

PRESS RELEASE

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For immediate use

ACCEPT REALITY AND GIVE UP ON 3RD RUNWAY

Heathrow Airport should accept what is now reality and give up on its plans to expand the airport by building a third runway, according to campaigners.

The Airport reported £2bn losses in 2020 on Wednesday **(1)**, with a renewed request for financial support from Government in the form of extending the furlough scheme and full relief from business rates **(2)**.

Heathrow's financial frailty is clear for all to see; the airport already carries net debt of £15.2bn as of September 2020. It is now so highly geared with debt, that it has reached a leverage ratio of 97% — higher than any comparable UK infrastructure or utility operation.

In June last year the ratings agency, Standards & Poor's, put Heathrow on "credit watch with negative implications" — a second credit downgrade in just two months. **(3)** Later that month it was announced that Heathrow sought waivers on covenants from holders of £1.1 billion of bonds. Any further downgrade would render these bonds junk, making the airport an extremely unattractive asset for investment.

So far during the crisis, Heathrow's shareholders have declined to contribute more cash to the airport despite relying on the Government furlough scheme and receiving £8m relief on business rates. They have received over £4bn in dividends since 2012, including £100m in February 2020 when the impact the pandemic would have was just becoming clear.

Yet despite these figures, Heathrow's CEO claims that the airport "remains committed" to a 3rd runway and fancifully predicts that "expansion will proceed successfully".

Heathrow's CEO, John Holland-Kaye continues to speak of the business's "current financial strength", despite their losses. Yet, he has admitted to staff that the publicised "£3.2bn war chest" is merely the liquidity that can be mustered when "we have drawn down all the cash and credit facilities at our disposal". **(4)** So, yet more borrowing to be repaid in the future - presumably by passengers.

The Government recently stated that Heathrow expansion will be a private sector project and will receive no taxpayer funds **(5)**.

Campaigners believe that it is no longer appropriate for Heathrow to be pursuing a third runway given its precarious financial position.

Paul McGuinness, Chair of the No 3rd Runway Coalition, said:

“Leaving aside the moral dimension – that any expansion of Heathrow Airport would require a reduction in regional aviation if the country is to meet its new carbon obligations – Heathrow’s absurd debt position, even before the pandemic, was always likely to put their third runway out of reach. And in acknowledging such a large loss over the last year, Heathrow should now concentrate on building back better, refocusing on their customers and away from their foreign shareholders’ pipe dream.”

ENDS.

Notes:

1. Heathrow Results for 2020, 24 February 2021 <https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/investor/reports-and-presentations/financial-results/2020/Heathrow-SP-Limited-Q4-2020-results-release-final.pdf>
2. <https://www.ft.com/content/986a2348-8570-4444-9d73-dae0ac6552ab>
3. Internal staff email, John Holland Kaye, Heathrow Airport, 6 April 2020.
4. Standard and Poor’s latest downgrade of Heathrow’s credit rating, 2 June 2020. https://www.heathrow.com/content/dam/heathrow/web/common/documents/company/investor/credit-ratings/sp/RU_Heathrow_Funding_Ltd%20On_CreditWatch_Negative_May_2020.pdf
5. <https://hansard.parliament.uk/Lords/2020-12-17/debates/DD7A94BD-AFAE-4A72-9DB2-FA5C7C00D0A0/HeathrowAirportExpansion>