OLD SARUM AIRFIELD LTD

Airfield Economics and Viability

Prepared for John Glen MP and Laverstock and Ford Parish Council

Meeting held 13th May 2016

Summary

As part of the planning application submission the applicant has provided in confidence to Wiltshire Council substantial information on airfield economics and viability of the proposed development. To assist the Parish Council in understanding the economics of the proposals for the airfield a summary of economic case is provided below.

Three economic models have been produced:

Part A – A historic analysis of continuing growth in aviation activity from 2007 to date.

Part B – An analysis of unconstrained aviation activity and growth from 2016.

Part C – An analysis of the constrained growth as a result of the limitations of CP25.

The current General Aviation market is changing rapidly with 13 GA airfield under threat of closure and many that remain being subject to noise and operational constraints. Old Sarum Airfield has unfettered rights to fly day and night, seven days per week and 52 weeks per annum. The airfield has numerous requests for noisier aircraft to relocate from their present controlled bases to Old Sarum where they could currently operate without restriction. These requests have been denied but they are sound evidence that the modest growth from the current 35,000 aircraft movements per annum to 110,000 in year ten as the underlying assumption in Part B is easily deliverable.

Because of the unusual nature of an Airfield with its attendant regulatory and safety requirements all of the operating fixed costs must be met ab initio regardless of the number of aircraft movements. Thus most of the new revenues from increased activity will fall to the bottom line as incremental profit.

Given the owners' extensive aviation experience from the successful operation of an International Airport and almost 30 years at Old Sarum they are confident these movements could be achieved especially given the restrictions applying more and more to other airfields and their ability to offer unlimited flying to all types as well as night flying with no noise restrictions. 110,000 movements are certainly not full capacity being 55,000 landings and 55,000 takeoffs which totals 150 each per average 24 hour period.

Part A

Shows the demonstrable value of the airfield had the decision been made to intensify aviation activity in 2007 from the 60,000 movements per annum at the average growth rate of 7% over the previous five years instead of honouring the agreement with Salisbury District Council to limit aviation in order to prevent excessive community noise as part of the agreed regeneration of the airfield.

As a result of performing its side of the agreement with SDC:

The airfield owner has a lost cumulative profit of £5.27 million in the period 2007 to January 2016 and as well as incurring a considerable amount of its £3 million operating loss.

Had the owner continued growing aviation from 2007 in accordance with its unlimited flying rights the capital value of the airfield in 2016 would exceed £40 million.

<u>Part B</u>

This shows the revenue and profit that could reasonably be expected to be earned through rebuilding of the listed hangar but without any restrictions imposed under the Core Policy 25.

The results show that should the airfield owner invest in the low risk option of hangar rebuilding and operate the airfield without restriction, allowing noisier aircraft types and growing aviation activity to a modest 110,000 movements per annum:

The annual profit generated in year 10 would be in excess of £2.0 million.

The capital value of the business (based on current capitalisation rates) would be in excess of £40 million.

<u>Part C</u>

This shows the revenue and profit that could be reasonably expected to be earned through the airfield investments proposed in the planning application submitted by the airfield owner but with the operating restrictions imposed by Core Policy 25

This shows that with the airfield operated under these restrictions:

The annual profit generated once facilities had been completed would be approximately £300,000

The capital value of the business (capitalised as above) would be less than £6 million (a sum less than the £8 million capital investment required)

<u>Conclusions</u>

1. The restrictions of Core Policy 25 render the airfield incapable of operating at a profit without significant capital investment. The cost of that investment exceeds the economic value of the airfield under the Core Policy 25, as the last 8 years have amply demonstrated.
2. The current economic value of the airfield exceeds £40 million.

3. Surrender of the vested unlimited flying rights has a capital value of not less than £48 million being the current economic value plus the investment needed to achieve viability following surrender.
4. **Thus £48 million is the cost of the aircraft noise planning gain sought by Wiltshire Council.**
5. These figures do not take into account the £5.27 million of operating profits forgone since 2007 at the request of SDC nor the losses incurred during that period.

Simply put, the difference in the capital value of the airfield with existing unfettered flying rights and the airfield subject to controls imposed by CP 25 is over £40 million.

The viability assessment submitted by our independent consultants shows a developed land value of £5 million. Even by acting as developer and taking on the huge risk and investment of for this very complex scheme the "normal" developer return would be approximately £33 million.

The choice for the owner is a capital value of over £40 million (and potential for further growth) through the low risk, low cost alternative of intensive flying or a total one off return of less than £40 million through the very high risk, huge investment development in accordance with CP25.

Afterword by Matthew Hudson

The issue of "viability" is therefore moot. It is not and never has been a question of viability ever since Core Policy 25 was adopted.

I have always understood this but have heretofore been willing to make what is essentially a charitable gift to Wiltshire in order to assure myself that this airfield and its valuable heritage will outlive me and survive into the foreseeable future as a quiet, valuable, heritage component of Wiltshire life. The only live issue is whether Wiltshire wishes to continue making this gift into a "contest" with more and more hurdles for the donor - seemingly the norm when the net benefits of planning are assumed to flow to the applicant. Here of course the situation is reversed in a very substantial way. The cost to my family of surrendering flying yet retaining and sustaining the airfield is £48 million. The cost of removing Equinox is £3.3 million. The cost of Highways England's "fix" for the existing Castle Road congestion is £0.5 million. The cost for enhancing the Roman Road is conservatively in the region of £200,000. The submitted scheme cannot possibly recoup these sums in total.

On top of all this, the viability of the scheme is damaged by an insistence on changing the runway facing edge of Area A to satisfy the subjective muscle flexing of Heritage England and a planning officer. The issue has become simple for me. Does WCC want this gift? Can we cooperate to save this heritable asset and preserve the quality of life and house values for thousands of Wiltshire residents while creating fewer than 500 badly needed high quality homes?