

Sir Howard Davies

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Dear Member of Parliament,

This week the Government has laid before Parliament its final National Policy Statement (NPS) for Airports, which sets out its support for a third runway at Heathrow, built to the north west of the existing runways. There is little doubt that Parliament will request a vote on the NPS. The Airports Commission reviewed the case and options for expanding aviation capacity in great detail over nearly three years, and reached a firm conclusion in its final report that the strongest case was for a third runway at Heathrow. This letter sets out why we made that recommendation and why we continue to believe that it would be the most effective option to address the UK's aviation capacity challenge.

Our nation's aviation sector is a source of significant strength. The UK benefits from the third largest international aviation network in the world after the US and China; London has the largest origin and destination market of any city in the world; and Heathrow until 2013 served more international passengers than any other airport and even now is surpassed only by Dubai. The strong links to established and emerging markets across the world that this provides and the position it allows the UK to occupy at the heart of the global transport network are extremely valuable: supporting trade in goods and services, connecting friends and families, and enabling British companies, universities and other institutions to develop and maintain strong global networks. But the continuation of this success cannot be taken for granted, and the rise of Dubai is only one indicator of the risks that the UK faces.

A hugely diverse airports sector serves the UK's cities and regions, with different gateways focusing on different geographic areas or markets – from the low-cost leisure travel that dominates at airports such as Southend or Liverpool, to the overnight freight services at East Midlands and Stansted, to the business-focused network offered from City. But Heathrow plays a unique role, as the only airport in the country with the sheer aggregation of demand, not only from UK travellers but also from those transiting at the airport, to support a dense and far-reaching network of long-haul services.

Heathrow has been operating at the limits of its capacity for well over a decade, however, and with no space for additional services, the airlines at Heathrow are gradually consolidating services from the airport on the most profitable routes. This not only reduces the UK's overall access to new and emerging markets, but also reduces access from regional airports into Heathrow's network of long-haul routes. Gatwick has over recent years provided a valuable release valve, but the growth of its long-haul network has been halting and it remains predominantly a short-haul airport. Other airports, such as Birmingham, Manchester and Glasgow, are also gradually adding long-haul routes, which are of huge value to their regional economies, but nonetheless tend to duplicate destinations already served from Heathrow, rather than adding new links to the UK's overall network.

As other hub airports in Europe and beyond continue to expand, the impression created is one of the UK being increasingly inward-facing and having limited ambition to expand its reach, even as it navigates the uncertainty caused by its impending departure from the European Union. Now should be the time to build on our strengths, not to diminish them, but preventing expansion at Heathrow would achieve only the latter.

The case for expansion at Heathrow

The Airports Commission began by looking at the aviation requirements of the UK as whole. Our analysis indicated clearly, however, that outside of the south east the challenge is not one of airport or runway capacity. We therefore made a number of recommendations in our interim report relating to access to and the efficiency of the UK's regional airports, but focused our work on expanding capacity on the congested airports around London.

Those airports are not, however, interchangeable. Stansted, Luton and Southend serve predominantly short-haul, leisure markets, and all have further capacity for growth. Stansted has recently attracted a small number of long-haul services to foreign hubs, but none of these airports would provide the weight of demand which would support a more extensive long-haul network, including to new and emerging markets. City Airport benefits from excellent access to central London but has a short runway and significant environmental constraints on its operations, which would prevent it expanding beyond its core business-focused market.

Gatwick would provide a more promising location for expansion. It is a large and growing airport, well-connected by rail to London and operating close to capacity, with a diverse route network and an increasing number of long-haul services. But Gatwick still operates as a point-to-point airport, with little connecting traffic and – despite Heathrow's long history of constrained capacity – few long-haul routes which are not either to leisure destinations such as the Caribbean or Florida or to global cities and major hubs for which alternative UK connections also exist.

In contrast, Heathrow is one of the world's most important aviation hubs, with a long-haul route network which surpasses by far that available from any other UK airport. This provides the vast majority of UK flights serving the new and emerging markets to which access will be so important in future, as well as unparalleled connectivity to North America and good links to the Far East. Demand for access to Heathrow from airlines is extremely strong, as demonstrated by the high prices paid for any slots which become available at the airport, such as the \$75m recently paid to Scandinavian airline, SAS, for just two slot pairs. As a result, any new capacity made available through expansion would be rapidly taken up, enabling new routes and services to be established.

Heathrow is also the most important freight airport in the UK, with a well-established logistics sector in the surrounding area which would benefit significantly from the new connectivity and capacity provided through expansion. Additional capacity would also help to promote competition at the airport, by enabling new providers – including low cost carriers – to gain access to slots, and it would provide the opportunity to tackle Heathrow's declining domestic aviation links, and open new routes and services to the UK's regions.

In respect of surface access, an expanded Heathrow would be well-connected not only to central London but also to the wider UK, including to Bristol, Wales and the south west via the GWML, and to Birmingham, Manchester, Leeds and beyond via a direct link to HS2 at Old Oak Common. Enhanced rail links to the west and south of the airport would provide the opportunity to further improve its connectivity. In contrast, Gatwick is located on the wrong side of London for much of the country, and is highly dependent on a single rail link into the capital, providing little resilience or onwards connectivity to the rest of the UK.

A balanced package

Our conclusion was that the case for expansion was strongest by far at Heathrow, but we did not consider that expansion could come at any cost. We therefore proposed a balanced package combining new capacity with strong environmental conditions and an enhanced approach to compensation and mitigation for local communities.

In respect of aviation noise, our analysis indicated that the number of people affected by an expanded airport would be fewer than at Heathrow today, as improvements in aircraft and engine technology balanced out the growth in flights, and we proposed that this should be safeguarded through a binding 'noise envelope'. In addition, we recommended a ban on arrivals and departures in the late evening and very early morning following expansion, as these were highlighted as a particular issue by local communities throughout our work, and the establishment of an independent aviation noise authority to provide oversight. We also looked closely at the potential effects of expansion on air quality around the airport and made clear that expansion should be contingent upon acceptable performance in this area.

Alongside these important environmental safeguards, we stressed the importance of addressing the wider concerns of the communities around the airport. This included generous compensation – in excess of market value – for those who might lose their homes; proper funding for community mitigation measures, overseen by a new Community Engagement Board and with local schools a priority; public transport improvements to mitigate the effects of expansion on local roads and rail services, as well as to reduce environmental impacts; and access to jobs and training for local people.

If these conditions are met, our view is that an expanded airport can be both bigger and better, for the UK as a whole and for local communities. We have been pleased to see that the National Policy Statement reflects the balanced package put forward in the Airports Commission report.

The arguments against expansion

The Airports Commission concluded that, with the right environmental and community safeguards in place, the case for expansion at Heathrow is strong. Nonetheless, in the course of the House's deliberations, you will hear many arguments against it. We deal with a number of the most important here, and set out why we consider them to be wrong.

The first is that expansion at Heathrow is unnecessary because new aircraft, such as the Boeing 787 Dreamliner, and operating models, such as low-cost long-haul, mean that hub airports will become an increasingly outdated concept. This argument is not, however, borne out in practice. The majority of 787s and Airbus A350s are being bought not by challengers to the established airlines, but by classic hub carriers, such as United, British Airways, Singapore Airlines, Qatar Airways and Cathay Pacific, and hence are being used to strengthen the major hubs' networks further rather than to bypass them. Furthermore, while new low-cost long-haul services are providing valuable price competition to established carriers, they tend to duplicate routes served by other carriers, rather than expanding the overall network. If the business model for low-cost long-haul proves viable over the long term, it may be a useful addition to the UK's overall connectivity, but it is not a replacement for new hub capacity.

The second argument is that expanding Heathrow would be detrimental to the UK's regional airports. We do not believe this to be the case. The UK benefits from strong regional connectivity, with many successful airports outside London. Manchester has an increasingly broad long-haul network, including flights to China, South East Asia, and the US, and other airports such as Birmingham, Glasgow and Newcastle are also attracting long-haul routes, particularly into the Middle Eastern hubs. But these airports are successful because they serve large catchments with growing economies, and because they are entrepreneurial and effective in attracting new carriers, not because Heathrow is constrained. In fact, in many cases, they have actively supported new capacity at Heathrow, as better links into that airport and its routes to new markets across the globe would be valued by their passengers, alongside any direct long haul connections they provide themselves.

The third is that it would be better to build a brand new airport to the east of London than to expand at Heathrow. Any such new airport would come, however, at enormous cost and bring enormous risk, threatening the thriving economy that has grown up around Heathrow and in the Thames Valley over many decades. Heathrow is one of the UK's most important economic assets, and there would be no guarantee that its success could be replicated in a new location, with none of the supporting infrastructure in place. Developing a freight and logistics cluster comparable to that which already exists around Heathrow, for example, would take many years, assuming it happened at all. There is no real appetite amongst the communities of north Kent or from airlines for a new airport, and it would also be on the wrong side of London for much of the UK, requiring hugely expensive new transport links to enable access. Furthermore, any environmental gain in terms of fewer people affected by aviation noise would be counter-balanced by impacts on an unprecedented scale on one of the UK's most important wildlife habitats. The right approach, therefore, is not to close Heathrow, but to ensure its expansion is accompanied by strong environmental and community safeguards, as the Airports Commission proposed.

Fourth, it may be argued that expansion at Heathrow is incompatible with the UK's commitments to reduce carbon emissions, but on this issue we took our lead from the Climate Change Committee (CCC), one of whose members, Baroness Brown of Cambridge, was also a member of the Airports Commission. Our analysis of the case and options for expansion took full account of the CCC's assessment of the level of growth in aviation which could be accommodated within the UK's statutory carbon targets, but still identified strong

pressure for new capacity at Heathrow, reflecting its position as the UK's only hub airport. As our report noted, the more that the 'carbon budget' for aviation shrinks, the more important it becomes for that budget to be used as efficiently as possible, making it all the more vital for capacity to be available where it is most needed.

Finally, an argument has often been made that a third runway would be the thin end of the wedge and that as soon as the initial case for expansion was accepted, a fourth or even a fifth runway would become inevitable. This is simply not the case. In congested airspace such as that above London, there is a limit to the number of flights that can be managed at any single location and a third runway would already take Heathrow close to this limit, drastically reducing the capacity and, hence, economic benefits from any fourth runway. The most viable site for a new runway would also already have been taken, driving up the costs and environmental impacts of any further expansion. Therefore, the Airport Commission argued strongly that in supporting a third runway, the Government should firmly rule out a fourth. We are pleased that the NPS follows this advice.

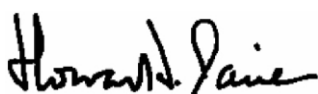
Conclusion

The Government's proposal for expansion at Heathrow will inevitably attract passionate and informed contributions from across the House on all sides of the debate. Issues of this kind, in which the needs of the nation as a whole must be balanced against the potential consequences for local communities, will always deserve scrutiny of the most detailed and critical kind. With appropriate measures in place to reduce and mitigate the local impacts, however, the national interest should prevail.

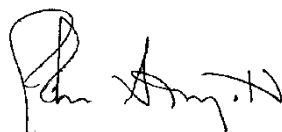
Our firm view is that the proposal for expansion at Heathrow meets that test. It is the most effective option to promote and increase the UK's connectivity to the international markets, particularly in new and emerging economies, on which our prosperity increasingly depends. It would send a powerful message that the UK is determined to remain open and outward-facing, regardless of the wider changes in the world around it. And it can be done in a way which not only protects the interests of local communities, but actually delivers benefits for them by removing night flights, imposing a strict noise envelope and providing significantly increased funding for mitigation measures.

We hope that this letter gives a clear explanation of how we arrived at that view and proves helpful as you consider how you will vote on this crucial issue.

Yours sincerely,



Sir Howard Davies



Sir John Armitt