

Two's Enough

No Economic Case for a Third Runway at Heathrow



In an independent survey of small and large businesses (*Continental Research*, November 2008), 95 per cent of businesses said a third runway would make little or no difference to them.

Letter to the Times, 2009

Leading business people explain why they oppose a 3rd runway

“The benefits to business are unclear and unproven. We see little benefit in Heathrow’s increased reliance on transfer passengers”.

Business can do without a third runway

Sir, It is important to understand that many individuals in the business community do not believe that the rationale put forward for the third runway at Heathrow is sufficient to justify the Government’s recent decision.

The benefits to business are unclear and unproven. We see little benefit in Heathrow’s increased reliance on transfer passengers. A new runway comes with no guarantee of securing a greater number of international destinations or domestic connections. Indeed, the most recent capacity increases at Heathrow that came as the cap on flight movements was raised resulted in exactly the reverse — that is, an increase in the number of frequencies between certain already well-served high-density international city pairs and an overall continued decrease in the number of destinations served by Heathrow. We have no reason to believe this trend would not simply continue with the addition of a further runway.

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Alternatives to a third runway have not yet been adequately explored. We cannot accept that the only way to improve the passenger experience of those using Heathrow is to add an extra runway and increase flight numbers massively. Insufficient money has been invested over the past 15 years in transforming the Heathrow infrastructure on the ground to reduce congestion and delays caused by the outdated alignment of buildings, jetties and parking areas. Additionally, new high-speed rail links directly connecting Heathrow to Scotland via the Midlands and the North of England will also clearly have an enormous impact in releasing significant capacity at Heathrow. All this has yet to be fully understood. At the same time the Government must reforecast all the growth assumptions made by BAA, the owner, and the airlines to take account of the significant recent falls in passenger volumes as a result of economic decline and fuel-price volatility.

The quality of life impact is too important to ignore. The Government has already admitted that air quality in the Heathrow area breaches EU standards. The increase in movements and ground transport from a third runway would put people’s health further at risk. Climate change cannot be ignored and our approach to transport must reflect the seriousness with which we take our Climate Act target to cut emissions by 80 per cent by 2050. In addition, we must avoid the increased noise and safety issues resulting from an rise in the number of aircraft passing directly over a densely populated city such as London.

We recognise the business need for air travel and that strong air links between the UK and the rest of the world are required, but the business case for the third runway simply does not stack up. Moreover, millions of people in the UK oppose the new runway. They are our customers and our colleagues. The business community must take account of the strongly held views of those living in the broader community in which we operate.

To say that all those from the business community support the third runway is wrong. It is a misconception and one that we wish to put right. Today we are calling upon the Government to rethink their decision and begin the detailed work to address the real questions regarding the future of aviation in the UK, the competitiveness of our country and the challenge of making it a better place for people to live and work.

The letter was signed by:

Ian Cheshire, Chief Executive, Kingfisher; Russell Chambers, Adviser, Credit Suisse; Jon Moulton, Founder, Alchemy Partners; Charles Dunstone, Chief Executive, Carphone Warehouse; David Levin, Chief Executive, United Business Media; Dominic Murphy, Partner, KKR; Justin King, Chief Executive, J Sainsbury; Sir Roy Gardner, Chairman, Compass Group; Jeremy Darroch, Chief Executive, BSkyB; James Murdoch, Chairman and Chief Executive, News Corporation; Howard Leigh, Managing Director Cavendish Corporate Finance; Martin Armstrong; Lord Young of Graffham, former President of the Institute of Directors

They also don't believe the economic case stacks up.....

Prime Minister David Cameron:

"There are now increasing grounds to believe that the economic case is flawed"

The London Evening Standard 16/6/09

Bob Ayling, the former chief executive of British Airways:

"a costly mistake.....against Britain's economic interests"

Sunday Times 4/5/08

Steven Norris, the former Conservative Transport Minister, now a successful businessman:

"the Government is pushing ahead with plans for a third runway without really understanding what that means for the economy"

Speech 14/2/08

Anatole Kalesky, the economics editor of the Times:

"expanding Heathrow would be environmental, economic and political madness"

The Times 28/2/08

Ken Livingstone, former London Mayor

"There is no case whatsoever for the expansion of Heathrow Airport"

Speech 25/2/08

Zac Goldsmith MP

"In many cases the[previous Labour] Government has double-counted the economic benefits of expansion and underestimated the costs of aviation."

London Evening Standard 14/11/07

Simon Jenkins, columnist:

"Business may like good air links, and having London as a European hub may have beneficial side effects (for some), but the atrocious state of Heathrow does not appear to have impeded London's advance over the past decade. The claim that Heathrow expansion is 'vital' for British business is palpable rubbish."

Sunday Times 2/3/08

The flawed economic case for expansion

There is no doubt that Heathrow has benefited the economy of West London, London as a whole and, indeed, the UK. But that is not what is in dispute. The debate is about whether the expansion of Heathrow is essential to the economy.

Business will go elsewhere?

The economic arguments for expansion don't stand up to scrutiny. *The economics of Heathrow expansion*, the 2008 report commissioned by HACAN from the Dutch consultants CE Delft, was quite clear: a third runway was not critical to the London economy because, for business as a whole, other factors were of greater importance than the size of Heathrow. Writing (about tax) in *The Times* (10/3/11), Camilla Cavendish spelt out some of the reasons why London is attractive as a base to international companies: "our open economy, time zone and language." There has been no hard evidence produced that this will change if Heathrow does not increase its capacity to match Charles de Gaulle, Schiphol or Frankfurt.

Downplays London's good connections

In truth, London remains the best-connected city in the world. In 2009, the last year for which full figures are available, over 130 million passengers used London's five airports - more than any other world city. Paris was London's closest European competitor with just under 86 million passengers. It is the total capacity of London's airports, rather than the size of Heathrow, which is relevant to business and tourists.

How crucial are more transfer passengers and a bigger hub?

It is not disputed that the extra transfer passengers which a successful hub airport attracts can enable airlines to run more frequent services to a greater range of destinations. The issue is whether Heathrow, given London's importance as a destination, needs to expand as a hub in order to maintain its worldwide connections. The evidence suggests not. The actual figures show most transfer passengers use routes which are already highly profitable. The top five are New York, Manchester, Edinburgh, Chicago and Hong Kong. The top destinations where transfer passengers do make a difference to the financial viability of the route - Bishkek, Freetown and Provinciale - are not key destinations for London business. **See next page for tables.**

Andrew Gilligan, writing in the Daily Telegraph (9/1/11), put it like this: "Well, it is true that Heathrow alone now offers fewer destinations – but there are five airports in London. And between them, they have direct international flights to more places, more often, than any other city on earth. In fact, they handle almost as many international passengers as Paris and Frankfurt put together. Frankfurt does have more Chinese destinations than London, though the smaller ones are served only by a handful of flights each week. But overall, London decisively outstrips the German city on frequency. Including Hong Kong, London has 92 flights a week to China, or an average of 13 a day. Paris has 73 and Frankfurt has only 69. If achieving the business crown of Europe was about having a world-class hub airport, Frankfurt and Paris would have won it decades ago. Instead, even as they have streaked ahead of London in runway capacity, both cities have fallen further behind in their share of world commerce".

The truth about transfer passengers

The vast majority of transfer passengers travel on high frequency busy routes

The top 20 routes for transfer passengers in 2007 at Heathrow

	transfer passengers	% of total transfer passengers	Weekly flights	Weekly seats	Average seats per flights	% of passengers who are transferring
New York -JFK	879,394	3.7%	141	38,925	276	31.6%
Manchester	714,938	3.0%	108	14,383	133	73.7%
Edinburgh	699,274	3.0%	123	17,598	143	48.8%
Chicago	683,902	2.9%	86	22,628	263	42.5%
Hong Kong	642,496	2.7%	70	22,925	328	40.0%
Los Angeles	641,538	2.7%	83	24,690	297	46.9%
Dublin	551,131	2.3%	137	24,018	175	27.4%
Paris	545,161	2.3%	122	19,651	161	30.5%
Glasgow	495,512	2.1%	115	15,390	134	41.1%
Toronto	484,365	2.1%	47	13,077	278	47.2%
Amsterdam	448,591	1.9%	172	22,392	130	24.9%
Johannesburg	413,125	1.8%	34	10,504	309	41.2%
San Francisco	386,003	1.6%	42	13,377	319	37.4%
Madrid	385,675	1.6%	91	15,015	165	32.7%
Washington	385,106	1.6%	66	18,125	275	36.5%
Rome	380,038	1.6%	73	12,334	169	38.6%
Dubai	374,335	1.6%	68	21,174	311	23.7%
Boston	356,391	1.5%	42	11,031	263	40.1%
Barcelona	355,951	1.5%	63	9,639	153	43.7%
Tokyo	351,397	1.5%	37	12,114	327	39.7%
Total	10,174,324	43.3%				

Few travel on routes critical to business

The top 20 routes most dependent on transfer passengers in 2007 at Heathrow

	% of passengers transferring	Weekly flights	Weekly seats	Average seats per flights	total transfer pax in 2007	% of total transfer pax
Bishkek	85.9%	7	2,037	291	86,602	0.37%
Freetown	85.7%	4	740	185	12,680	0.05%
Providenciales	78.7%	1	216	216	5,896	0.03%
Yerevan	76.0%	4	699	175	12,620	0.05%
Manchester	73.7%	108	14,383	133	714,938	3.04%
Luanda	70.4%	1	267	267	13,226	0.06%
Taipei	70.0%	6	1,896	316	25,201	0.11%
Mexico City	64.5%	4	1,164	291	75,139	0.32%
Lusaka	63.1%	3	648	216	34,413	0.15%
Beirut	62.1%	14	3,038	217	66,583	0.28%
Leeds-Bradford	61.8%	25	2,943	118	84,813	0.36%
Tbilisi	60.0%	3	478	159	7,232	0.03%
Halifax	59.0%	7	1,484	212	68,926	0.29%
Houston	58.5%	28	6,937	248	61,390	0.26%
Aleppo	57.4%	3	515	172	8,805	0.04%
Teeside	57.1%	20	2,425	121	51,533	0.22%
Dar-es-Salaam	57.0%	3	648	216	26,467	0.11%
Newcastle	56.6%	39	7,001	180	280,532	1.19%
Seattle	55.7%	27	7,000	259	138,452	0.59%
Phoenix	55.6%	6	1,746	291	99,815	0.43%

Two Enough's has been produced by HACAN, representing residents under Heathrow's flight paths. We can be contacted at info@hacan.org.uk; tel 020 7737 6641;

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