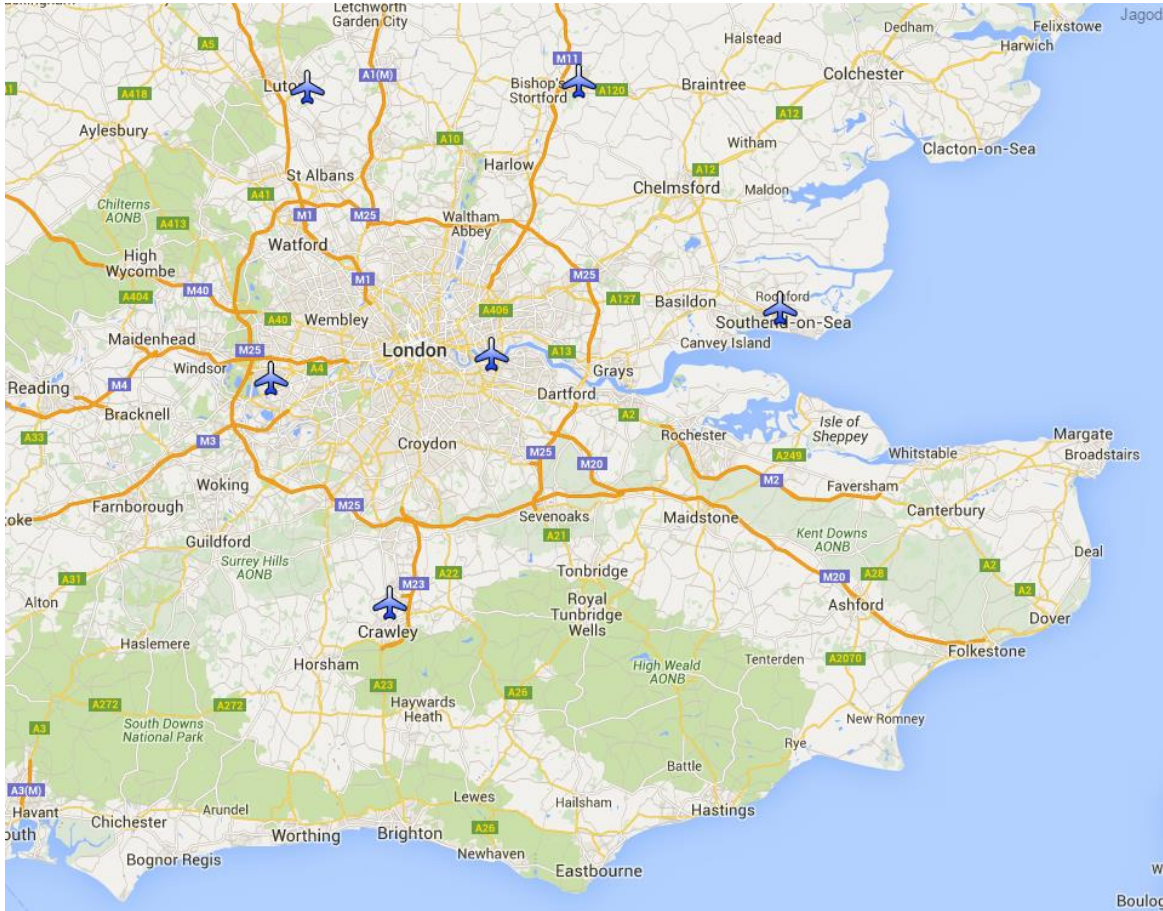


Political Economy of Airport Capacity Planning in the London Airport System

Jagoda Egeland
Economist, Infrastructure Planning Lead
International Transport Forum at the OECD

TRB Annual Meeting
Session 236: International Perspectives in
Airport System Planning for Capital Cities
Washington, D.C., 7-11 January 2018

With 164 million served passengers, London has the busiest airport system in the world



Heathrow	75.9	46%
Gatwick	43.4	26%
Stansted	24.4	15%
Luton	14.8	9%
London City	4.5	3%
Southend	0.9	1%
Total	164.0	100%

The UK airport system is heavily privatised in comparison to those of other countries

- ▶ Each of London's airports is in separate majority ownership
- ▶ Apart from Stansted and Luton, all London airports are entirely privately owned
- ▶ Private ownership means that airports
 - ▶ Do not rely on government funding to finance new infrastructure developments, or to support their operating costs
 - ▶ Control how they conduct their businesses and carry out their operations
 - ▶ Will make choice to fund any new capacity only when they are confident that that capacity will be utilised and provide a satisfactory rate of return for investors



Nevertheless, Government has an important role to play in the aviation sector

- ▶ It determines the overall policy for aviation and carries out negotiations at international level
- ▶ It delivers the surface transport infrastructure on which airports rely
- ▶ It determines how airports should engage with local communities
- ▶ It establishes emissions targets and restrictions
- ▶ It sets out the process for delivering any major new airport infrastructure developments

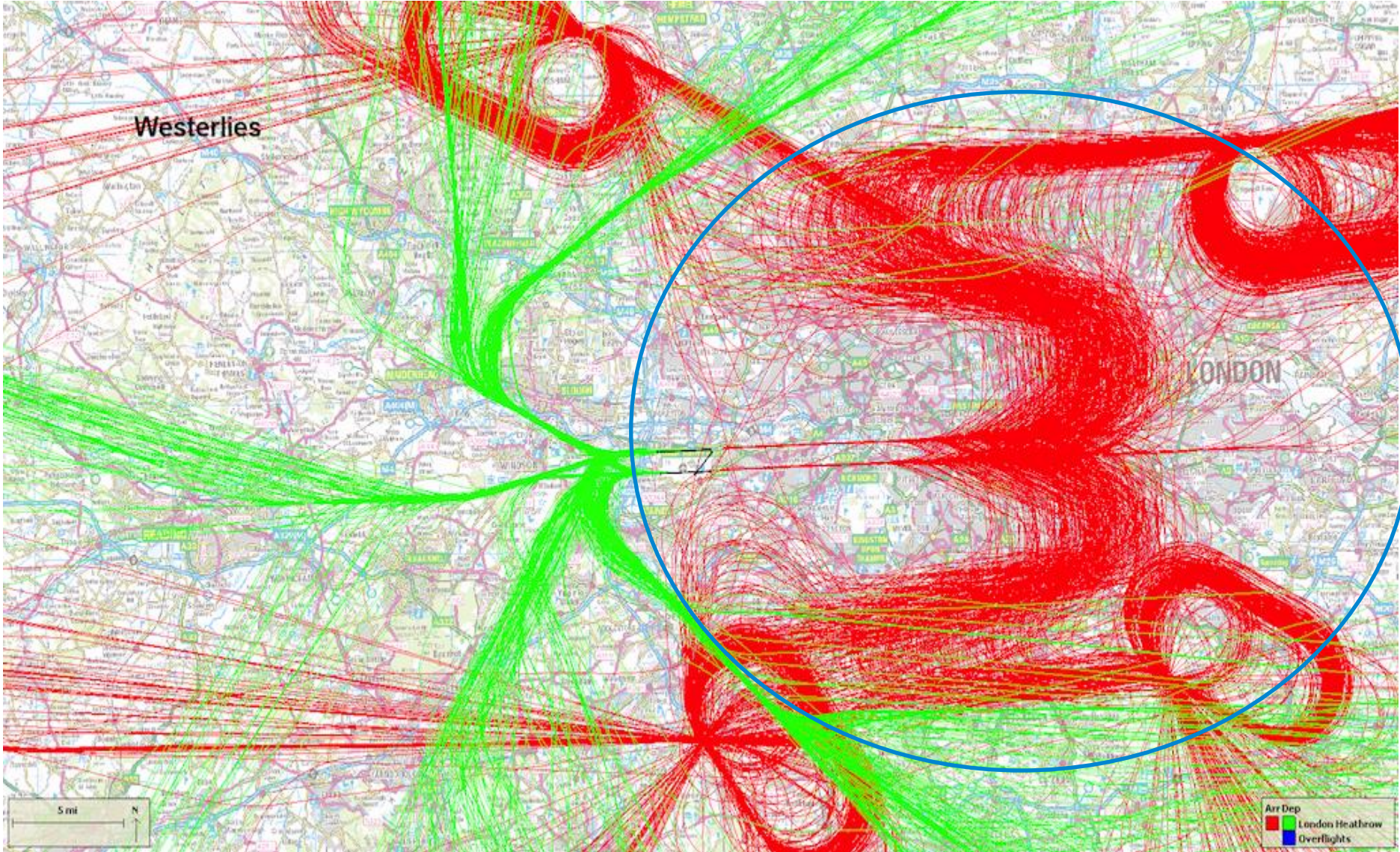
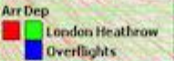
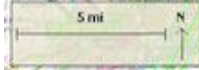
Airport expansion is contentious and controversial

- Airport site selection methodology is challenging
- Infrastructure projects take a long time to build, much longer than governments stay in the office
- Costs imposed upon local populations from building airports are concentrated, economic benefits of expansion are dispersed




Westerlies

LONDON






50+ years of airport expansion debate

- ▶ **1963-7:** Stansted recommended as a the location for a new London airport; Government sets up a committee to revisit case for Stansted; Ministerial decision to develop Stansted
 - ▶ **1968-74:** Government sets up the Roskill Commission; Roskill recommends Cublington as new airport site; Government selects Maplin Sands to abandon it three years later
 - ▶ **1978:** Aviation White Paper identifies Heathrow capacity as 'restricted'
 - ▶ **1990:** Government commissions a study on airport capacity (RUTCASE); 7 years later the study concludes that Heathrow expansion would deliver the biggest benefits; Planning permission granted for 2nd runway at Manchester Airport
 - ▶ **2002:** Government publishes another study with options for new runway capacity in the south east of England
 - ▶ **2003:** Another Aviation White Paper point to Heathrow and supports a 3rd runway and a 6th terminal, and a 2nd runway at Stansted, 3 years later a Government Progress reports confirms the commitment to the new runways
 - ▶ **2007:** Government consults on expanding Heathrow
 - ▶ **2009:** Government backs a 3rd runway decision and rules out mixed-mode operations of the existing runways at Heathrow
 - ▶ **2010:** "No ifs, no buts, no third runway". New Government comes to power and reverses its decision on Heathrow and rules out new runways at Gatwick or Stansted
 - ▶ **2012:** Government publishes draft aviation policy framework for further consultation, independent Airports Commission established in November
 - ▶ **July 2015:** Airports Commission recommends a 3rd runway at Heathrow
 - ▶ **June 2016:** Brexit
 - ▶ **October 2016:** Government endorses third runway at Heathrow
 - ▶ **February 2017:** Draft Airports National Policy Statement
 - ▶ **October 2017:** Revised draft Airports National Policy Statement (closes December 2017)
- 

Davies Commission

- ▶ **Objective:** To examine the scale and timing of any requirement for additional capacity to maintain the UK's position as Europe's most important aviation hub; and [...] identify and evaluate how any need for additional capacity should be met in the short, medium and long term
 - ▶ **Approach:**
 - ▶ Independent
 - ▶ Transparent and collaborative
 - ▶ Scenario-based
 - ▶ Iterative assessment and methodology development
 - ▶ Comprehensive: Accounting for positive and negative knock-on socio-economic and environmental impacts (region-wide assessments taking into account the impacts on other airports)
- 

The Commission undertook an extensive programme of engagement with stakeholders...



...every step of the way

- Calls for evidence
 - Demand forecasting, Airport connectivity, Airline business models, Noise, Best use of existing capacity, Relocating airports capacity
- Expert Panel Sessions
- Public Evidence Sessions
- Consultations and information sessions with local communities
- Appearances in local/national government meetings



The process was split into clear-cut phases


- ▶ Phase 1 (2013)
 - ▶ Assessment of need for new capacity
 - ▶ Sifting through proposals
 - ▶ Output: A shortlist of options
- ▶ Phase 2 (2014-5)
 - ▶ Development and analysis of shortlisted proposals
 - ▶ Output: A recommendation



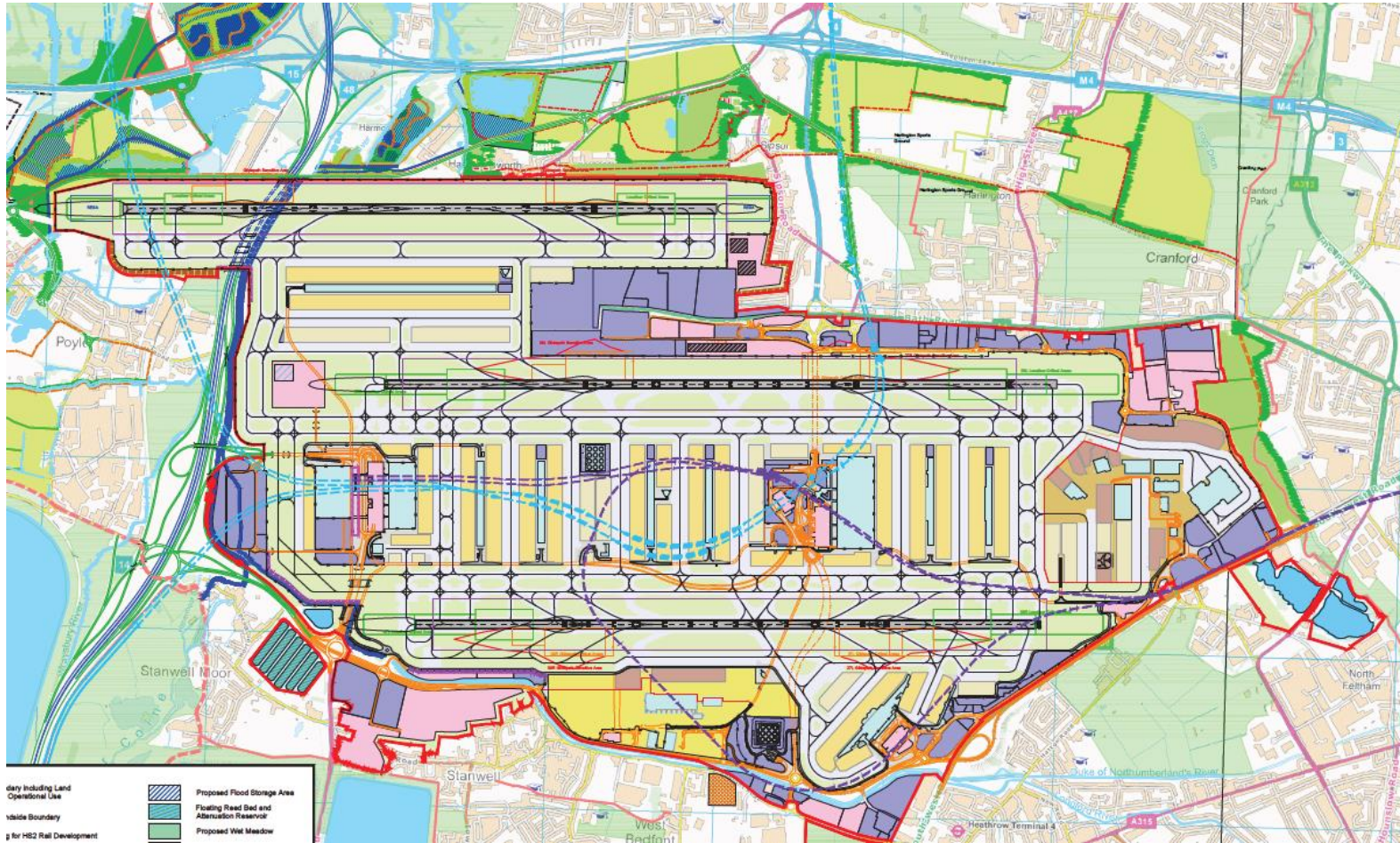
Assessment of need for new capacity

- ▶ “A case for at least one net additional runway in London and the South East by 2030, and most likely a case for a second net additional runway by 2050”
- ▶ Result robust across different scenarios and compatible with the climate-change constraint

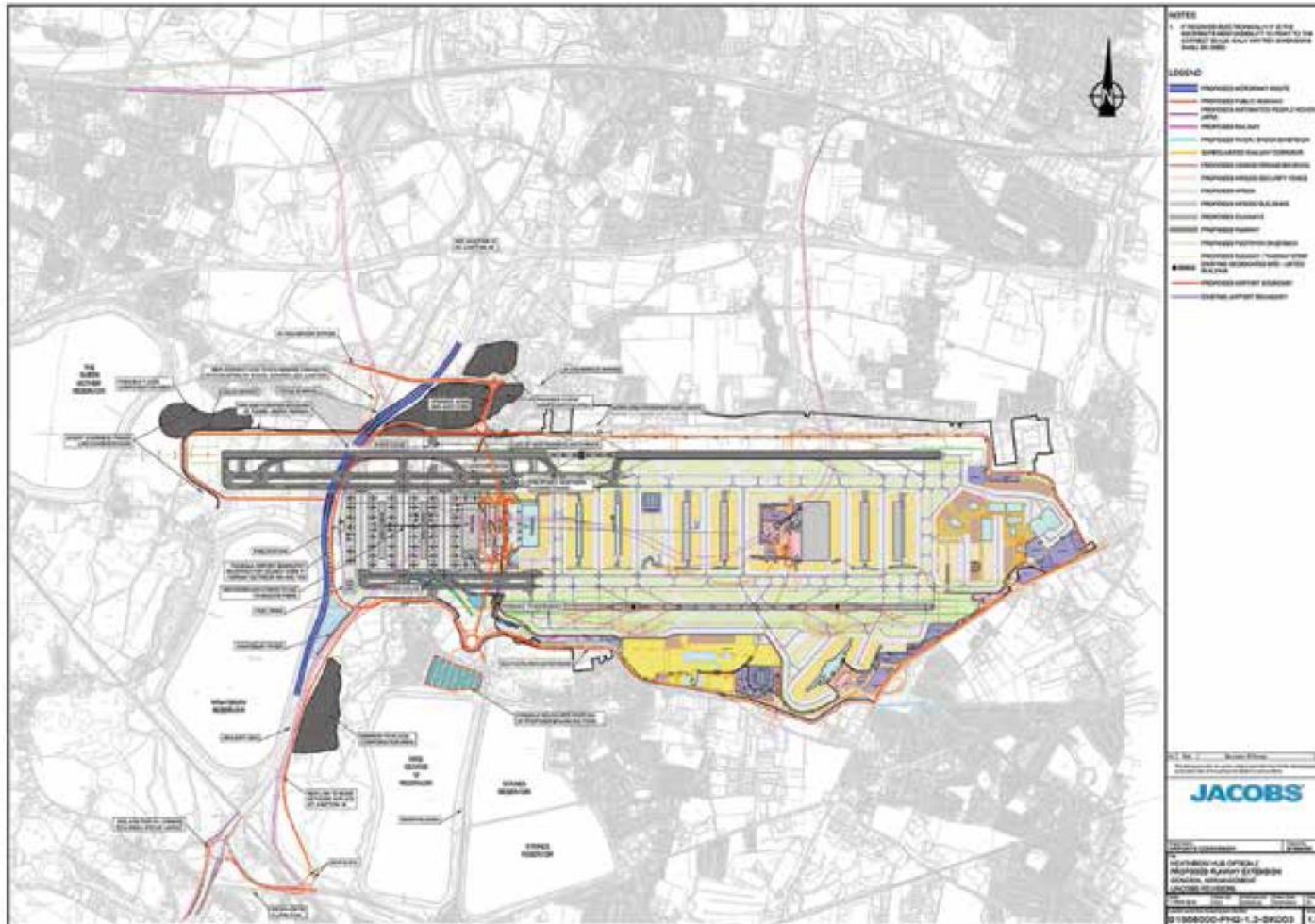
Sifting through proposals

- ▶ 52 credible proposals were received and scrutinised alongside proposals developed by the Commission
 - ▶ Three sifts through a suite of 58 possible options identified in the initial sift
 - ▶ 1st sift: 58 → 28 proposals
 - ▶ 2nd sift: 28 → 9 proposals
 - ▶ 3rd sift: 9 → 4 proposals
 - ▶ The sifting process concluded with 3 shortlisted proposals
- 

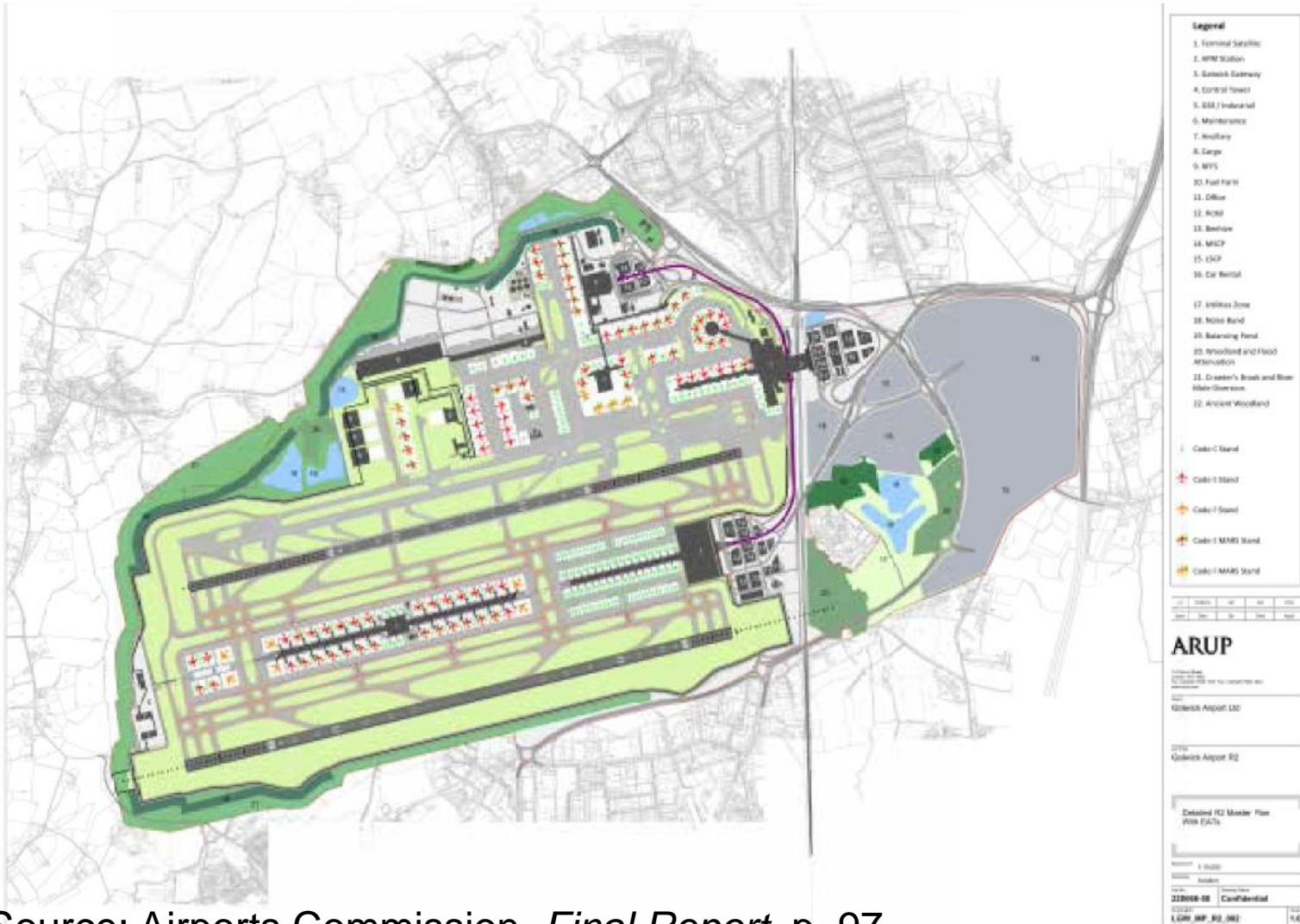
Heathrow Airport Ltd: Heathrow NW



Heathrow Hub: Extended Northern Runway



Gatwick Airport Ltd: Second Runway



Source: Airports Commission, *Final Report*, p. 97

The UK airport debate: The Airports Commission recommended expanding Heathrow over expanding Gatwick

- ▶ A third runway would unlock significant suppressed demand at Heathrow, and the airport could finance the expansion on its own from increasing its aero-charges
- ▶ The benefits of expanding Heathrow were estimated to be significantly greater for business passengers, freight operators and the UK's economy
- ▶ The Commission judged that the proposal for a third runway at Heathrow, in combination with a package of measures to address its very significant environmental impacts in terms of noise, air quality and other impacts on local communities, presented the strongest case

Airports Commission's package of measures to address adverse impacts of expansion

Limiting Noise Impacts

- A **ban on night flights** before 6am, only possible with expansion
- A legally binding **cap on noise** and **more reliable respite**
- An **independent aviation noise authority** with a statutory right to be consulted on flight paths and other operations

Listening to Local People / Rebuilding Trust

- A new independent **Community Engagement Board** with real influence over compensation and airport operations
- Sufficient **progress on air quality** to be a legally binding planning condition
- Government to **rule out any future 'fourth runway'** in Parliament

Improving Compensation

- A **new noise charge or levy** to fund improved compensation for communities. Any charge must be fair, affordable, locally spent, transparent and VfM.
- Heathrow to pay **more than £1 billion in compensation to local communities**, including noise insulation and voluntary purchase schemes
- Anyone who would lose their home to be compensated at **125% of its full value plus costs**, funded by Heathrow

Sharing Economic Benefits

- **Apprenticeships** to help local young people access the more than 70,000 new jobs
- Action to **safeguard regional connectivity**, including reduced charges and more liberal Public Service Obligations

Support for regional air connectivity

- The Government should alter its guidance to allow the introduction of Public Service Obligations on an airport-to-airport basis and should use them to support a widespread network of domestic routes at the expanded airport.
- Heathrow Airport Ltd should implement additional measures to enhance regional connectivity, including introducing reduced charges and start-up funding for regional services.

Delivering benefits across the UK

LOGISTICS HUBS

HEATHROW IS LOCATING **FOUR LOGISTICS HUBS** ACROSS THE UK, SPREADING THE ECONOMIC BENEFITS OF EXPANSION TO COMMUNITIES ACROSS BRITAIN



SKILLS: Each logistics hub will create demand for both a skilled and semi-skilled workforce



SUPPORT: Local political or business support will ensure the benefits created are secured for the long-term

SUPPLY CHAIN: Opportunity for SMEs in every corner of the UK to access Heathrow's supply chain



COLLABORATION: The hubs will allow for potential collaboration with other infrastructure projects

CONNECTIVITY: Good connections will allow consolidated loads to be transported to Heathrow just as they are needed



What made the process successful?

- Engagement with all stakeholders, not just the ones with salient positions
- Incorporating evidence base and views from stakeholders into the decision-making process
- Transparency about the process every step of the way
- Independence
- Consideration of all possible mitigation strategies and compensation measures



Will the runway actually be built?



Thank you

Jagoda EGELAND

Economist, Infrastructure Planning Lead

International Transport Forum at the OECD

Postal address: OECD/ITF, 2 rue André Pascal, F-75775 Paris Cedex 16

Tel. + 33 (0)1 45 24 97 20, Mob. +33 (0)6 68 32 03 68

Jagoda.Egeland@oecd.org, www.itf-oecd.org