

The Economic Benefits of a Third Runway Officially Downgraded

This short paper spells out the implications for the regions

When the Government announced Heathrow as its preferred option in October 2016 it downgraded the economic benefits of a 3rd runway by **£86bn**. This will mean that the benefits to the regions will be much less than previously thought.



The Airports Commission estimated the economic benefits to UK plc to be up to **£211bn** over a 60 year period in its report published in 2015.

But the Department for Transport has not accepted that figure. It puts the economic benefits at **£61bn** over a 60 year period.

The new figures were released in a document published in October 2016 ⁽¹⁾ when the Transport Secretary Chris Grayling announced that a third runway at Heathrow was the Government's preferred option.

The Department for Transport had spent more than a year analysing and assessing the Airport Commission's work before coming up with the much reduced figure.



Heathrow's estimates of the impact of a 3rd runway on regional economies were based on benefits of **£147bn**. The new figures could mean that the benefits of a 3rd runway to regional economies are **less than half** promised by Heathrow.

(1). https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562915/heathrow-airport-expansion-summary-document.pdf

Heathrow's Promises to the Regions

Below are Heathrow's calculations of the impact of a third runway region by region. Heathrow has not revised its figures in the light of the new estimates.

Table 2: Comparison of present value of real GDP impacts by Region (£bn 2014 prices)

	Expanded Gatwick	Expanded Heathrow
London	18.5	35.1
South East	12.4	23.6
London & SE	30.9	58.6
North West	8.6	12.5
East	7.9	11.5
South West	6.9	10.0
West Midlands	6.7	9.7
Yorkshire & Humber	6.2	9.0
East Midlands	5.4	7.8
North East	2.8	4.0
Rest of England	44.5	64.4
Scotland	7.9	14.0
Wales	3.5	6.2
Northern Ireland	2.2	3.9
Rest of UK	13.6	24.1
TOTAL	89.0	147.2

Source:

<https://your.heathrow.com/takingbritainfurther/jobs-and-growth/local-jobs-and-benefits/>

These figures were based on the assumption that overall economic benefits would be up to **£147bn** over 60 years.

The DfT has cut it to up to **£61bn**. That is just £1bn per year spread across the whole of the UK.

The DfT puts the UK-wide economic benefits of a second runway at **Gatwick** as up to almost **£54bn** over 60 years.

Heathrow's Jobs Promises to the Regions

Below are Heathrow's estimates of the jobs that would be created region by region, not revised to take account of new Government figures.

Table 1: Comparison of employment impacts by region in 2050 (jobs)

	Expanded Gatwick	Expanded Heathrow
London	9,300	38,400
South East	8,000	33,200
London & SE	17,200	71,600
North West	4,800	15,300
East	4,100	12,900
South West	3,900	12,300
West Midlands	3,800	12,000
Yorkshire & Humber	3,500	11,200
East Midlands	3,100	9,800
North East	1,600	5,100
Rest of England	24,800	78,600
Scotland	4,100	16,100
Wales	2,200	8,400
Northern Ireland	1,300	5,000
Rest of UK	7,600	29,500
TOTAL	49,600	179,800

Source: <https://your.heathrow.com/takingbritainfurther/jobs-and-growth/local-jobs-and-benefits/>

The Department for Transport did not provide a detailed region-by-region breakdown of the number of jobs a 3rd runway might create when it reviewed the Commission's work. Presumably this is because it is aware that it is impossible to accurately predict employment in 2050. It confines itself to assessing employment around Heathrow: "an additional runway at Heathrow could deliver up to 77,000 additional local jobs by 2030".

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562567/heathrow-north-west-runway-economic-benefits.pdf

The DfT's nervousness about making job predictions is highlighted elsewhere in its review of the Commission's work: it says the number of jobs created around Heathrow could be as low as 39,000 (by 2050)

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/562160/further-review-and-sensitivities-report-airport-capacity-in-the-south-east.pdf (para 6.6)

The onus is on Heathrow to come up with revised estimates of the employment benefits to the regions. So far, it has failed to do so.

So how much will the rest of the UK benefit from a 3rd runway?



The Government has not provided a break-down for the English regions, Scotland, Wales or Northern Ireland.

It has simply said that the benefits to UK plc would be **£60bn** over 60 years

- that is, **£1bn** a year
- with a second runway at Gatwick not far behind at **£54bn** over 60 years

Currently aviation contributes around **£18bn - £21bn** per annum to the UK. A third runway would be just **£1bn** more.

Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/153776/aviation-policy-framework.pdf

The question mark remains:

What is the *actual* value of a third runway to the English regions, Scotland, Wales or Northern Ireland?

All that we do know is that it will be considerably less than the promises made by Heathrow to so many MPs and local councillors.