New Consultation on National Policy Statement

Key Points

This paper attempts to provide a short factual account of the key points and the main arguments in the consultation documents. It doesn't provide a critique of them. Nor is it HACAN's response to the consultation.

The main reason the Department for Transport (DfT) has embarked on this eight week consultation is to invite comments on the revised passenger forecasts and the updated air quality plan as it applies to airport expansion (although it also briefly covers noise, carbon emissions and surface access).

The revised economic forecasts are found here:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/653879/updated-appraisal-report-airport-capacity-in-the-south-east.pdf

The air quality plan can be found here:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/653775/2017-plan-update-to-air-quality-re-analysis.pdf

Revised Economic Forecasts

Future Demand

The new forecasts suggest that passenger demand will be higher than predicted by the Airports Commission report. The big demand will be in London and the South East. It is not coming from the rest of the UK.

Higher passenger demand in London means that London's airports will be full sooner than previously forecast if there is no expansion. London's five major airports are now expected to be full by 2034, with four out of five full by 2025. By 2050 demand at London's airports is expected to outstrip capacity by at least 34%, even on the department's low demand forecast.

Indeed, even with a third runway (scheduled to open in 2025), Heathrow is now expected to be full by 2028 (assuming that there are no restrictions put on its capacity over its first few years of operation to ensure, for example, it adheres to air quality limits): "this reflects the much higher pent up demand at Heathrow now found in the revised forecasts. Without expansion the system is more constrained, and when additional capacity is built, this pent up demand is released, filling up the extra capacity quickly". A second runway at Gatwick would fill up in due course but more slowly as there is less pent up demand at the airport.

Economic Benefits

The consultation document compares the economic benefits of a third runway at Heathrow with a second runway at Gatwick (over a 60 year timescale). The first chart shows the estimates before the old passenger forecasts; the second one takes account of the new forecasts:

9.4 Table 9.1 reproduces the analysis presented in the FBSR. Table 9.2 updates the analysis using the DfT17 forecasts and revised methodologies, as discussed in this report.

Table 9.1 Monetised impacts under the AC's assessment of need, carbon traded forecasts (present value, £bn, 2014 prices)

	LGW Second Runway	LHR Extended Northern Runway	LHR Northwest Runway
Passenger benefits	48.5	46.9	65.4
Government revenue	2.5	1.5	1.8
Wider economic impacts	1.4 to 2.7	1.7 to 3.3	2.0 to 3.9
Total benefits to passengers and the wider economy	**52.4 to 53.7**	**50.1 to 51.7**	**59.2 to 61.1**
Environmental disbenefits	-1.5	-2.6	-2.7
Airline profit loss	-40.8	-31.2	-38.0
Net social benefit	**10.1 to 11.4**	**16.1 to 17.7**	**18.6 to 20.4**
Scheme cost	-6.4 to -6.3	-12.0 to -10.7	-14.9 to -12.9
Surface access cost	-0.6	-3.9 to -1.9	-3.4 to -1.4
Net Present Value	**3.1 to 4.5**	**0.2 to 5.1**	**0.2 to 6.1**
Net public value	**50.3 to 52.2**	**43.5 to 48.9**	**53.1 to 58.4**

Table 9.2 Monetised impacts under the DfT17 central, carbon traded forecasts and revised methodologies (present value, £bn, 2014 prices)

With the new forecasts

Table 9.2 Monetised impacts under the DfT17 central, carbon traded forecasts and revised methodologies (present value, £bn, 2014 prices)

	LGW Second Runway	LHR Extended Northern Runway	LHR Northwest Runway
Passenger benefits	69.4	57.2	67.6
Government revenue	4.6	2.9	3.5
Wider economic impacts	0.1 to 1.3	1.6 to 2.7	1.8 to 3.1
Total benefits to passengers and the wider economy	**74.1 to 75.3**	**61.7 to 62.8**	**72.8 to 74.2**
Environmental disbenefits*	-0.9	-1.2	-1.6
Airline profit loss	-65.1	-46.4	-55.0
Net social benefit	**8.1 to 9.3**	**14.1 to 15.3**	**16.2 to 17.5**
Scheme cost (AC forecasts)	-6.4 to -6.3	-12.0 to -10.7	-14.9 to -12.9
Surface access cost (AC forecasts)	-0.6	-3.9 to -1.9	-3.4 to -1.4
Net Present Value ^	**1.0 to 2.4**	**-1.8 to 2.7**	**-2.2 to 3.3**
Net public value ^	**72.6 to 74.4**	**56.6 to 61.7**	**67.8 to 72.6**

* All impacts other than air quality are modelled for the central demand scenario. Air quality is monetised using the high demand scenario. These impacts are relatively very small, so do not impact on the summary metrics.
^ Scheme and surface access costs are based on AC forecasts.

The economic benefits of both a third runway at Heathrow and a second runway at Gatwick are higher than in the original National Policy Statement (NPS) consultation document (though both a lot lower than the original estimates produced by the Airports Commission): Gatwick up from £53 billion to £75 billion; Heathrow from £61 billion to £74 billion.

The main reason for the jump in economic benefits is down to the increased number of passengers now predicted to use the airports. In particular, the numbers predicted to use Gatwick has been revised significantly upwards – hence the big jump in its economic impact.

However, the Department for Transport argues that these tables do not tell the whole story about the economic impact of the two schemes. On the next page we itemize the other factors it argues need to be taken into account.

Further Economic Benefits

The Department for Transport (DfT) continues to favour a third runway at Heathrow for a number of reasons:

- The DfT argues that it is important that the economic benefits of a new runway are realized as soon as possible, particularly in the light of the fact that it forecasts that four out of five of London's airports will be full by 2025. Its new forecasts show "the Heathrow expansion schemes deliver better international connectivity earlier on, with large increases in flights by 2030". By 2050, there is less difference between the Heathrow and Gatwick.

- "Heathrow expansion results in an immediate and substantial increase of transfer passengers, providing the demand necessary for more frequent flights to destinations worldwide" although "once Heathrow reaches capacity, the number of additional international passengers declines as they are displaced by direct UK origin and destination passengers".

- In the longer-term, too, the DfT prefers Heathrow: "By 2050, the department's updated forecasts find less difference between the Heathrow and Gatwick schemes for total ATMs [Air Transport Movements], but Heathrow expansion continues to deliver substantially more long haul ATMs. These long haul flights are particularly important for connecting businesses to emerging markets, and account for the majority of air freight transported – a large proportion of total UK trade".

Table 3.3 Destinations served at least daily by scheduled services, and at any frequency by all services, at all UK airports without expansion, and additional destinations served under each scheme compared to no expansion

		Daily Short Haul			Daily Long Haul			All Short Haul			All Long Haul		
		2030	2040	2050	2030	2040	2050	2030	2040	2050	2030	2040	2050
AC Forecasts	No Expansion	129	128	135	74	79	83	239	241	245	123	129	130
	LGW Second Runway	-1	+5	+8	+1	+2	+5	-1	0	+2	0	0	+1
	LHR Extended Northern Runway	+2	+7	+3	+7	+6	+9	-3	-1	0	+1	0	+3
	LHR Northwest Runway	+2	+7	+2	+7	+8	+9	-3	-1	0	+1	+1	+3
DfTT Forecasts	No Expansion	115	121	128	82	86	89	242	244	247	117	120	122
	LGW Second Runway	-1	+4	+6	+2	+1	+3	-1	0	0	0	0	-1
	LHR Extended Northern Runway	+5	+8	+8	+14	+12	+11	-7	-4	-3	+4	+2	+1
	LHR Northwest Runway	+9	+9	+11	+16	+14	+12	-7	-5	-3	+5	+2	+2

3.12 It is important to consider not just the type of capacity created by expansion, but how

- "Under the LGW Second Runway scheme, Gatwick is expected to remain a largely point-to-point airport, attracting few transfer passengers. Heathrow would continue to be constrained and therefore disadvantaged in comparison to competitor hubs which would lure away transfer passengers. This in turn would weaken the range and frequency of viable routes".

- "Serving destinations at least daily is important because it allows customers and businesses to travel at a day and time that suits them. With increasingly global supply chains, high frequency services ensure businesses can quickly and reliably source parts, while providing consumers with express delivery services for finished goods. Heathrow would result in the largest increase in daily destinations served by UK airports, with especially strong growth in long haul routes".

Jobs

The consultation document states that expansion at Heathrow or Gatwick will bring jobs but acknowledges that some of these jobs may be relocated from elsewhere: "the updated figures further support the view that expansion will create tens of thousands of jobs, and that more jobs are likely to be created by expansion at Heathrow. This follows because the additional capacity is forecast to be used more quickly following expansion at Heathrow and, importantly, because the types of services offered at an expanded Heathrow are likely to be more complex, particularly with the greater number of full service airlines expected to be operating there. These jobs are not additional at the national level, as some jobs may have been displaced from other airports or other sectors. The department has not quantified the impact of the shortlisted schemes on national jobs".

Surface Access

The DfT has carried out no further work on the costs of surface access. This means the cost of creating sufficient road and rail schemes to serve either a second runway at Gatwick or a third runway at Heathrow remain uncertain. The estimated costs of the road and rail infrastructure that might be required at Heathrow have ranged from just over £3 billion (DfT) to £18 billion (Transport for London).

Carbon Emissions

The DfT is predicting lower carbon emissions for either Gatwick or Heathrow than the Airports Commission estimated. This is for two reasons:

- It expects that more passengers will be carried in fewer planes than previously thought because the planes will be bigger and fuller.

- It expects the planes to be more fuel-efficient than it originally estimated.

Heathrow would result in an initial increase in emissions but these would be expected to fall by 2050. The DfT concludes that "that any of the schemes could be delivered within the UK's obligations under the Climate Change Act."

Noise

The DfT acknowledges that all the schemes "have the potential for significant negative noise impacts". But it believes the impacts will be less than previously thought due to the impact of quiet planes. At Heathrow it says around 92,700 more people will be affected by noise with a third runway than compared to a two runway Heathrow Airport in 2030: i.e. a total of 653,900 in 2030.

Air Quality

The DfT argues that, even with a second runway, Gatwick is at "low-risk" of exceeding the Government's air pollution targets. There is a "high-risk" of a three runway Heathrow not being compliant with the targets between the year a new runway is expected to open, 2025, and 2029. The DfT says there is little Heathrow can do about this as the risk arises from the uncertainty in the modelling and, more especially, if the Government does not make sufficient progress in implementing its air quality plan as a whole – for example in tacking emissions from motor vehicles. From 2030 onwards, the risk falls to 'medium'.

Compiled by John Stewart, Chair HACAN **29/10/17**