

Key Points from CE Delft Report

1. CE Delft's report casts doubt upon the Government's estimate that expansion at Heathrow will bring economic benefits of £5 billion (over 70 years). It argues this figure is too high for two main reasons:

a. The suppressed business demand that would be released by expansion at Heathrow is significantly over-estimated by the Oxford Economic Forecasting (OEF) reports of 1999 and 2006, on which the Heathrow calculations are based.

- The DfT's own estimates are that 'mixed-mode', for example, will attract 0.5 million extra business passengers by 2015 whereas OEF assumed six times as many i.e. 3 million.
- OEF estimates the economic impact to be about £400 per additional business passenger, or £120 over all passengers. This compares to a consumer surplus of about £30 per passenger based on the DfT's own estimates of economic impact. CE Delft found that it is implausible that the economic impact is many times greater than the value passengers themselves derive from flying.

b. The OEF Report does not factor in the cost to the Exchequer of the tax-breaks the aviation industry receives each year or the costs of the environmental downsides of aviation growth such as noise, community destruction and climate change.

- CE Delft found that: "To give a truer account of the impact of aviation on the national budget, the figures for taxes and charges paid by the aviation sector could have been set against the subsidies and other forms of government support that are paid to the sector, something that the OEF report does not attempt."

CE Delft have not estimated what the economic benefit of the proposed Heathrow expansion would be if the suppressed demand was lower than OEF estimates and the tax-breaks and environmental costs were factored in but it is likely to be negligible.

2. CE Delft found that if Heathrow did not expand people would spend their money elsewhere with the result that other sectors of the economy would grow.

- In a thriving economy, such as exists in London and the South East, people have money to spend. If they do not spend it on one thing (e.g. aviation), they will spend it on something else (e.g. on a holiday in the UK or buying a new kitchen). So other sectors will expand, creating jobs and contributing to Gross Domestic Product (GDP).
- CE Delft wrote: "The economic importance of the sector can only be determined by comparing the overall size of the economy with its assumed size in the absence of the sector. It is clear that the money currently spent on

aviation would be spent in alternative ways in other sectors if there were no aviation sector.”

2a. This also means that, if Heathrow did not grow, people would find jobs elsewhere. In other words, it would not result in any significant unemployment.

CE Delft argued that OEF incorrectly assess the impact on direct, indirect and induced employment and therefore the additional runway’s contribution to GDP. If airport capacity were not expanded, people would find jobs elsewhere in the economy, possibly at lower wages, but still giving rise to indirect and induced employment. **Therefore the employment figures provided cannot be used to substantiate a claim for expanding runway capacity.**

CE Delft notes that OEF reports at length on how aviation supports other parts of the economy. But CE Delft argues that this information is pretty meaningless unless a comparison is done on how the economy would fare if aviation did not expand. It would develop in different ways, but it is wrong to assume, as OEF does, that it would automatically suffer.

3. The London economy will not suffer if Heathrow does not expand.

- **CE Delft did not look at this directly, but, they did find that** “Although the access to good aviation links is one of the location factors for new companies, it should be noted that currently London is already ranked number 1 for its transport links with other cities and internationally. Notably, the impact of the location factor ‘access to air services’ is of greater importance with regard to companies’ decisions on where to invest within the UK, than on the decision regarding the country in which first to locate..... One may ask oneself the question what additional effects could be expected from further adding to the capacity of the airport.”
- **This supports the evidence that, in recent years, businesses have come to London in record numbers despite the fact that other European airports have grown more rapidly.** There are a number of reasons for this: London has other advantages over its European competitors (such as a thriving financial centre and relatively low-tax base economy); many international companies, where decisions need to be made rapidly, are increasingly using modern technology such as tele-conferencing; and, of course, Heathrow is not the only airport serving London.

Former transport minister, Stephen Norris, now a successful businessman, who hosted the launch of the CE Delft Report, summed the situation up, “The Government is pushing ahead with plans for a third runway without really understanding what that means for the economy. It seems that the OEF report is fundamentally flawed and that by relying on it the Government are misleading us over the need for a third runway at Heathrow. We are often told that a third runway is essential for the Capital’s economy. But this report shows those benefits have been overstated by the Government and the aviation lobby. How can we compare the cost of valid alternatives, such as high-speed rail, if we are over-estimating the value of more runways?”

