

## WHY THE THIRD RUNWAY PLAN CAN'T FLY: BRIEFING 4



# ECONOMICS AND UK-WIDE IMPACTS

Whatever the environmental impacts of Heathrow expansion, it is the purported economic benefits, particularly at a national level, that tend to dominate discussion. Both the Government and Heathrow itself have argued that a third runway would benefit the whole of the UK. But closer inspection of the official data reveals that the benefits have been overstated and some of the costs scarcely even acknowledged.

### Overstated economic benefits

In 2014, the Airports Commission's interim analysis of airport expansion options in the South East estimated that a third Heathrow runway could bring up to £211 billion benefit to the UK economy. In its final report a year later, this estimate had dropped to £147 billion. Both figures were derived using what the Commission described as a 'novel' approach to capturing possible wider benefits, which its own economic advisers said should be treated with caution given likely double counting and inexplicable results. By the time the Government published the draft National Policy Statement (NPS), its own estimate of possible economy-wide benefit was far lower at £61 billion (over sixty years).

Meanwhile, none of these figures consider the costs of expansion. Perhaps most significantly, the Government has not provided any estimate of the business case for Heathrow expansion in a scenario where emissions are limited in line with the Climate Change Act, despite repeated recommendations to do so by its expert advisers, the Committee on Climate Change. Earlier modelling had indicated that this could wipe out any economic benefit at all from the scheme.

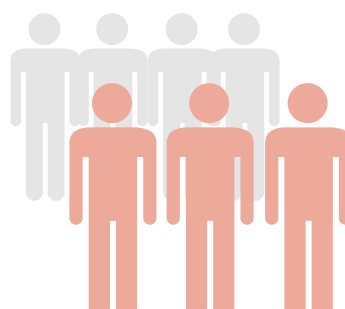
### Impacts of a third runway on other UK airports

Heathrow has been campaigning hard to convince airports and Chambers of Commerce around the UK that a third runway will benefit them. The Government has made a similar argument, while its recently published draft aviation strategy sets out a policy to support UK-wide airport growth.

But the Government has yet to release its revised aviation forecasts, showing the likely effect of Heathrow expansion on passenger growth at other airports. The forecasts were due to be published as background material during the NPS consultation period, but were withheld, the Government says, because of purdah rules following the announcement of the general election.

In September, Sir Jeremy Sullivan (appointed to oversee the NPS consultation process) advised that the forecasts are an important consideration in relation to the NPS, and the Government announced that revised forecasts will be published for consultation later this year.

In the meantime we have to rely on the data currently available. The Airports Commission's forecasts showed passenger demand growth at other UK airports as a result of Heathrow expansion under two different scenarios. In a future where no action is taken to constrain UK emissions (beyond its inclusion in international carbon markets), while some airports would benefit from Heathrow growth, the majority – including Manchester, Bristol, Birmingham and Cardiff – would lose out. If it is assumed that action is taken to limit UK aviation emissions in line with the Climate Change Act, every single UK airport other than Heathrow would have lower growth levels if Heathrow expands than if it does not.



For every three  
additional passengers  
at an expanded  
Heathrow,  
four will be lost from  
other UK airports

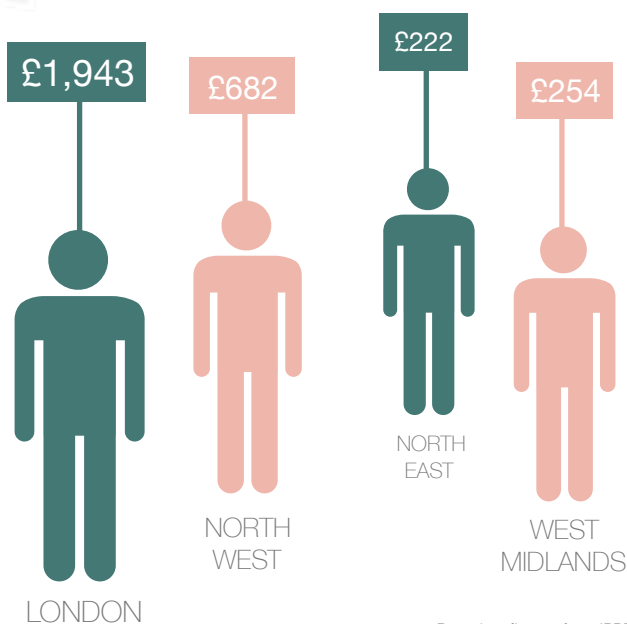
## Uncertain regional job promises

Heathrow has constructed figures for jobs and apprenticeships based, it appears, on a four-page document which uses the Airports Commission's 'innovative' figure for overall UK economic benefit, distributes it around the UK, and converts it into jobs. Since the Government's headline figure for economic benefit is less than half the Commission's estimate, Heathrow's jobs promises should be treated with caution.

## More domestic connections?

Heathrow has claimed that expansion will increase its domestic destinations to fourteen by 2030, despite such routes apparently being unprofitable. But neither Government nor the airport can guarantee that these routes will materialise and be maintained. The Airports Commission's analysis, in contrast, concluded that the number of destinations served daily by Heathrow will fall from seven today to four in 2030 even if Heathrow expands, and that the number of destinations served directly by airports outside London is likely to be 4-5% lower if Heathrow expands than if it does not.

### ANNUAL TRANSPORT SPENDING PER HEAD



Based on figures from IPPR North

## Public investment: money well spent?

Transport spending per head in London is already several times higher than in the North of England. In February 2017, IPPR North analysis found that for coming years, London will get £1500 more per head than the North for transport infrastructure.

The question of how much additional taxpayers' money would be needed to deliver Heathrow expansion remains unclear. While the runway and terminal would be paid for by private investors, it is expected that the Government would pick up the majority of the bill for surface access, necessary both to increase transport capacity and to tackle the air quality problem. But estimates for the cost of this vary wildly. TfL, responsible for London's transport system, has estimated the cost to the public purse at over £18 billion, substantially higher than the £1-3 billion estimated by the Government.

Whether future aviation growth, insofar as it is compatible with environmental objectives, should take place in the South East or elsewhere should be a key consideration in the political debate about Heathrow, but so far it has barely featured. We urge MPs not to support the NPS until:

- updated aviation forecasts have been published, showing the anticipated impact of Heathrow expansion in the wider context of passenger numbers at other UK airports;
- the Government has set out its policy on whether Heathrow expansion should be supported even if it conflicts with the aim recently set out in the aviation strategy of supporting airport growth around the UK; and
- the Government has published an estimate of the economic impact of Heathrow expansion, using WebTAG methodology, but assuming that emissions are restricted at a national level in line with the advice of the Committee on Climate Change.