

The Truth About Economic Benefits of Heathrow Expansion



MPs, councils, chambers of commerce and others have been subject to a barrage of propaganda from Heathrow Airport urging them to support a new runway. The airport claims a new runway would bring massive economic benefits. But if one looks at the actual evidence - instead of hype, sound bites and corporate propaganda - there is virtually no economic benefit for the country. Furthermore, the regions lose out to the south east.

So what would be the actual effect of a new runway at Heathrow?

What the Airports Commission said about economic benefits

The Airports Commission, chaired by Sir Howard Davies, carried out an analysis using established methodology to calculate a 'net economic benefit' of a new runway. It is £1.4 billionⁱ. This may sound a lot, but it is a benefit for the whole UK spread over 60 years. Compare this with our Gross Domestic Product of about a £1,500 billion every year. The impact on our economy and growth is negligible. The economic benefit is equivalent to about one thirtieth of a cup of coffee at the airport for each passenger! ⁱⁱ

Those figures assume there is a constraint on carbon emissions from aircraft, needed to meet the UK's commitments on climate change. The Airports Commission's alternative scenario, where emissions are unconstrained, shows higher economic benefits of £11.8 billionⁱⁱⁱ. But it is still negligible over 60 years. It is worth less than a third of a cup of coffee for each airport passenger.



Benefits worth a fraction of a cup of coffee for each airport passenger.

The real demand for flying

Heathrow and proponents of expansion constantly cite the need for business people to fly abroad to places such as China in order to support economic growth. But trips beyond Europe by UK business people represent a tiny 2% of traffic from UK airports^{iv}. The great majority of trips are for leisure, which takes far more money out of the UK than it brings in.

The Airports Commission produced very detailed forecasts of air traffic with and without a third runway. They are very telling. Without a third runway at Heathrow, growth in necessary traffic goes to other airports where there is lots of spare capacity.

New runway at Heathrow means regions lose out

With a third runway at Heathrow, regional traffic growth by 2030 is 7% to 32% lower than with no new runway. By 2050 growth is a remarkable 16% to 43% lower^v (the alternative figures depend on assumptions about carbon emissions – see references in footnote). Daily destinations served from the regions are 3% to 10% lower in 2030 with a new Heathrow runway than without and 11% lower by 2050^{vi}. It is very hard to see how losing traffic and destinations from the regions to Heathrow is good for the economy of the regions.

Any business person who needs to fly abroad will be able to do so, whether there is a new runway at Heathrow or not. The idea that British business people (most of whom are in any case nowhere near Heathrow) will refuse to go to a particular Chinese city to negotiate a deal, simply because there is not a direct flight from Heathrow to that city, is little short of absurd.

Taxpayers to subsidise Heathrow and the southeast ?

The Airports Commission concluded that some £5bn^{vii} would be needed for infrastructure such as roads and railways for a third runway. However, Transport for London estimates that to cater for Heathrow expansion while maintaining services for everyone else would need £18bn^{viii}. Heathrow is only prepared to contribute £1bn^{ix}, meaning that £4bn up to £17bn would need to be found by government. Even more spending on the southeast means less money available for investment in the regions.

A huge tax dodge in the sky

Air travel enjoys massive tax exemptions. Tax-free fuel alone is worth £10 billion pa^x. If aviation were taxed at the same rate as other sectors of the economy, the money could be invested in public services, infrastructure in the regions or even helping people on low incomes who do not fly.

These tax exemptions subsidise cheap unnecessary flights and inflate demand. If aircraft fuel were taxed at the same rate as petrol, demand would be reduced by 43m passengers pa at 2030^{xi}. This is far more than the extra 17m passengers (carbon traded forecast) that a new runway at Heathrow would generate. To put it bluntly, the “need” for a new runway is based on a tax dodge.

We urge MPs, councils and business leaders to ignore the hype, sound bites and corporate propaganda about the economic benefits of a new runway at Heathrow. Instead, they should consider actual evidence, referenced here. There is simply no evidence that a new runway would benefit the economies of the regions.

ⁱ Page 147 of the Airports Commission final report. See 'Economics.docx' at <https://www.dropbox.com/sh/59ng4lckfq4h7o1/AAC3p5vVq4QM4tdrOliyyTFfa?dl=0> for the table and further explanation.

ⁱⁱ Ibid

ⁱⁱⁱ Ibid

^{iv} From Office of National Statistics (ONS) 'Visits and spending abroad: by mode of travel, region of visit and purpose of visit 2015'. See 'BusTrips.docx' at <https://www.dropbox.com/sh/59ng4lckfq4h7o1/AAC3p5vVq4QM4tdrOliyyTFfa?dl=0> for the figures and further explanation.

^v From Airports Commission 'Strategic fit – forecasts'. See 'Demand.docx' at <https://www.dropbox.com/sh/59ng4lckfq4h7o1/AAC3p5vVq4QM4tdrOliyyTFfa?dl=0> for the figures and further explanation.

^{vi} From Airports Commission 'Strategic fit – forecasts'. See 'Destinations.docx' at <https://www.dropbox.com/sh/59ng4lckfq4h7o1/AAC3p5vVq4QM4tdrOliyyTFfa?dl=0> for the figures and further explanation.

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^{vii} Page 78 of Airports Commission 'Business Case and Sustainability Assessment – Heathrow Airport Northwest Runway'

^{viii} Page 51 of 'Mayor of London: Landing the right airport'

^{ix} Heathrow told the Environmental Audit Committee that they were prepared to put in £1.1 billion.

^x For derivation of this figure see 'TaxAvoid.docx' at <https://www.dropbox.com/sh/59ng4lckfq4h7o1/AAC3p5vVq4QM4tdrOliyyTFfa?dl=0>

^{xi} These figures are derived from Airport Commission's data. For derivation see 'TaxEffect.docx' at <https://www.dropbox.com/sh/59ng4lckfq4h7o1/AAC3p5vVq4QM4tdrOliyyTFfa?dl=0>