



Integral to Growth The Economic Significance of London City Airport

February 2011



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Foreword from Colin Stanbridge London Chamber of Commerce and Industry

London City Airport has been at the heart of the economic regeneration and rejuvenation of East London over the past 25 years. With an ideal location that is close to Canary Wharf and within a short DLR journey to the City, the Airport gives business travellers a fast route in and out of London supplementing the Capital's inward investment proposition and adding confidence to companies that do business in the Capital.

With international links increasingly important, London City Airport remains integral to London's economy, serving the needs of a global community that demands easy access to clients and colleagues.

This report showcases the vital role that the Airport has played in the ongoing economic success of East London as well as the reinforcement of London's position as the world's number one location for business.

#1 

About London City Airport

London City Airport is the UK's leading business airport serving over 30 destinations across the UK, Europe and the USA, with connections to the rest of the world through major European hubs.

The proximity and local connectivity of the Airport to Canary Wharf and the City of London makes it a cost and time effective facility for business travellers. London City Airport is also less than a mile from world-class events and international conference venue ExCeL London and just two miles from the site of the 2012 Olympic and Paralympic Games.



#2

Executive summary

London City Airport and the connectivity it provides is and has been one of the key drivers in the regeneration and growth of East London. The Airport directly contributes over £1/2 billion to the UK economy each year which includes:

- £197million spent by business tourists coming via London City Airport.
- £115million spent by leisure tourists coming via London City Airport.
- £71million from productivity benefits delivered through journey time savings by using London City Airport.
- £21million in Air Passenger Duty to the Exchequer.¹
- £100million through operations and businesses at London City Airport that also support over 2,700 jobs both on and off site.

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£1/2 bn

the direct annual contribution of London City Airport to the UK economy

In addition to these direct financial benefits the Airport:

- has levered investment in East London's transport infrastructure, assisting the ongoing regeneration of the area through the opening up of employment and residential sites, improvements in services and facilities for local people and through building value in the housing stock.
- has been crucial in giving the resurgent area a presence, image and sense of identity that has made East London and the Docklands an attractive and exciting place to live, do business and to visit.
- has supported the location and expansion of the globally significant financial and business services cluster at Canary Wharf and the world class exhibition and convention centre at ExCeL.
- has driven business productivity for users across East London, but particularly the financial and business services firms of the City of London and Canary Wharf, by providing rapid, easy and efficient access to a wide range of European business destinations and now to New York.
- is an essential tool for high value-added, time-sensitive individuals on which the London economy is heavily reliant.
- acts as a vital gateway to London for business and leisure tourists. Tourism is one of the UK's most important economic sectors, accounting for around 9% of GDP.²

1 York Aviation analysis of the CAA Passenger Survey 2008

2 Visitor Economic Facts – Visit Britain Website (October 2010)

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*“Being in the heart of London
Thames Gateway, we are well
placed to reach customers like
Transport for London and the
London Underground and London
City Airport enables our French
colleagues to reach us with ease.”*

NIGEL WHITAKER
PROPERTIES DIRECTOR
THALES



#3

Background to the report

This document has been prepared by independent air transport consultancy York Aviation LLP. It provides a summary of a detailed economic impact assessment of London City Airport carried out during 2010. This built on earlier work and studies undertaken in 2005 by York Aviation and the University of East London as part of the Airport's Master Planning process.

The focus of the study was to assess the role of the Airport in the wider economy of the Docklands and City of London, including activities facilitated by the presence and connectivity offered by the Airport. In addition the study has quantified the direct impact of the Airport in terms of employment and Gross Value Added.

More specifically, the study examined:

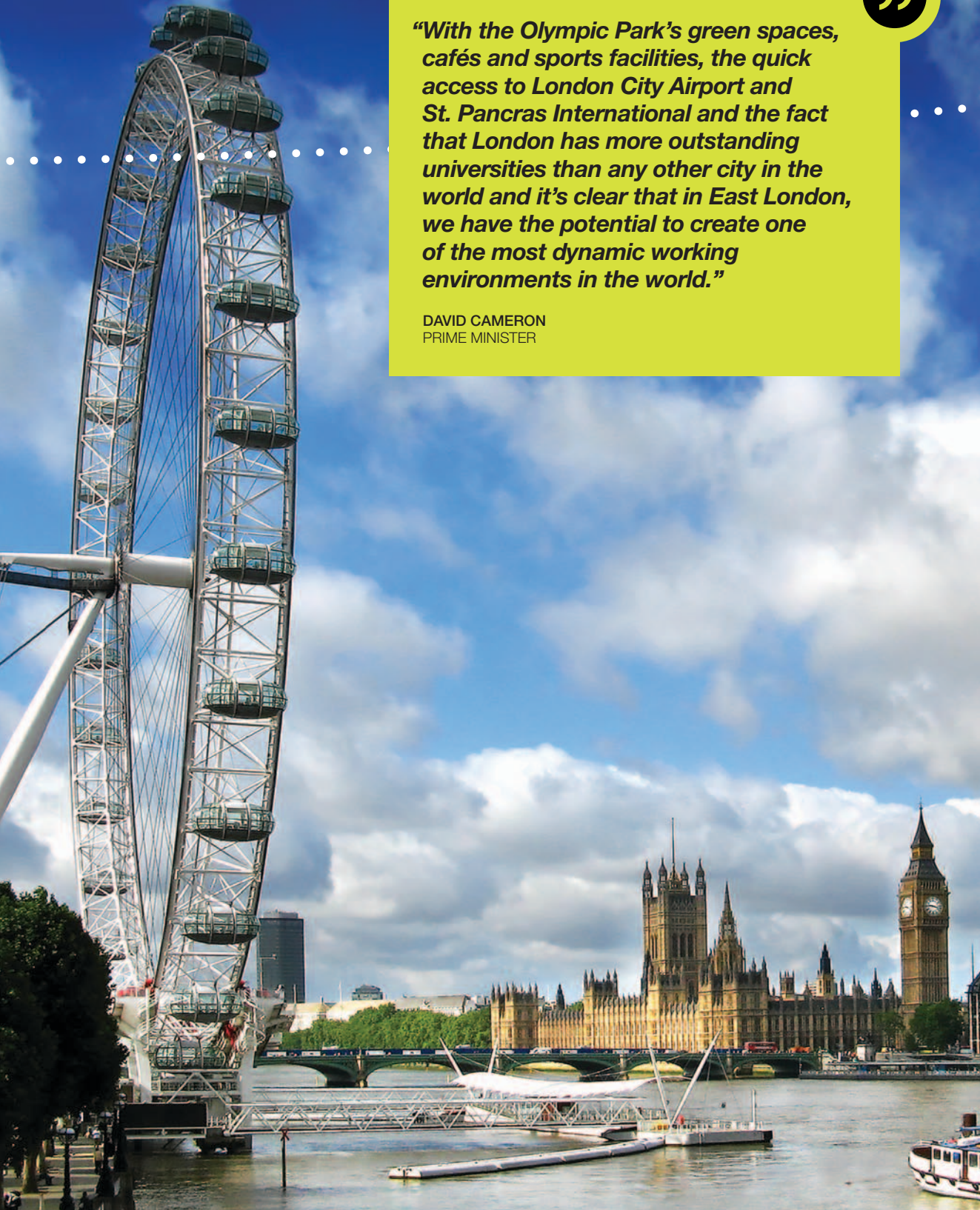
- the role of the Airport in the economic development of the Docklands, the extent to which the Airport has been a critical factor in inward investment decisions, and the importance of the Airport in anchoring major financial and professional services firms within the area.
- the extent to which the Airport drives business productivity through journey time and other savings, which support the financial services clusters in Canary Wharf and the City.
- how the Airport supports the wider economy by facilitating additional transport investment which has led in turn to increased property values.
- how the Airport and the transport connectivity it supports has led to increased inward investment and additional overseas tourism spend (business and leisure) in the local area.
- how the Airport supports local employment and contributes to diversity in the local labour market by helping local people find a route back to employment and by creating new career paths.

The York Aviation study involved consultations with a wide range of senior decision makers from both the public and private sector. In total 44 organisations contributed their expertise, views and opinions.

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“With the Olympic Park’s green spaces, cafés and sports facilities, the quick access to London City Airport and St. Pancras International and the fact that London has more outstanding universities than any other city in the world and it’s clear that in East London, we have the potential to create one of the most dynamic working environments in the world.”

DAVID CAMERON
PRIME MINISTER



#4

Supporting inward investment and the wider economy

London City Airport is an essential part of the proposition that has brought the much needed inward investment to the Docklands area which plays an essential part in London's growth eastwards, while still acting as an important gateway for the City of London.

The Airport has always been integral to the vision of the Docklands, from 1981 at the very start of the work of the London Docklands Development Corporation (LDDC), to the present day where it meets the needs of the growing economic base that is developing at Canary Wharf and across the wider Thames Gateway region. This area of East London has been identified by the Government and the Mayor of London in recent years as a major growth opportunity for housing, employment and inward investment.

The presence of an airport on the doorstep of this economic powerhouse has been and is a strong selling point for inward investors. The Airport facilitates access to other parts of an organisation, particularly headquarters functions; access to markets for indigenous companies and for inward investors seeking to use the area/London as a base for operations within a global network; access to suppliers of goods and services from around the world; and access to knowledge partners and complementary businesses. All these features make the area around the Airport more attractive to inward investors.

The Airport has given an air of professionalism and gravitas to the area which gave confidence to decision makers in the early days to commit investment to the area. East London is now viewed by a global economic audience as having a 'joined up' proposition, with its extensive land availability and excellent transport connectivity. This is important in leveraging the advantages that make East London able to counter the strength of the offer from not just other parts of London but other global economic centres. The Airport acts as a shop window for East London as a place to visit and work, and many of its passengers are key decision makers for inward investment. This is demonstrated by the socioeconomic profile of passengers at London City Airport. Over 95% of passengers at the Airport are classified as ABC1, significantly higher than at any of the other London airports.

 **£197m**

the amount spent by business tourists coming via London City Airport



Passengers by socioeconomic group

Airport	ABC1
London City	96%
Heathrow	87%
Luton	79%
Stansted	78%
Gatwick	77%

NOTE: PERCENTAGE OF PASSENGERS FOR WHOM SOCIOECONOMIC GROUP WAS RECORDED. SOURCE: CAA PASSENGER SURVEY 2008.



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“Most globally successful regions have an airport as part of their offer. London City Airport adds credibility.”

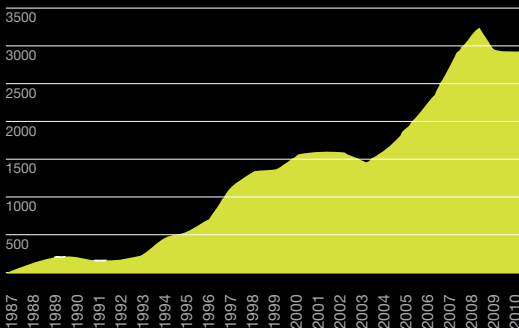
GARETH JOHN
MANAGING DIRECTOR
INVEST THAMES GATEWAY

#4 Supporting inward investment and the wider economy (continued)

The growth of the Airport has been a major factor in encouraging businesses, investors and developers to locate in East London, bringing new services and facilities to the area. The Airport's commitment to the local community and its own sustainability agenda ensures that local people can also benefit from the operation of the Airport and the investment and jobs it brings to the area.

The Airport is highly valued by business users and companies across East London and the City, and is an important part of making London an ideal base for European and Global operations. In 2008, York Aviation estimates that business travel to the value of £216m passed through London City Airport.³

Passenger traffic growth at London City Airport 1987–2010



SOURCE: CAA STATISTICS

Isolating London City Airport's precise effect on Gross Value Added within the broader growth of, for instance, Canary Wharf or ExCeL, is difficult. However, given the importance placed upon the Airport by consultees, it is reasonable to assume that the impacts are potentially highly significant. Even if London City Airport has only supported:

- **5% of the location or expansion of economic activity at the financial and business services cluster at Canary Wharf in recent years.**

£550m

the amount the Airport would be supporting of Gross Value Added per annum.⁴

- **1% of the location or expansion of financial and business services activity in the City of London.**

£314m

the amount the Airport would be supporting of Gross Value Added per annum.⁵

- **5% of the growth and expansion of ExCeL.**

£80m

the amount the Airport would be supporting of Gross Value Added per annum.⁶

³ York Aviation analysis of CAA Departing Passenger Survey 2008. This is latest available survey data for London City Airport.

⁴ York Aviation analysis of Economic Contribution of UK Financial Services 2009 (International Financial Services London) and The Economic Outlook for London October 2010 (Oxford Economics). We currently estimate that the Canary Wharf cluster contributes around £11billion to Gross Value Added.

⁵ York Aviation analysis of Economic Contribution of UK Financial Services 2009 (International Financial Services London) and The Economic Outlook for London October 2010 (Oxford Economics). We currently estimate that financial and business services in the City of London contributes around £31billion to Gross Value Added.

⁶ ExCeL is expected to contribute around £1.6billion to the UK economy in 2011 – Making a Difference: Corporate Social Responsibility Report for 2009 – ExCeL London.

***“London City Airport has helped
to make East London a desirable
destination.”***

MICHAEL PURTILL
GENERAL MANAGER
FOUR SEASONS HOTEL, CANARY WHARF

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#5

Driving business productivity

The Airport's location, its easy and rapid accessibility from its key markets, such as the City of London, Canary Wharf and Westminster, and its focus on a streamlined service for business travellers enables companies and individuals to use time and resources effectively, thereby driving business productivity.

York Aviation estimates that, in 2008, the 1.8 million business passengers using London City Airport made a time saving worth around £37million in their surface journeys to airports by using London City rather than Heathrow.⁷

Furthermore, these passengers saved an additional £34million of time through the streamlined passenger processing and short check-in times at London City Airport.⁸ This equates to a total time saving benefit of around £71million in a single year for business passengers alone.

This convenience and streamlined processing has made the Airport a preferred choice for time sensitive, high value added individuals.

This is apparent from analysis of the most recent CAA Passenger Survey data for London City Airport (2008), which identified that the average income of business passengers at London City Airport was around £85,000, 13% higher than the next nearest London airport, Heathrow.

 **£71m**

productivity benefits delivered through journey time savings by using London City Airport

⁷ York Aviation analysis of the CAA Passenger Survey 2008. A further £3 million of journey time savings accrued to leisure passengers.

⁸ Based on information provided by London City Airport, we have assumed that a business passenger at London City Airport will on average be able to arrive at the Airport 30 minutes later than a passenger using Heathrow.

“London City Airport is hugely important to us and is used on a daily basis by our staff, visitors and delegates.”

SARA MENDOSA
HEAD OF SECTOR INFRASTRUCTURE SERVICES
EUROPEAN MEDICINES AGENCY

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#5 Driving business productivity (continued)

The Importance of London City Airport to Canary Wharf and the City of London

London is the world's leading financial centre, having grown rapidly in recent years. It attracts increasing numbers of overseas investors and UK companies who are growing and extending their international operations. Canary Wharf has emerged as an iconic symbol of growth of financial services in London. Canary Wharf offers a location that has sufficient space to maximise productivity benefits from bringing different parts of a business together (internal agglomeration effects), but is also close enough to the City to maximise the benefits that can be obtained from being part of the wider London financial services cluster ('external agglomeration' effects). London City Airport is part of what makes Canary Wharf work as a location for the highly competitive, high value added international financial services cluster. It makes true world-wide day to day operations possible.

25%

London City Airport's market share of business passengers from the London area



Four examples serve to illustrate these points:

Barclays Bank re-located to Canary Wharf to consolidate all its London properties into a single large building. The availability of sufficient floor space and price were key factors, but Barclays is also a European domiciled bank and the availability of air transport services from nearby London City Airport enables a full day in the office followed by an evening flight to Europe, which can save significant time.

Morgan Stanley sees the Airport as a big factor in terms of the convenience of inbound and outbound flights, especially the short check-in times. The availability of a flight to New York from London City Airport is also highly valued and much used.

KPMG moved its whole HQ to Canary Wharf in June 2010 and now has some 4,000 staff there. It has also merged a number of European practices from the Netherlands, Belgium, Luxembourg, Switzerland, Spain and Russia into a single entity called KPMG Europe ELLP. London City Airport is a key component in making this work for the company.

JP Morgan announced in December 2010 that it intends to consolidate its entire investment banking division, currently spread across four separate sites in the City, to Canary Wharf; the bank also intends to continue developing Canary Wharf's Riverside South area, which could see the move of more staff to Docklands.



Average delay (mins) at London Airports August to November 2010

Airports	Delay
London City Airport	7.7
Stansted	13.4
Heathrow	15.7
Luton	16.8
Gatwick	18.8

SOURCE: CAA PUNCTUALITY STATISTICS 2010



“London City Airport is important in helping make our merged KPMG Europe operate efficiently. It enables colleagues from our offices across Europe to do a full day’s work at our Canary Wharf European HQ before returning home the same day. This would be very difficult if we had to rely only on the other London airports. City Airport enables our European firm to provide the very best client service.”

DR ASHLEY STEEL
SENIOR PARTNER, GLOBAL TRANSPORT AND INFRASTRUCTURE
KPMG

#6

A gateway to London for inbound tourism



London City Airport has always been a key gateway for overseas visitors. This is a vital part of the market for London City Airport and made up around 42% of the total passenger traffic in 2008.

Around 360,000 business visitors (equivalent to around 720,000 passengers) came to London through London City Airport in 2008, contributing around £197million in consumer expenditure to the economy.⁹

Similarly, around 313,000 visitors (equivalent to around 626,000 passengers) used London City Airport to come to the Capital to either visit friends and relatives, or for a holiday. These visitors contributed around £115million in consumer expenditure to the economy.¹⁰

The Airport is a key part of East London's growing tourism offer which is now becoming familiar to businesses and leisure tourists alike, not least because of the 2012 Olympic and Paralympic Games. Other existing attractions serve to draw in international visitors, many of whom use London City Airport, such as the O2 Arena in Greenwich and ExCeL. The international accessibility to East London for business visitors provided by London City Airport has been an important factor in the success of the ExCeL exhibition and international conference centre, which is expected to contribute £1.6billion to the UK economy in 2011 and support 38,000 jobs.¹¹

The Airport is also integral to the London Borough of Newham's vision for the Royal Docks which includes the development of a

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“London City Airport has been and is one of the primary catalysts for the regeneration of East London”

KEVIN MURPHY
CHIEF EXECUTIVE
EXCEL



complementary tourist offer beyond the business market.

At a regional level The Mayor’s London Tourism Action Plan notes that tourism is a key driver of London’s economy. In 2008, London attracted nearly 15 million staying overseas visits and over 11 million staying domestic visitors.¹² The Action Plan is a key part of the process of building up to the London Olympic and Paralympic Games in 2012, which will provide an opportunity to showcase the city to visitors from across the globe that are expected to pump an extra £2.2billion into the local economy.

This will also reinforce London’s status as a premier global destination as well as providing a lasting legacy for the Capital. London City Airport has a vital role to play in this.

.....
£115m

the amount spent by leisure tourists coming via London City Airport



9 York Aviation analysis of the CAA Passenger Survey 2008 and the International Passenger Survey.
10 York Aviation analysis of the CAA Passenger Survey 2008 and the International Passenger Survey.
11 Making a Difference: Corporate Social Responsibility Report 2009 – ExCeL London.
12 London Tourism Action Plan 2009–2013, LDA.

#7

Levering public transport

London City Airport has provided a stimulus for the development of the world class public transport system for Docklands. On the back of this connectivity and regeneration, Docklands has secured a major international exhibition and conference centre, ExCeL, a university with a truly international focus, UEL, and one of the most important financial services clusters in the world, Canary Wharf.

More specifically and recently, London City Airport was a significant factor in the impetus to construct and extend the Docklands Light Railway (DLR) to the Airport and then on to Woolwich Arsenal. The result is that many new sites along this route have been opened up for regeneration opportunities, including over 8,000 new residential units planned over the next 5 years.

An efficient transport network also facilitates access to jobs for local people and extends the catchment area for jobs in East London. Without the stimulus of the Airport, the DLR extension across the river would not have been viable and access to jobs north of the river for those living in Greenwich and Bexley would have remained much more difficult.

The Airport is part of the web of transport connectivity, including improved bus and taxi services, that is making Docklands and East London an increasingly attractive place to be located, both for business and as a place to live.

50%



the proportion of passengers who travel to or from London City Airport using the DLR¹³

¹³ Docklands Light Railway London City Airport Extension Monitoring Report Year Three (2008) – Transport for London.

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“The transport linkages in East London are excellent – there’s nothing quite as good anywhere in our global portfolio.”

JOHN BURTON
DEVELOPMENT DIRECTOR
WESTFIELD STRATFORD CITY



#8

Contributing to the local economy

The closure of The Royal Docks in the 1980s led to the local area experiencing a dramatic decline in its economic fortunes with the unemployment rate rocketing to 17.8%. Alongside the growth of Canary Wharf and regeneration of the wider area, London City Airport, and its growth, has been at the forefront of revitalising the area over the past 24 years, injecting wealth into the local economy and supporting the creation of jobs for local people both at the Airport and in the businesses that have been attracted to locate in East London.

London City Airport had 55 companies located on site employing 2,098 people or 1,969 full time equivalents at the end of 2009.¹⁴ In addition to these on-site jobs, there were a further 178 full time equivalents¹⁵ directly involved in the operation of the Airport located in the immediate vicinity of the site. This activity directly contributes around £87million¹⁶ in Gross Value Added (i.e. the additional economic value from London City's direct activities distributed through profits, wages and taxes) to the local area.¹⁷

In addition, the Airport generates a further £9.5million of Gross Value Added and 275 full time equivalent jobs in the local area through supply chain effects and a further £10million of GVA and 285 full time equivalent jobs through induced effects.¹⁸ This contribution to the local economy is in excess of £100million of Gross Value Added and 2,700 full time equivalent jobs.

This impact will continue to rise in the future as the Airport grows and expands its services.

London City Airport not only generates and supports employment, it also takes steps to ensure that jobs at the Airport are accessible to local people through schemes such as Take Off into Work and its Work Experience programme and through maintaining close links with local employment organisations like Newham Workplace which engages and up skills unemployed residents in the local borough so they are well placed to obtain employment. During 2010, London City Airport engaged approximately 4,500 local residents in education and training initiatives over a total of more than 1000 hours.

The Airport offers a wide range of jobs, from the higher skilled managerial and flight crew positions, to the jobs requiring more basic skills in support services. The Airport also invests in its employees by making comprehensive training and development programmes available to its staff.

 **£100m**

the amount generated by operations and businesses at London City Airport

¹⁴ York Aviation survey undertaken in 2008, pro rata to 2009, and London City Airport Security Pass Data December 2009.

¹⁵ Based on York Aviation survey of on-site companies in 2008.

¹⁶ York Aviation survey undertaken in 2008, pro rata to 2009 and adjusted for inflation using HM Treasury GDP Deflator.

¹⁷ The "Local Area" is defined by the 2009 Planning Agreement with the London Borough of Newham and includes the East London Boroughs of Newham, Tower Hamlets, Greenwich, Bexley, Lewisham, Southwark, Barking & Dagenham, Havering, Redbridge, Waltham Forest and Hackney, as well as Epping Forest.

¹⁸ York Aviation survey undertaken in 2008, pro rata to 2009 and adjusted for inflation using HM Treasury GDP Deflator.



full time
equivalent jobs

2,700

Impacts in the Local Economy

Impact Category	Definition	Examples
Direct On-Site	Employment and income wholly or largely related to the operation of London City Airport and generated within the Airport Operational Area	Airport operator, airlines, handling agents, control authorities, concessions, freight agents, flight caterers, hotels, car parking, aircraft servicing, fuel storage.
Direct Off-Site	Employment and income wholly or largely related to the operation of London City Airport and generated within an approximate 20-minute drive-time of the Airport.	Airlines, freight agents, flight caterers, hotels, car parking.
Indirect	Employment and income generated in the chain of suppliers of goods and services to the direct activities.	Utilities, retailing, advertising, cleaning, food, construction.
Induced	Employment and income generated by the spending of incomes earned through the direct and indirect activities.	Retailing, restaurants, entertainment.

SOURCE: YORK AVIATION



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i

York Aviation was established in 2002 and is one of the UK's leading independent specialist transport consultancies and the market leader in airport economic impact assessments.

In recent years York Aviation has provided advice on the economic importance of airports including Heathrow, Amsterdam Schiphol, Manchester, Birmingham, Edinburgh, Glasgow and Stockholm Arlanda. The company also produced the highly influential report 'The Social and Economic Impact of Airports in Europe' for ACI Europe and recently updated its Review of Aviation Services and the City, which was published by the City of London Corporation in January 2011.





London City Airport's success has been recognised across business, aviation and travel. Over the past year the Airport has won the following industry and business awards:

Employment Champion of the Year
East London Business Alliance
Annual Employee Volunteer Awards
December 2009

Top UK Airport
Wanderlust Magazine Gold Award
February 2010

Corporate Social Responsibility
Docklands Business Club Awards
September 2010

Customer Focus
Docklands Business Club Awards
September 2010

Socially Responsible Business
Dragon Award
October 2010

Best UK Airport
Business Traveller Award
January 2011

**For a full version of
the technical economic
impact assessment,
please contact:**



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