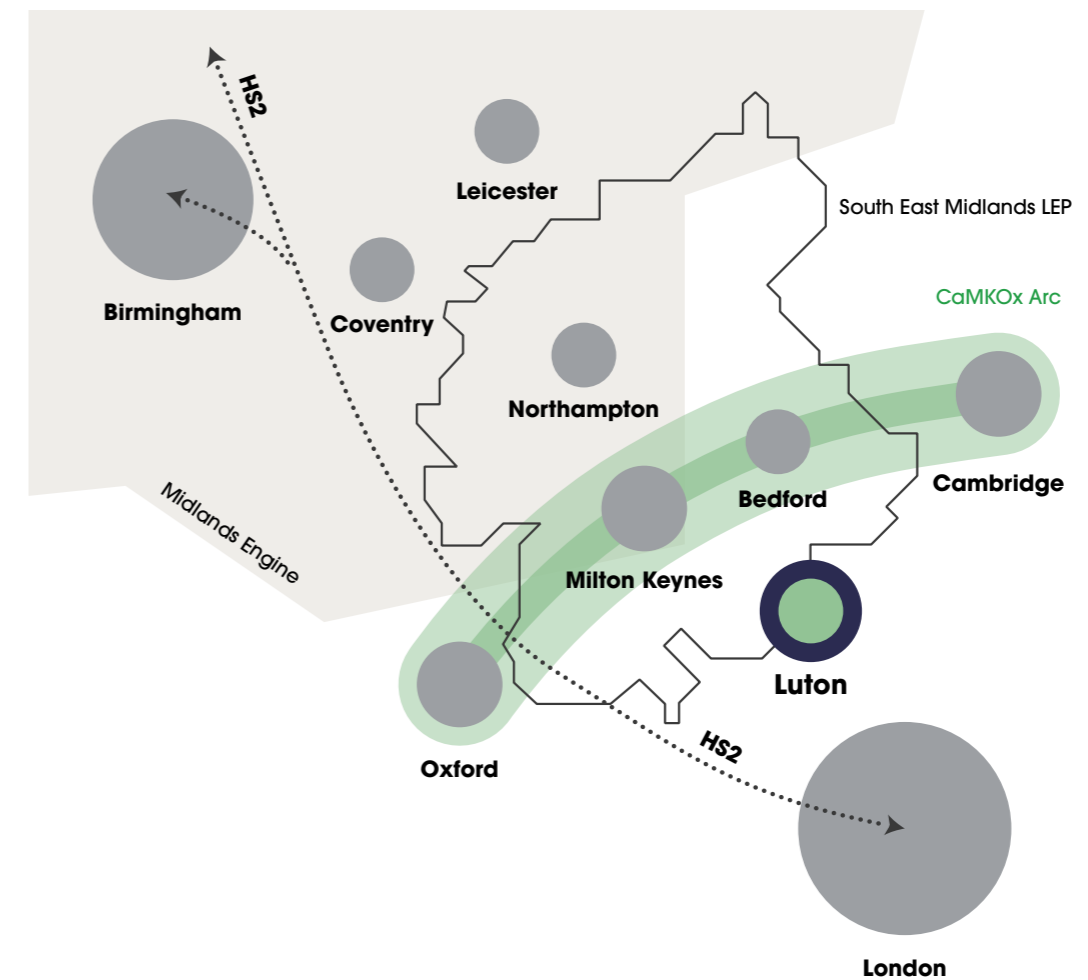


The airport is central to the local economy and is strategically positioned in the broader region, where it serves as an important connectivity asset.

Luton sits at the centre of both the Oxford-Cambridge Arc and England's Economic Heartland, covering a region stretching from Swindon to Cambridgeshire and Northamptonshire to Hertfordshire where the sub-national transport body has brought political and business leaders together to realise the region's economic potential and achieve net-zero carbon. This area is home to many international businesses making a significant economic contribution both regionally and nationally and which depend on good global connectivity.

With the Heartland's 30-year strategic transportation vision putting the needs of businesses, individuals and the environment at the forefront of investment decisions, London Luton Airport has a vital role to play delivering strengthened connectivity required to support economic and productivity growth, alongside projects including the accelerated delivery of an east-west rail link.

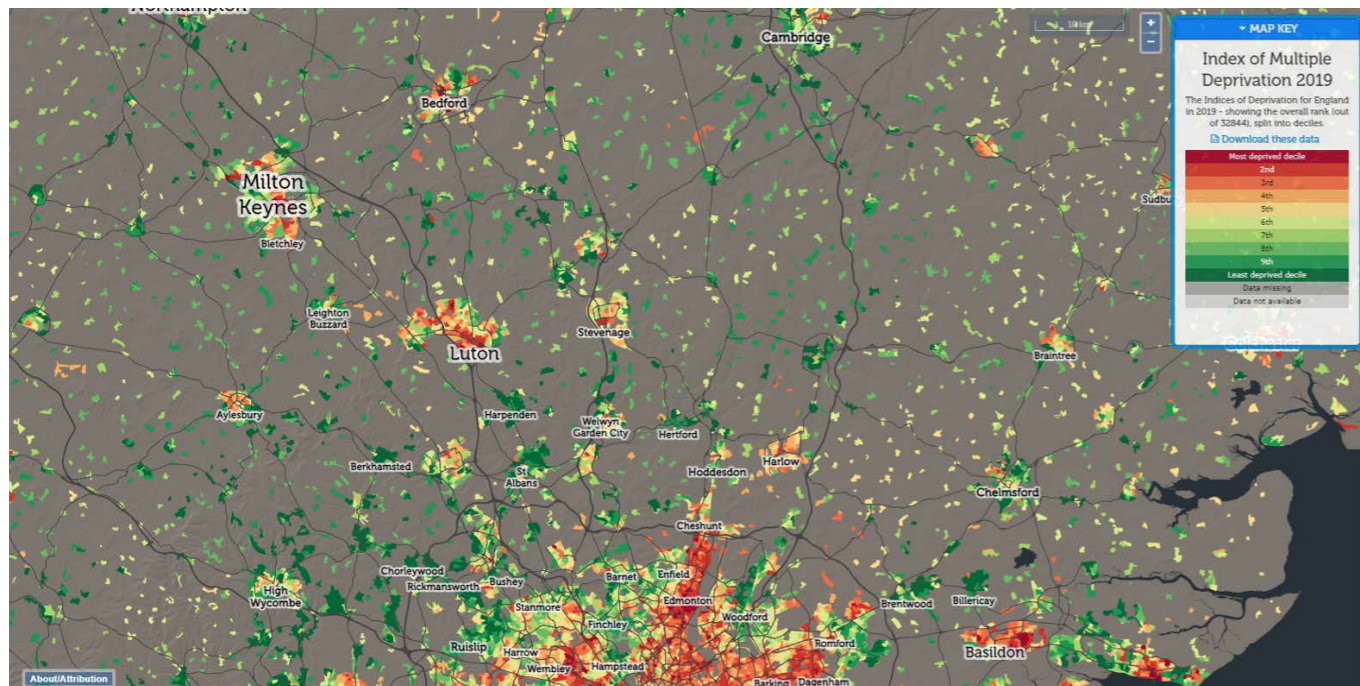
Figure 2.1 Oxford-Cambridge Arc



The economic success of areas such as the Arc is fundamental to the government’s plan to ‘Build Back Better’¹ following the Covid-19 pandemic. In this context, the government remains supportive of airports seeking to ‘Make Best Use’ of their existing runways because of the vital role that they play in providing connectivity for business and social purposes.

The airport plays a key role in securing ‘levelling up’ of the economy of Luton and other nearby areas of deprivation.

Figure 2.2 Deprivation map



Source: ONS

The airport is one of the main economic drivers of Luton, supporting jobs and economic activity in an area marked by high levels of deprivation. Luton has some of the most deprived wards in the East of England and is designated a ‘Level 1’ priority for levelling up. Luton is currently ranked as the 52nd (out of 317) most deprived local authority and more than a third of children in Luton are currently living in poverty. This has significant adverse consequences, such as:

- Children from the most deprived families are on average 15 months behind those from more affluent ones in their vocabulary skills by the age of five.
- Men living in the town’s most deprived areas can expect to live on average nine years less than those from more affluent parts of Luton and surrounding counties. For women, the life expectancy gap is seven years.

The airport is the largest employer in the town and its growth has the potential to generate substantial employment both directly and through attracting other businesses to locate in the area.

¹ ‘Build Back Better: our plan for growth’, A publication setting out the government’s plans to support economic growth through significant investment in infrastructure, skills and innovation, published 3 March 2021

For this reason, the continued success of the airport and its ability to support employment and opportunity is critical to the government’s levelling up agenda.

In order to maintain its connectivity and economic contribution across the region, the airport has to address its capacity constraints.

The airport has been growing very quickly, particularly over the last five years before the Covid-19 pandemic and reached the cap on its passenger capacity of 18 mppa in 2019. The airport is expected to reach 18 mppa again in around 2023/4 and demand will continue to rise. If the airport is not allowed to expand its capacity, it will not be able to increase the services that it offers to passengers. This will mean that it will not be able to add services to new destinations, including those which would be valuable to businesses, and over time, it is likely that the range of destinations served would shrink, with increasing concentration on the most profitable routes for the airlines, which are often those serving mainly UK outbound tourists. Importantly, it will not be able to increase employment opportunities for the local area.

Growth of the airport would support the economic development objectives not just of Luton but those of the neighbouring districts and counties, particularly in Bedfordshire, Buckinghamshire and Hertfordshire (‘the Three Counties’).

Without additional capacity, the airport will not be able to meet the needs of its catchment area for improved air connectivity and support the regeneration of Luton.

Should expansion of one of Luton’s key infrastructure assets be curtailed, it will have large repercussions for the prosperity of the town, allowing the growth and opportunity of the region to bypass Luton. Residents will continue to commute out of Luton to higher paid jobs. The area would fall behind in terms of its air connectivity offer, meaning that passengers would have to use more distant airports, and this would hamper other economic initiatives to promote growth within the Oxford-Cambridge Arc. The Arc would become relatively less attractive compared to other regions where airports are still able to expand to meet passenger demand and improve overall connectivity.

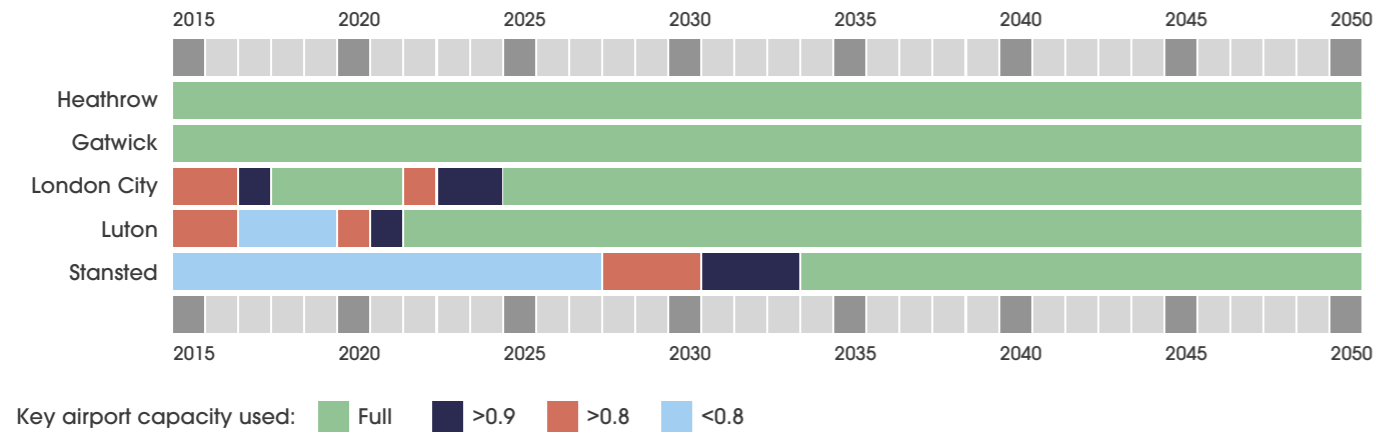
Growth in demand for air travel

Demand for air transport has grown rapidly in the UK, more than doubling since 1997 and reaching 297 million passengers using UK airports in 2019. According to national aviation forecasts produced by the Department for Transport (DfT) in 2017², UK air passenger demand was forecast to increase to between 334 and 380 million passengers per year by 2030 and to between 468 and 533 million passengers per year by 2050. Although the Covid-19 pandemic has impacted on the timescale over which this growth in passenger demand is expected to be realised, demand is still expected to reach these levels but around five years

² Department for Transport, UK Aviation Forecasts 2017

later. In 2017, DfT's assessment was that all of the London airports, including London Luton Airport, were expected to reach their consented capacity limits over the period to 2040. This provides the context for our expansion proposals.

Figure 2.3 Central growth scenario, no new runways, London airports, timeline of capacity usage



Key airport capacity used: Full >0.9 >0.8 <0.8

The proportions shown relate to the higher of the terminal capacity or runway capacity used
 Luton's capacity increased in 2017
 London City's capacity increases in 2022

Source: DfT UK Aviation Forecasts 2017

With capacity constrained, many passengers travelling to and from the South East of England would have to travel longer distances to make use of airports in other regions, increasing congestion on the UK's road and rail infrastructure. Even with a third runway at Heathrow and anticipated growth at other airports, there would still be a shortfall in capacity to meet demand, particularly across the London airports. This is why we are bringing forward proposals to meet that gap in the availability of airport capacity, along with proposals by other airports such as Gatwick.

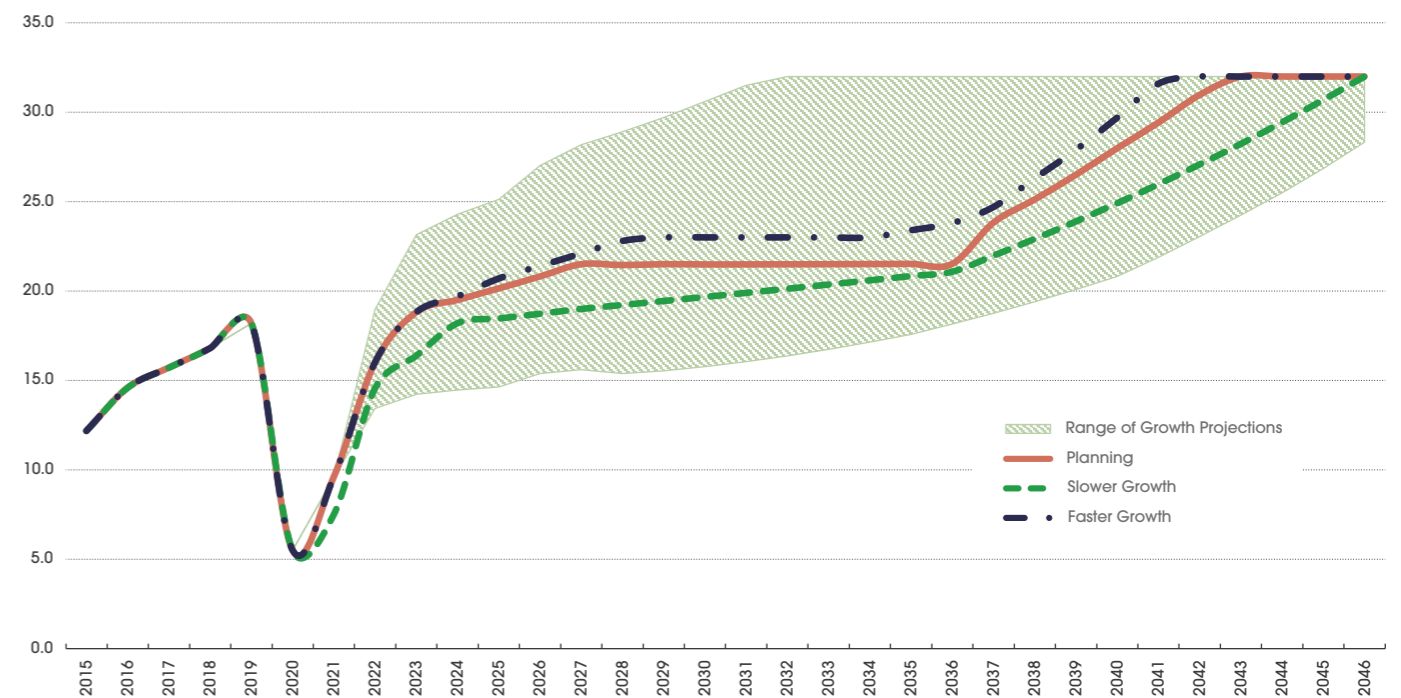
We have updated our demand projections for the airport. These take into account Covid-19, Brexit and the carbon implications of growth.

The Covid-19 pandemic led to an almost complete suspension of flying from many UK airports in 2020 and a significant drop in demand, but demand is expected to recover by around 2023/4, meaning that our airport would be full again. Given the pandemic, we have updated our projections of future demand, taking into account the latest economic projections as well as factoring in the projected cost of carbon and post-Brexit implications. The forecasts are also set out as a range to reflect greater market uncertainty over the forecast period.

Our approach to preparing demand forecasts for the airport begins with examining the overall market for air travel in the airport's catchment area using the economic relationships set out in the DfT's UK Aviation Forecasts 2017 updated to the latest projections of gross domestic product (GDP) and a range of other variables, including overseas GDP and the costs of air travel, including

taxes and carbon costs. We then take into account the airport's share of the overall market allowing for potential increases in capacity at other airports. To that end, we have considered the impact on demand at the airport if Heathrow builds a third runway, Gatwick uses its northern runway or a combination of the two, alongside the already consented expansion at Stansted and growth across regional airports. This results in a range of projections for the number of passengers that the airport might handle each year under different economic conditions and with different combinations of airport capacity elsewhere if it had the capacity to do so up to a throughput of 32 mppa, which forms the basis for our application for development consent.

Figure 2.4 Range of Unconstrained Passenger Demand Forecasts for the airport up to 32 mppa and forecast cases for assessment



Source: London Luton Airport Expansion Draft Need Case

We consider that these forecast scenarios represent a reasonable range of the demand that the airport could attract if it had the capacity to do so and dependent upon capacity delivered at other airports serving the wider catchment area. We have used these scenarios as the basis for developing forecast cases for assessment that take into account the timescale over which new capacity can be delivered at the airport, which lags behind the potential demand under almost all scenarios.

In practice, the ability to accommodate this demand is likely to be limited by the capacity available at the airport until construction of infrastructure is completed. Growth in passenger numbers in the short-term will be constrained by available infrastructure capacity, primarily in relation to aprons and stands. It is for this reason that we are proposing that the application for development consent provides for the interim steps that can be taken to increase the effective

capacity of the existing infrastructure of Terminal 1, ahead of the introduction of Terminal 2. Taking these interim steps into account, our core planning scenario shows that the airport is expected to reach 32 mppa by 2043, allowing for one new runway at either Heathrow or Gatwick. This is considered to represent the most robust basis for considering the need for additional capacity at the airport and assessing the associated effects. Faster and slower growth scenarios see 32 mppa reached one year earlier or three years later respectively.

As the airport grows, it is expected that low-cost airlines will continue to be the dominant airlines. However, with constraints at other airports around London and a growing base of local demand, it is expected that there will be some growth by other airline operators. This may include national airlines (known as 'flag carriers'), and also regional and long-haul airlines with aircraft capable of using the airport's runway.

Benefits of expansion

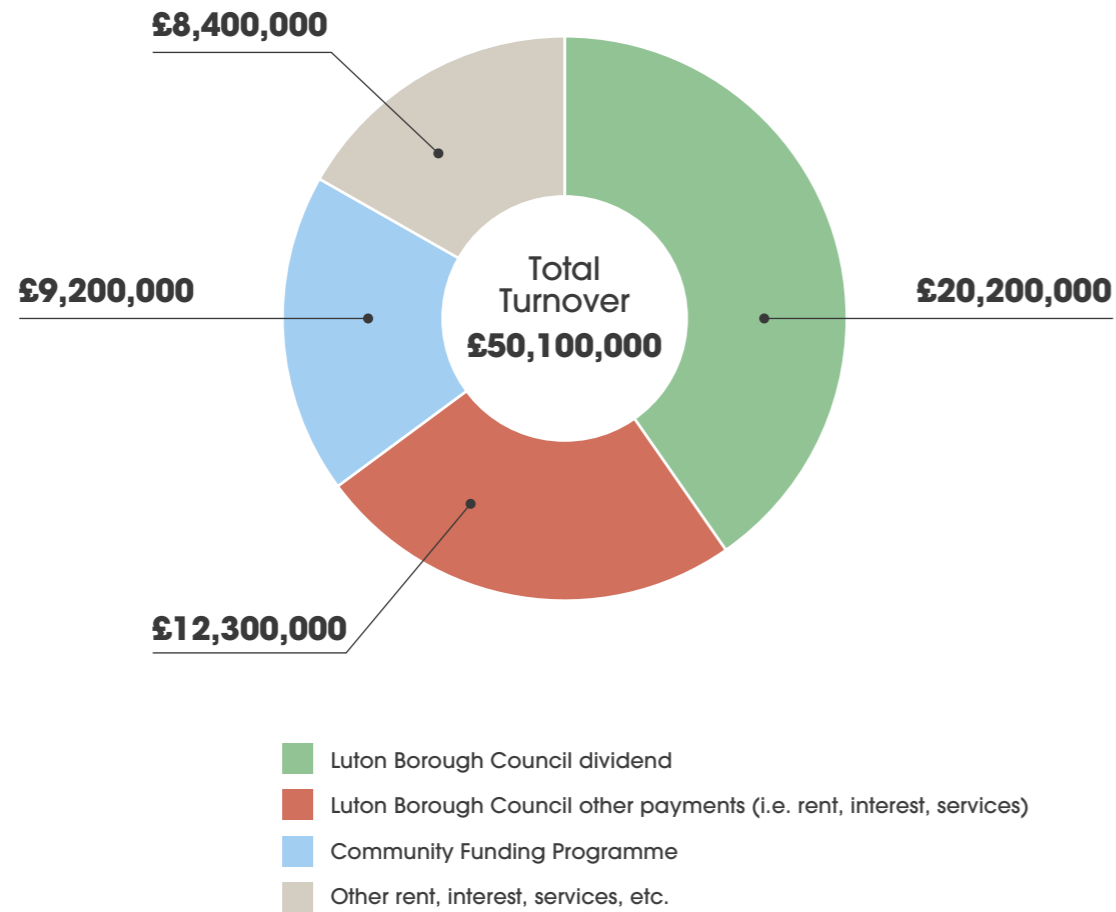
What benefits are we contributing now?

Why Luton?

Given the need for regeneration in Luton, we understand the importance of maximising the economic benefits and social value of the airport, one of Luton's main infrastructure assets. The airport has been a part of Luton's history for over 80 years and we recognise the important role it has played in helping to shape the development of the town and the surrounding counties. This includes supporting the local economy and community in a number of ways:

- The airport supports a critical supply of jobs and economic activity in Luton, the counties of Bedfordshire, Buckinghamshire and Hertfordshire, and beyond.
- The average wage of those working at the airport in 2019 was £41,100, which was 34% higher than the national average and 27% higher than the average of all jobs in Luton.
- Dividends and other payments from Luton Rising are paid to Luton Borough Council, supporting frontline services in the community.
- On top of that, we take our social responsibilities seriously and contribute to local good causes through our community funding programme. Since 2002, we have provided more than £150 million to local charities and voluntary organisations.

Figure 2.5 Luton Rising contributions (FY 2019)

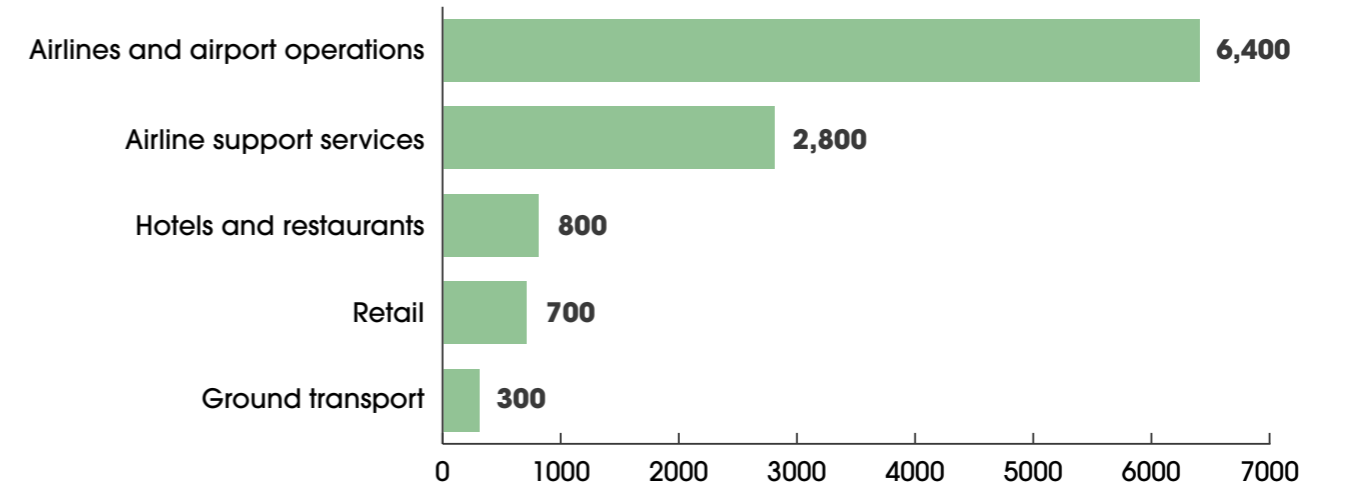


The airport supports a critical supply of jobs and economic activity in Luton, the counties of Bedfordshire, Buckinghamshire and Hertfordshire, and beyond.

In 2019, the airport supported over 28,400 jobs (generating £1.8 billion in GDP) across the UK, when its supply chain is included. Over half of these jobs were captured within the 'Three Counties' of Bedfordshire, Buckinghamshire and Hertfordshire, with 10,900 people working at the airport and 16,500 jobs overall within the three counties reliant on the airport. This supported a local economic contribution of £1.1 billion in GDP in 2019.

The airport is a critical part of the Luton economy. Approximately 11,800 jobs were based in Luton, accounting for around 12% of local employment. Of these, approximately 10,900 were employed in activities directly related to airlines and operation of the airport including the head offices of easyJet, TUI, air crew, airport operations and management staff, and other activities located on-site such as airline support services, aircraft maintenance, and hospitality and retail within the terminal building and in local hotels serving the airport.

Figure 2.6 Airport direct employment by activity, 2019



Source: Oxford Economics, November 2021

As the airport operator, LLAOL has committed to be a Real Living Wage employer. As Luton has some of the most deprived wards in the East of England, these jobs are critical to supporting opportunities for the local community and we are working with our partners to ensure job opportunities are prioritised for local people. Currently, approximately 28% of these direct jobs were held by residents of Luton, and a further 30% by residents in the remainder of Bedfordshire.



What benefits can we contribute with expansion?

The airport plays a role both as an international transport hub that forms a critical part of the UK's national infrastructure, as well as a major local employer with a deep history of commitments in Luton (and the surrounding counties).

Expanding capacity at the airport will generate many types of benefits. As the UK's only airport wholly owned by the local authority, we are committed to ensuring the benefits realised are shared with the communities that are impacted by operations.

- Expansion will support thousands of new job opportunities and significant economic activity for Luton, the counties of Bedfordshire, Buckinghamshire and Hertfordshire, and beyond.
- Improving air connectivity is a crucial aspect in ensuring that the UK remains competitive globally, generating benefits to users and the wider economy.
- We will share the revenue gains from expansion with the community, maintaining our long track record of commitments to local charities and growing future contributions.

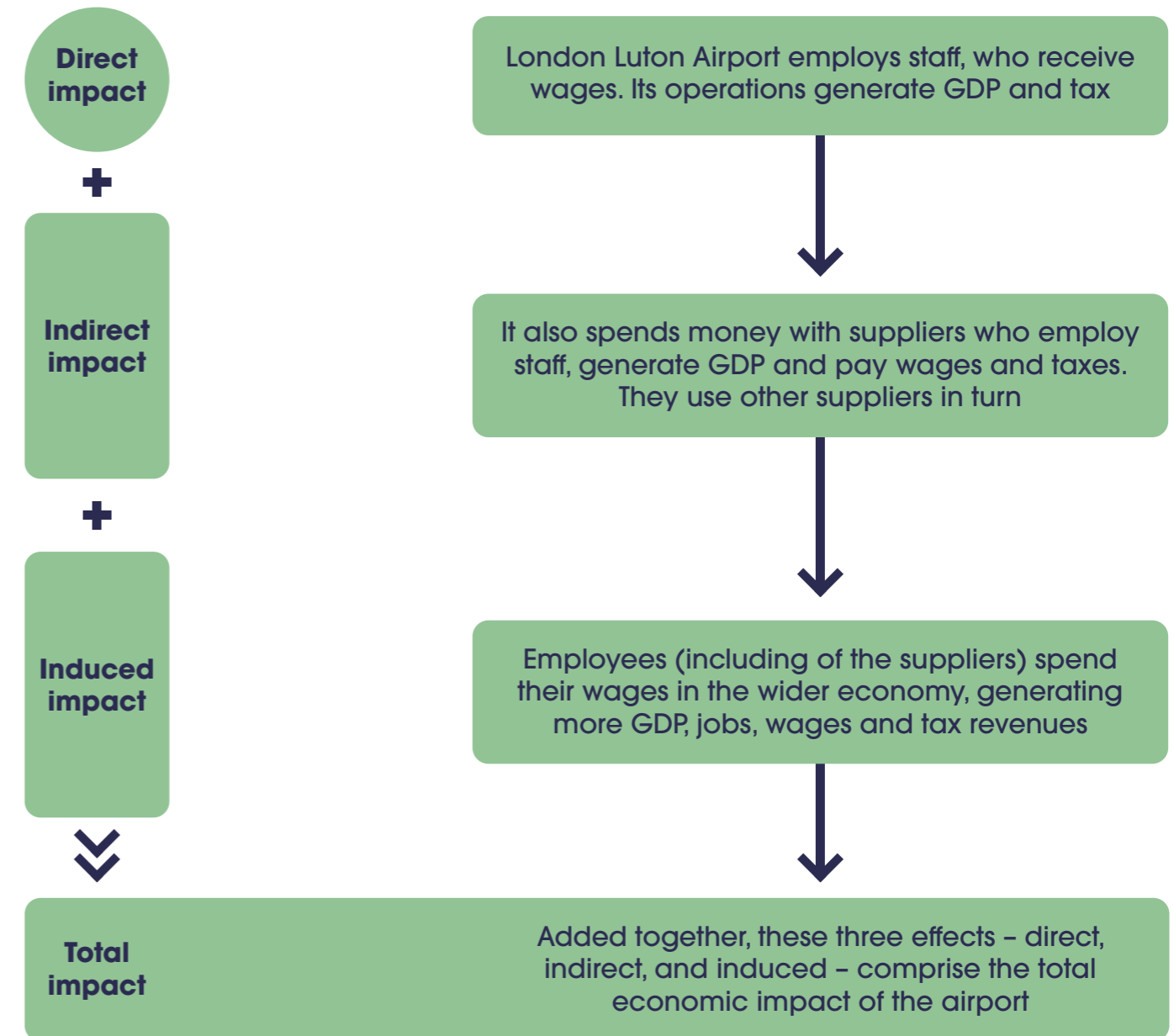
Expansion will support thousands of new job opportunities and significant economic activity for Luton, the counties of Bedfordshire, Buckinghamshire and Hertfordshire, and beyond.

The airport is a major provider of jobs in Luton, and expansion is expected to offer substantial growth in employment benefits and a substantially enhanced contribution to local GDP. This impact includes:

- 1) Jobs directly related to the airport (direct impacts)
- 2) Jobs supported through its supply chain (indirect impacts)
- 3) Further jobs as those in employment spend money locally (induced impacts)

The airport also contributes to wider economic growth through the connectivity it provides which acts as an attractor to other businesses to locate in the area.

Figure 2.8 Economic impacts



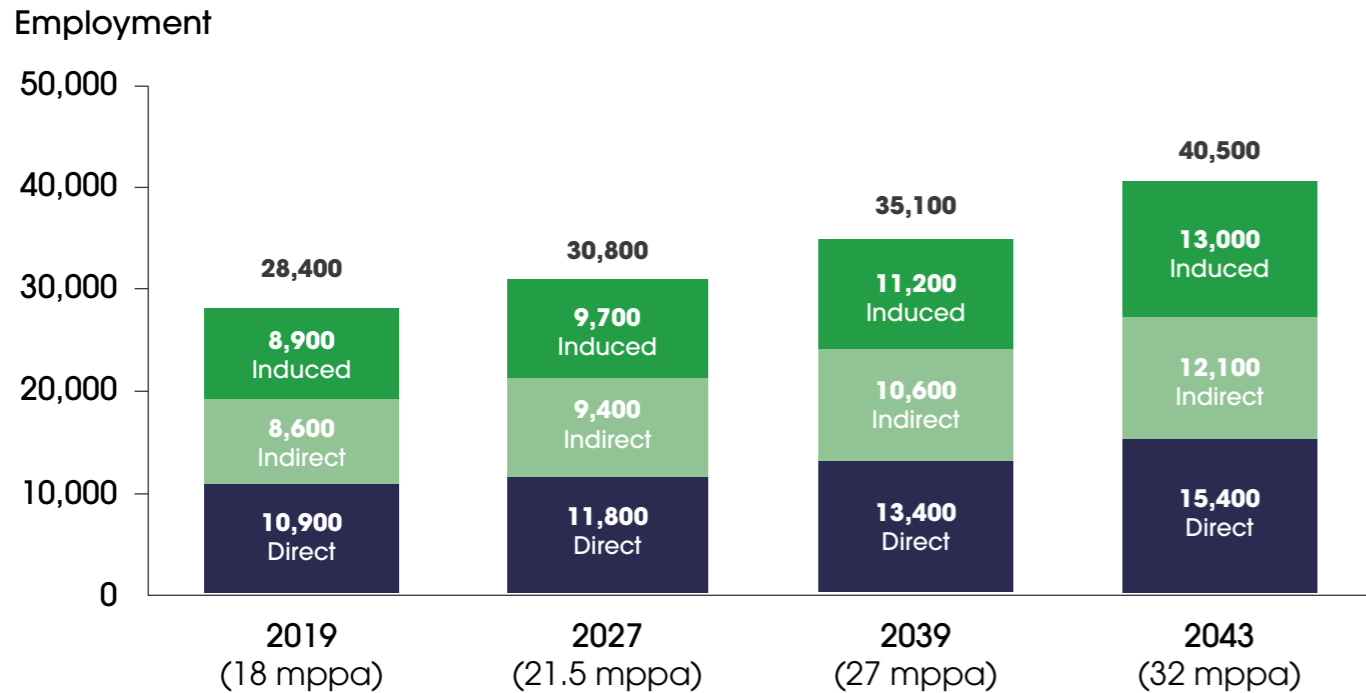
Source: Oxford Economics, November 2021

With expansion to 32 mppa, the airport's economic impact will increase considerably. The number of direct airport-related jobs is expected to increase by approximately 4,500 by the time the airport is handling 32 mppa, up from 10,900 in 2019.

When indirect and induced jobs are considered, the total number of new jobs would be approximately 4,800 in Luton, 6,600 in the counties of Bedfordshire, Buckinghamshire and Hertfordshire, and a total of 12,100 across the UK. The contribution of the airport's operation to the UK economy would also increase by over £1.6 billion by the time the airport is handling 32 mppa. Of this increase,

approximately £1 billion in total would be realised within the Three Counties, of which nearly £0.8 billion would be realised in Luton through the direct operation of the airport albeit the effects would spread more widely across the Three Counties based on where employees at the airport live.

Figure 2.9 Forecast Employment Growth across the UK



Source: Oxford Economics
 Figures may not add due to rounding.

In addition to the new jobs supported by expanded operations of the airport, there will also be jobs supported through construction activities. It is estimated that over the construction period a total of approximately 620 full-time equivalent jobs would be directly supported. In addition, approximately 310 full-time equivalent jobs would be supported by indirect and induced employment.

We are committed to ensuring that future jobs created at the airport will offer opportunities for the local community. The expansion scheme will include provision for contracts to include a target for local employment, in addition to existing agreements with our partners to recruit locally. Through the opportunities supported by the expansion proposals, we will work with Luton Borough Council to lead the way to make Luton a real living wage town so working people do not struggle. This includes requirements for those employed in the delivery of the expansion plans at the airport to be paid a real living wage.

Moreover, we will do our part in helping to prepare the local community to take advantage of new job and training opportunities. As discussed in our **Draft Employment and Training Strategy**, we are proposing actions and initiatives with a vision to create quality careers and make the airport and inclusive and aspirational place to work. These proposals include establishing

an employment and skills hub at the airport as a one-stop shop for engagement with local education institutions and training providers, exploring the creation of an onsite training centre for construction and operation phases, encouraging hiring of apprentices and trainees through procurement and working together with airport employers, enhancing outreach with local community groups and schools, and facilitating research and innovation related to the future of sustainable aviation and construction.

Improving air connectivity is a crucial aspect in ensuring that the UK remains competitive globally, generating benefits to users and the wider economy.

As recently as July 2021, the government, in the introduction of its consultation on how to achieve Jet Zero, made clear that aviation is at the heart of the UK’s economic success, being vital for trade and the distribution of goods, creating jobs, connecting friends and family, and – crucially for an island nation – linking the UK to the rest of the world. The government made clear that “*Flight is essential for our Global Britain ambitions of openness as a society and an economy.*” Improving air connectivity is a key part of making sure that the UK remains competitive globally, as has long been recognised by government. This applies locally as much as nationally. The further development of the airport will strongly support these goals, enabling more people to travel from their local airport, to reach a greater range of destinations for both business and leisure travel.

Therefore, as well as creating employment and economic benefits locally through its operation, the airport also provides connectivity benefits, making the area more attractive for businesses to locate within the area. This is particularly relevant to supporting the economic ambitions of Luton Borough Council and the wider Oxford-Cambridge Arc. By offering a wider range of air service connections, including to key business destinations, expansion of the airport will improve the attractiveness of the area to locate new and expand existing businesses, creating further employment opportunities and wider economic benefit.

In addition to creating employment and economic activity through operations of the airport, expansion generates wider benefits associated with increased connectivity.

- Giving people living nearby the opportunity to fly from the airport to a wider range of destinations will save time and money for passengers amounting to around £487 million in journey time savings (discounted over a 60 year period) for air travellers to and from the Three Counties area, if the airport is able to expand in line with our plans. Users will also benefit from enhanced passenger facilities and an easier transit through the airport over the longer term.
- Productivity growth is positively affected by enabling increased business travel, which in turn supports greater trade and helps secure investment. This beneficial effect is expected to increase the GDP in the Three Counties region by £235 million per year by 2043.

Why grow?

- Further growth at the airport will also bring more visitors to the areas around the airport, supporting the tourism economy and generating increased GDP and more jobs (13% of jobs in Luton currently are in the tourism sector). By 2043, inbound tourist activity via the airport could be supporting around £150 million in GDP each year across the Three Counties area and around 2,030 jobs in the tourism sector.

Overall growth at the airport is expected to make the area more attractive to business more generally and support broader initiatives to attract innovative new industries which are likely to be more reliant on international opportunities to trade. Growth of services from the airport will also provide more opportunities for local residents to visit friends and relatives and to travel abroad more generally in line with the government's objectives.

We will share the revenue gains from expansion with the community, maintaining our long track record of commitments to local charities and growing future contributions.

We have a history of investing into the local community – since 1998 we have provided more than £257 million to support local front-line services of Luton Borough Council, together with an additional £155 million for community investment projects and local charities.

Because we are wholly owned by Luton Borough Council, revenues gained from expansion will continue to flow back to our sole shareholder through dividends, contributing to frontline services and priorities envisioned in the Council's Luton 2040 strategy. We are also committed to continue to fund our community funding programme for local charities.