

LSCC

London. Stansted. Cambridge. Consortium

Covering letter to Airports Commission

We are pleased to submit a report undertaken for the London Stansted Cambridge Consortium (LSCC) on the economic impact of various scenarios of growth.

The London-Stansted-Cambridgeshire corridor is the most exciting and dynamic region of the UK, already generating 11% of the UK's Gross Value Added (GVA), with the untapped potential to be an engine for UK economic growth. Stansted Airport is crucial to this growth, and so the London Stansted Cambridge Consortium has commissioned a review of the economic impact of expansion at the airport.

The region is already recognized as a hub for the UK's £58 billion ICT sector; home to 16.8% of all UK ICT and digital media employees. It hosts the world's biggest technology companies, including Google, Microsoft and Facebook, as well as the next generation of digital start-ups.

The region is also known for its strength in life sciences, with global HQs for AstraZeneca, GSK, and Amgen all based in the Cambridge Cluster. Alongside the world-famous Cambridge University, there are 37 world class life sciences research institutes in the region. The Life Sciences sector is the third largest contributor to economic growth in the UK, with more than 4,000 companies, accounting for 165,000 jobs.

The combined potential of these industries, as well as business clusters in logistics, resource recovery and food manufacturing, and the corresponding housing, population, and jobs growth, relies on national and international connectivity at Stansted Airport.

A key element to securing growth at Stansted is investment in the surface access and specifically the rail-routes. The rail service south to London and north to Cambridge and Peterborough require significant investment. This investment we believe is required to support delivery of key regeneration sites, such as those in the Upper Lee Valley where significant housing and employment growth is planned. Supporting the growth of Stansted to bring

much need airport capacity for the UK makes this already strong case for investment even more compelling.

It is important to state that the report is aimed to help inform the deliberations of the Airports Commission. It does not demonstrate a policy commitment from the LSCC or its members, to a specific long-term scenario of growth. The Consortium has a clear determined to support Stansted its full agreed capacity, representing a doubling in capacity and delivering much needed long-haul flights. We hope that the Airports Commission will promote the policies needed to maximise Stansted as a key asset to London's and the wider UK economy. This research was made possible via the financial commitment of Hertfordshire LEP, GC-GP LEP, Essex County Council and Enfield Council, for which the consortium is very grateful.

This research conducted by Oxford Economics finds that an extra runway at Stansted would add £5.9 billion and over 30,000 jobs to the regional economy by 2050, while the construction of a five runway hub would add £14.8 billion and almost 100,000 jobs. Additional capacity at Stansted would also support the regeneration of parts of England with the highest levels of worklessness, for example in the Lee Valley and Harlow.

International companies, particularly those in the life sciences and technology sectors, already view the region as an attractive location to establish a UK headquarters. Expansion of Stansted Airport, with an increase in long-haul routes, and improved road and rail connectivity to Cambridge-Peterborough and London, will ensure that the London-Stansted-Cambridge corridor becomes a truly global destination, driving forward the UK economy.

Yours,

Greg Clark, Chair: LSCC

Cllr Kevin Bentley, Deputy Leader, Essex County Council

Mark Reeves, Chair, Greater Cambridgeshire-Greater Peterborough LEP

John Gourd, Chair, Hertfordshire LEP

Cllr Doug Taylor, Leader, LB Enfield

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This note provides a summary of some of the key findings from the Oxford Economics' report.

Current economic impact of the airport

The 10,800 or so on-site workers generate annually £556m in Gross Value Added (GVA) at the airport. In addition to this around £215m in gross value added is generated when indirect impacts (supply chain) and induced (workers spending wages in the local economy) are included.

Scenarios of growth

The impact of the various scenarios of growth are set out in the table below and in sections 4 and 5 of the report. Just raising the use of the airport to its current planning agreement would see significant economic benefits. This move from 17.4mppa to 35mppa would see 3,800 new jobs created by 2020. An extra runway at Stansted would add £5.9 billion and over 30,000 jobs to the regional economy by 2050.

Geographical location of employment

Current direct employment created at Stansted Airport is quite narrowly focused in a relatively small number of immediately surrounding districts. Two thirds of the employees working on site live in East Herts, Uttlesford, Braintree and Harlow. However given the limited labour supply currently and projected in some of these areas it would be safe to assume that a growing airport would draw from a wider geographical area for its labour supply.

Impact on unemployment

Stansted offers a proportionately greater opportunity for employment of the younger workers compared to the wider corridor area, reflected in the current employment profiles (section 3.1.2). Around half of all employees at the airport work in relatively low-skilled occupations, including sales and clerical roles, roles related to baggage and cargo handling, and catering and cleaning. These opportunities may have played a role in ensuring the areas adjacent to the airport have seen significantly lower rates of youth unemployment than elsewhere.

The consortium would work to ensure an expanding airport would providing a range of employment opportunities supporting young people into employment and then on to progress to more skilled jobs. The report notes the high rates of unemployment in other parts of the LSCC area (e.g. North London and Harlow) and the role the adjacent airport could play in helping tackle this. The

report models the impact airport growth could have on the area's unemployment levels (section 5.6).

Increasing public transport

Compared to other UK airports Stansted is a leader in terms of passengers arriving by public transport, with a range of train and coach options. However this report indicates more must be done to improve accessibility for workers to the airport. This includes east-west as well as north-south connectivity.

Rail improvements

Totalling the value of time savings on existing commuter journeys, and wage gains from more people commuting into London, suggests that the population of the area will see annual gains of around £130m annually if a non-stop 30 minute train link to London is developed. Gains would be even greater if this was complemented by increased frequency of local stopping services and an improved service to Cambridge and Peterborough.

Delivering long-haul to Stansted

Stansted has the capacity to take the world's largest airliners. A key objective for the consortium of a growing airport would be for it to increase its international reach, providing new direct transatlantic and far east routes. While this report does not look directly at this, using DfT modelling assumptions can be made about how growth could deliver new routes (table 4.1.). While the medium term percentage increases projected for long haul are disappointing, the Consortium believes that the proactive approach of the new owners, coupled with the scale of the demand in east London, Cambridgeshire and the wider Eastern Region, could deliver these services faster. However using the passive DfT projections and just using the current runway to full capacity there is a strong potential for growing long-haul flights to 15% of Stansted's traffic.

Stansted as a locational and economic driver

The report concludes that existing businesses will be better placed to connect with potential and current clients around the globe, and businesses in sectors reliant on overseas markets will be keen to locate near the airport in order to access the facilities. In this sense the improvement of Stansted's connectivity can catalyse additional investment into the area.

The London-Stansted-Cambridgeshire corridor one of the most exciting and dynamic region of the UK, already generating 11% of the UK's Gross Value Added (GVA), with the untapped potential to be an engine for UK economic growth. The region is known for its strength in life sciences, with global HQs for AstraZeneca, GSK, and Amgen all based in the Cambridge Cluster. Alongside the world-famous Cambridge University, there are 37 world class life sciences research institutes in the region. The Life Sciences sector is the third largest contributor to economic growth in the UK, with more than 4,000 companies, accounting for 165,000 jobs. The region is also recognized as a

hub for the UK's £58 billion ICT sector; home to 16.8% of all UK ICT and digital media employees. It hosts the world's biggest technology companies, including Google, Microsoft and Facebook, as well as the next generation of digital start-ups.

The LSCC believes that the high growth, high knowledge economies of Cambridgeshire, Essex and East Hertfordshire have suffered due to the restricted access to long-haul business destinations. Cambridge is a 2-hour journey from Heathrow, being able to fly directly to America from Stansted could greatly increase the attractiveness of the region to global investment. The report notes the under-representation of international HQs in towns such as Peterborough and Chelmsford, compared to similar sized towns closer to Heathrow and Gatwick.

Scenarios of Growth	Current operation of the airport, 17mppa, 2013	Scenario 1: 35 mppa current planning restrictions, by at least 2030	Scenario 2: 45mppa – fully use of current runway by at least 2030	Scenario 3: one more runway, serving 76mppa from 2030	Scenario 4: standalone hub airport plus existing airport, five runways in total, over 200mppa by 2050
Direct economic impacts					
Direct employment at the airport					
Volume of GVA generated (2050)	£556m	£1.6bn	£2bn	£4.2bn	£10.7bn
Directly generated jobs, net of displacement	10,800	13,600	15,700	32,400	76,000
Indirect economic impacts					
Companies based off-site provide goods and services to the airport					
Indirectly generated GVA, net of displacement	£80m	£230m	£260m	£654m	£1.6bn
Indirectly generated jobs, net of displacement	1,180	1,700	2,000	4,900	12,400
Induced economic impacts					
Workers directly and indirectly employed by Stansted spending their income in the corridor's economy					
Induced GVA, net of displacement, 2013 prices	£100m	£365m	£400m	£1000m	£2.5bn
Induced jobs, net of displacement	2,046	3,600	4,000	10,000	25,000
Aggregated impact additional to 2013					
Direct, indirect and induced					
Additional jobs above current usage, net of displacement		3,800	8,310	30,300	98,600

GVA is an annual level at 2013 prices.