



The Airports Commission's Evidence demonstrates that Heathrow should not be expanded

The Airports Commission's brief was to maintain the UK's position as Europe's most important aviation hub. This Fact Sheet by Richmond Heathrow Campaign (RHC) focusses on the economics of Heathrow expansion. The Fact Sheet, is almost entirely based on evidence in the Commission's Final Report July 2015 (references in brackets).

No 3rd Runway is Positive for the UK economy

1. **Heathrow is not full - growth in Total Passenger numbers is set to continue.** Without a third runway, Heathrow has existing runway capacity for 33% growth in passengers, through larger aircraft and higher occupancy (70 million passengers in 2011 rising to 94 million by 2050). (ref 2)
2. **Terminating Passengers, who start and end their journeys in the UK, replace International-to-International (I-to-I) transfer passengers.** Without a third runway, a reduction in I-to-I transfer passengers combines with the 33% growth in passenger capacity to produce 65% growth in terminating passengers (52 million terminating passengers in 2011 rising to 86 million by 2050). There is little offsetting economic loss to the UK from reduced I-to-I transfer passengers - see (5) below. (ref 2)

3rd Runway is Negative for the UK economy

3. **Heathrow expansion diverts growth from the rest of the UK and reduces overall UK growth.** By 2050 growth of terminating passengers at all UK airports, excluding Heathrow, is estimated to be reduced by 58 million a year as a result of Heathrow expansion (233 million terminating passengers compared to 291 million). The net loss for the UK, including Heathrow's additional 19 million terminating passengers, is 39 million passengers (338 million terminating passengers compared to 377 million). (ref 2 & 6)
4. **Aviation growth diverted to Heathrow from the rest of the UK reduces competition and concentrates growth in the relatively overheated southeast.** The diversion of growth in passengers to Heathrow from the rest of the UK translates into reduced growth in flights at virtually all UK airports. As examples, the Commission estimated the number of flights in 2050 at Birmingham airport would be reduced from 206,000 to 113,000 (45%) (2011 – 86,000 flights), comparing no Heathrow expansion with expansion. Growth at Luton would be reduced by 35%, Glasgow: 22%, Bristol: 26%, East Midlands: 20%, Newcastle: 11%, Belfast International: 10%, Liverpool: 11%, Manchester: 10%, Stansted: 7% and Gatwick: 7%. Total UK flights in 2050 would be reduced from 3.039 million to 2.891 million (i.e. by 5%) as a result of Heathrow's expansion. Heathrow ends up serving 70% of the long-haul passenger market and 35% of UK passengers with many other UK airports left with substantial unused capacity. We submit this concentration at Heathrow negatively impacts airport connectivity and competition. It has a negative impact on the UK as an aviation hub and on most UK airports, some of which may not survive, and on local economies and employment. This outcome works against the Government's aim of re-balancing the UK economy. (ref 4 & 8)
5. **I-I transfer passengers are a major use of expanded capacity but of little value to the UK economy.** The Commission forecasts that around 50% of the additional runway capacity would be used by I-I transfer passengers (22 million additional transfer passengers out of 42 million additional passengers). These transfer passengers partly offset the loss of 39 million UK terminating passengers resulting from Heathrow expansion (see 3 above), thus ending up with a net loss of 17 million UK passengers in 2050 (369 million passengers compared to 386 million). The Commission credits little value to the UK economy from I-I transfers. They assist the connectivity of overseas business travellers competing with the UK and they are exempt from air passenger duty. By 2050 the 30 million transfer passengers represent 22% of Heathrow's 135 million passengers, assuming a 3rd runway, with a proportional cost in terms of noise and carbon. Separate RHC analysis using CAA & DfT data shows that most Heathrow transfers are on higher frequency popular routes, e.g. New York (26 departures a day). It is largely a myth that I-I transfers provide 'critical mass' on low frequency routes (less than one arrival and one departure a day). In 2011 only 7 out of 44 long-haul low frequency destinations had any transfers. There were just 0.4 million transfers on these flights out of 18 million Heathrow transfers and just 0.4 million terminating passengers potentially benefiting from these flights. We submit that fewer I-I transfers would free up substantial capacity for new destinations. (ref 2 & 6)
6. **Heathrow's expansion reduces the number of air inbound tourists to the UK.** One of two main economic benefits from air travel is inbound tourism. By 2050 Heathrow expansion adds at Heathrow 4 million foreign resident leisure passengers to/from the UK compared to the no expansion case. But there would be losses of 2 million at Gatwick, 2 million at other southeast airports and 7 million in the regions. The net loss to the UK would be 7 million foreign resident leisure passengers (from 59 million passengers a year to 52 million), compared to no Heathrow expansion. We submit this would result in a material loss to the UK economy and balance of payments. Inbound tourists spent £22 billion in 2014 and 73% reached the UK by air. (ref 2 & 6)

7. **The benefit claimed for increased long-haul business passengers resulting from Heathrow expansion is not supported by the evidence.** The second of two main economic benefits from air travel is trade enhanced by long-haul business passengers. The claim by the Commission of the increase in long-haul business travel and its benefit to the UK economy appears not to be supported by any evidence. There is evidence for business passenger numbers and long-haul passenger numbers but not the two combined. What evidence there is suggests the total number of long-haul business passengers (from the UK and overseas) may reduce across the UK as a result of Heathrow expansion, compared to no Heathrow expansion. (ref 1,2,5 & 6)
8. **Heathrow's expansion results in the growth in number of long-haul destinations from the UK being unchanged.** The Commission forecasts that expansion of Heathrow would result in the number of long-haul destinations at Heathrow increasing from 92 in 2011 to 98 in 2050 compared to 89 without a 3rd runway. But the number of long-haul destinations across the UK increases from 107 to 130 in both the expansion option and no 3rd runway case. Therefore, UK connectivity in terms of number of long-haul destinations is not improved by Heathrow expansion. What does increase is the frequency of flights to already popular destinations, e.g. New York, which we submit is of limited economic benefit to the UK. (ref 3 & 7)
9. **Heathrow's expansion, compared to no runway expansion, results in a negligible change to the number of domestic destinations.** The number of domestic destinations to/from Heathrow is reduced from 7 in 2011 to 3 by 2050 in the no 3rd runway case and to 4 with expansion. (ref 3 & 7)
10. **Heathrow's expansion results in growth in short-haul destinations at the expense of other UK airports.** Heathrow adds 37 new short-haul destinations, compared to no runway expansion, resulting in 96 short-haul destinations by 2050. This is offset by reduced connectivity elsewhere in the UK: the overall number of short-haul destinations from the UK is reduced by 3, compared to no Heathrow runway expansion. (ref 3 & 7)
11. **Heathrow expansion ensures Heathrow is the most expensive major airport in the world.** Heathrow's aeronautical charges to airlines rise from £22.53 per passenger in 2014 to £31.20 in 2035 with expansion or around £3.7 billion (£ real 2014). This compares with around £9 at Gatwick, £12 at Schipol, £8 at Dublin and Manchester and £11 at New York JFK, for example. The high cost of Heathrow is partly due to facilities for I-to-I transfers, which in (5) above we submit are of questionable value to the UK. (ref 9)
12. **Heathrow expansion may not be financially deliverable without substantial State aid.** The Commission's base case financial model for Heathrow forecasts capital costs of £80 billion (money of the day) (£48 billion £ real 2014), excluding a probable underestimate of up to £15 billion of surface access costs. The £80 billion comprises £25 billion for the Northwest runway expansion scheme, £22 billion for core capital expenditure and £33 billion for replacement capital expenditure, all through to 2050. Peak debt will need to rise from £11 billion in 2014 to £34 billion in 2028, which with re-financing needs will be a huge challenge for debt markets. The shareholders (90% owned overseas) are forecast to raise their capital from £3 billion to £8 billion, which is hardly cushion enough to absorb the substantial construction, operational and financial risks. The passenger and tax payer are left to absorb most of the risk but the former will be heavily burdened with high aeronautical charges leaving the risk to be borne by the UK tax payer. State aid may require Government cuts elsewhere in the economy, and may be contrary to competition legislation. It would be difficult to justify given the spare capacity at other UK airports, lack of competition, and the prevalence at Heathrow of I-I transfers and leisure passengers from the UK, which provide little benefit to the UK economy. (ref 10 & 11)
13. **Economic Impact Assessment.** The £17.6 billion investment on a 3rd runway and associated facilities (£ real 2014) produces just £1.4 billion of net benefit (present value over 60 years £ real 2014)), which is negligible in macro-economic terms and within the margin for statistical error. The Government Guidelines on Value for Money say a ratio of 1.1 (forecast by the Commission) is bordering on "poor". We submit that omitted are: £15 billion of surface access costs needed to avoid road congestion and to meet air quality limits; full recognition of aircraft noise costs; and the negative impact on the UK aviation market outlined above. (ref 12)

Richmond Heathrow Campaign, 9th September 2016 – www.richmondheathrowcampaign.org & rhcfacts.org

Note 1: The evidence from the Airports Commission's Final Report July 2015 is that of the Assessment of Need carbon capped scenario used by the Commission as its main approach to long-term forecasts. Heathrow expansion refers to the Northwest runway.

Note 2: Links to Airports Commission evidence. Numbers in brackets are references above.

www.gov.uk/government/uploads/system/uploads/attachment_data/file/439687/strategic-fit-updated-forecasts.pdf

(1) p75, t5.4; (2) p79, t5.6; (3) p89, t5.12; (4) p96, t5.14; (5) p128, t6.10; (6) p140, t6.16; (7) p166, t6.34; (8) p173, t6.40

www.gov.uk/government/uploads/system/uploads/attachment_data/file/440179/cost-and-commercial-viability-funding-and-financing-update.pdf

(9) p71&p72, Sections 5.2 & 5.3; (11) p43, Section 3.4.5 & chart 25

www.gov.uk/government/uploads/system/uploads/attachment_data/file/440176/cost-and-commercial-viability-financial-modelling-input-costs-update.pdf

(10) p39, t24; p46, t29; p47, t30

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/440316/airports-commission-final-report.pdf

(11) p147 t7.

Note 3: The Richmond Heathrow Campaign represents three amenity groups in the London Borough of Richmond upon Thames: [The Richmond Society](#), [The Friends of Richmond Green](#), and [The Kew Society](#), which together have over 2000 members.