local authorities and business groups for land-use policies to accommodate economic growth. The Gatwick Diamond Futures Plan identifies the opportunity for an international innovation and business park in the Gatwick area – this need is repeated in the Gatwick Diamond Local Strategic Statement and supported by the Local Economic Partnership (Coast to Capital). The Futures Plan also notes the need for education facilities developed in conjunction with a business hub, alongside hotels, conference / exhibition and healthcare uses.

Emerging Crawley Local Plan policy

The emerging Crawley Local Plan (CLP - Crawley 2030, Submission Consultation Draft, September 2014) identifies the need for 35 ha of employment land to meet needs to 2030 without a second runway – future needs related to a second runway would most likely be more than double. The CLP identifies an Area of Search for a strategic employment site comprising land to the south and east of the Airport. This designation is noted in the BCSA at paragraph 8.19, but mistakenly described as a 'large area to the north of the Borough (south of Gatwick): the Area of Search includes land east of the Airport adjacent to the M23 motorway. Paragraph 8.19 goes on to state that the Area of Search is also allocated as 'Gatwick Safeguarding' in the CLP, available if the second runway did not go ahead.

Safeguarding for airport expansion

The Area of Search is designated in the adopted local plan and the emerging CLP as safeguarded for the second runway expansion. If a second runway is selected for Gatwick, the land south of the Airport would be needed for essential airport infrastructure. In contrast, the land east of the Airport is needed for ancillary and surface transport facilities including parking. The Airport's 2012 Master Plan stated that the area for ancillary uses would need to expand from 33 ha (current single runway) to 522 ha for a twin runway airport, an increase of 1,482%. The current Airport Master Plan (July 2014) shows only proposed road infrastructure in the ancillary area, which takes up a very small proportion of the area. The land needed for car parking would also be limited given the trend towards multi-storey provision at airports. The amount of land is considered to be excessive and not justified to meet only airport operational activities designed to directly serve the safe and efficient operation of the Airport.

To date, GAL has not provided a detailed land use and airport-operational justification for safeguarding all the land east of the Airport for ancillary uses. The safeguarding in this area is preventing land being released to meet the current and future strategic employment needs of the sub-region and Crawley/Gatwick, and as such is severely constricting economic growth and the provision of high quality job opportunities. Given the need for Crawley Borough to diversify its economy away from low value airport-related employment and redress high levels of out-commuting of professional / managerial employees, GAL's decision to safeguard land needed for employment is causing a serious adverse economic impact now and into the future.

GAL's attitude towards safeguarding is revealed in a recent report by Deloitte, which forms one of the background documents to its representations to the Commission (Appendix A19 - Commercial Facilities Requirements, May 2014). The report sets out the advantages to GAL of re-providing off-airport displaced businesses **and** expansion-related employment to an on-airport location as an 'investment asset' in order to 'enhance commercial returns' and the

'return to shareholders'. The report goes on to state that this approach would be 'more economically beneficial to the airport than sinking CPO costs into off-airport locations' and that if it didn't take that approach, 'developers and property investors will meet this demand by locating the facilities immediately off-airport'. This approach leads to the conclusion that GAL is proposing to misuse its CPO powers to acquire land not essential to the safe and efficient operation of the airport, but purely for commercial gain. However, it is important that CPO powers are exercised within the framework of regulations and legal precedent. In reality, there is nothing inappropriate in private developers meeting this demand provided the site or sites are appropriately located. GAL also mistakenly concludes that its approach would result in 'reduced environmental impact' and 'greater political support': neither is the case and so do not add weight to its approach to compulsory acquisition. The Wilky Group accepts that some closely or directly related employment development at the Airport offers benefits and may be justified, but such opportunities are limited consistent with current planning policy on business development within the airport operational area.

In the context of the above, the Wilky Group wishes to record that it has some concerns that Deloitte may have a conflict of interest issue to address based on an economic report it undertook for the Wilky Group in 2009; a response from Deloitte is awaited.

The Commission is urged to investigate in more detail the economic and land use implication of the second runway, and in particular GAL's safeguarding plans, which are not justified. This is an important matter that must be addressed if the benefits of the second runway are to be realised – without strategic business-led employment development in the vicinity of the Airport, the economic benefits of a second runway would not be deliverable; the outcome would more likely be significant adverse impacts.

Land to accommodate re-provided / new employment land

As noted above, land is available east of the Airport to accommodate a developer-led strategic employment hub. The Wilky Group has been promoting a strategic employment hub in this location since 2002, known as Gatwick Green. However, since 2005 the land has been adversely impacted by planning blight as a result of the unjustified safeguarding proposals of successive airport owners. It is understood that for some time, Crawley Borough Council has been raising concerns with GAL about the effects of blanket safeguarding on the forward planning of the Town. These concerns have been raised in the context of the Council's acknowledgment of the merits of Gatwick Green through its identification of the Area of Search for a strategic employment site (Policy EC1) in its current local plan (Crawley 2030 – September 2014). The effect of blanket safeguarding has been to severely limit the economic growth of the town for a considerable period of time, including the provision for strategic employment land in the current local plan.

All the available evidence suggest that this land could be developed without prejudicing the provision of a second runway and airport operational activities required for the safe and efficient operation of the Airport. As noted above, employment land provision must be developer-led so as to supply land / premises in direct response to occupier needs and for any premises relocating from Manor Royal, with the same occupancy-cost profile as their existing site.

The safeguarding of this land for airport expansion is a serious flaw in GAL's business case and must be addressed by the Commission before it makes its final decision on a second runway in the south east.

Q4: In your view, are there any relevant factors that have not been fully addressed by the Commission to date?

Response:

See response to Question 3.

Q5: Do you have any comments on how the Commission has carried out its appraisal of specific topics (as defined by the Commission's 16 appraisal modules), including methodology and results?

Response:

See response to Question 3.

Q6: Do you have any comments on the Commission's sustainability assessments, including methodology and results?

Response:

See response to Question 3.

Q7: Do you have any comments on the Commission's business cases, including methodology and results?

Response:

See response to Question 3.

Q8: Do you have any other comments?

Response:

No other comments.