

MEDIA RELEASE

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ITF reviews UK Airports Commission scenarios for airport expansion

The forecasts and scenarios for future growth of air passenger demand developed by the UK Airports Commission with regard to the expansion of Heathrow or Gatwick airports are appropriate and robust.

This is the key finding of a report produced by the International Transport Forum (ITF) at the OECD and published today by the Airports Commission and the ITF. The Airports Commission had asked the ITF for an external view on its forecasting models and scenarios.

A robust model?

A core question was whether the Airports Commission's forecasting model to allocate passenger demand between London's airports is robust.

Supporters of a Gatwick expansion have claimed the model biases against Gatwick on two main counts: Firstly, that the model fails to allow for the airport's relatively fast growth over the last decade; secondly, that it omits fares as a direct variable in passengers' choice of airports.

The review by ITF concludes that the former argument does not recognise the importance of emerging capacity constraints in shaping demand. On the latter argument, it notes that research has been unable to isolate a clear relationship between fares and airport choice in London. Furthermore, the Airports Commission's analysis includes compensating off-model adjustments in scenarios where fares are likely to be important in shaping choices.

Supporters of Heathrow expansion have claimed the model biases against Heathrow. They question whether improved service levels can stimulate demand and whether adjustments made to reflect prospective new airline business models are appropriate.

On the first issue, the ITF study concludes that the Commission's modelling approach is supported both by extensive research evidence and by commercial experience. On the second issue, the review sees the adjustments as appropriate and reflecting "a sensibly pragmatic approach".

Overall, the ITF review finds the approach followed to be "the best available" and "very well adapted" to modelling the London airports system.

Plausible scenarios?

The ITF was also asked to review whether the scenarios for future demand developed by the Airports Commission are plausible.

The review concludes that the forecast scenarios developed by the Commission cover an appropriately wide range of potential developments. This is the case for both potential macroeconomic conditions and changes in dominant airline business models.

The review notes that the use packages of selected combinations of macroeconomic and airline business trends by the Commission to test the sensitivity of forecasts to uncertainty makes scrutinising the results complicated. In the view of the ITF researchers, testing macroeconomic and business trends separately and sequentially might have been preferable.

Nevertheless the Scenarios developed are an effective way to examine the inherently unpredictable risks for investment in a long-lived asset with a long lead time in the dynamic international air transport market. The range of outcomes produced provides a robust test of sensitivity.

“The quality and thoroughness of the analysis on which the Airports Commission recommendation will be made has been exemplary”, said ITF Head of Research, Stephen Perkins, who oversaw the review work.

The review, published under the title “Forecasting Airport Demand: Review of UK Airports Commission Forecasts and Scenarios” is the fourth report prepared by the ITF for the UK Airports Commission.

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