

## Introduction

This briefing sets out the regional impacts of Heathrow expansion. It should be noted that most of the data is sourced from either the Department for Transport’s (DfT) Aviation Passenger Forecasts (2017), the Airports National Policy Statement (ANPS, 2018) and the appraisal of sustainability that supported the ANPS (2018).

The DfT estimated that a high proportion of passengers that will use Heathrow as a hub, starting and finishing their journeys outside the UK. This means that it is unlikely that nations and regions of the UK will see significant benefit, with promised new domestic connections likely to only be viable with government support.

## Expansion hurts the regions

The Transport Select Committee concluded that there will be **170,000 fewer flights** from non-London airports compared to a no expansion scenario. DfT forecasts that **growth at non-London airports will be 17% less** by 2050.

The Airports National Policy Statement shows that regional airports will be adversely affected by Heathrow R3 without direct Government intervention:

- Manchester: 5m passengers per annum (ppa) of growth lost
- Birmingham: 2m ppa of growth lost
- Smaller regional airports lose 10m ppa of growth in total

**Table 1: Regional Breakdown**

Region	Number of flights WITHOUT Heathrow expansion	Number of flights with Heathrow expansion	Number of lost flights
South West	88,580	64,818	23,762
Northern Ireland	17,813	17,163	650
West Midlands	175,122	131,520	43,602
North (NW, NE & Yorkshire & Humber)	259,900	229,805	30,095
East of England	88,051	35,926	52,125
East Midlands	100,464	94,733	5,731
Scotland	176,113	173,508	2,605
Wales	25,198	16,144	9,054
		<b>Subtotal</b>	<b>167,624</b>

## Growth?

The [Updated Appraisal Report](#) (p.44) that accompanied the ANPS shows that the **Net Present Value (NPV - all costs and benefits) ranges from just £3.3bn to minus £2.2bn**. The DfT’s own guidance suggests that the economic benefits of transfer passengers do not contribute to the welfare of the UK and should not be counted. Excluding these passengers from the DfT’s most recent assessment – something the DfT itself recommends - could **reduce the NPV by a further £5.5bn**.

The ANPS analysis suggests that airports outside of London and the South East will struggle to achieve the density to develop their own routes, locking the UK into a model that revolves around Heathrow over the longer term.

The current dynamics of the UK's net cross-border travel results in **spending deficit of £43bn** with twice as many people flying out of the UK than fly in, thus exporting cash outside of the economy. An assessment of the impacts of Inbound and outbound tourism flows is currently missing from the economic analysis of aviation's contribution to the economy.

Despite overall air passenger departures growing by 26m in the past two decades there has been no net increase in business passengers, meaning the UK saw **no business benefit**.

Research has shown that the boom in air travel during from 2015 – 2019 **failed to increase either gross domestic product (GDP) or UK productivity**. The market share of business passengers has halved from one in six passengers travelling for business in 2006 to one in 12 by 2022.

### **Domestic Connectivity into Heathrow**

Without a regional slot allocation preference or some sort of subsidy new and existing regional routes into Heathrow may not be commercially viable.

The ANPS did not include a definition of a domestic route and the Government failed to set out clearly how it would secure 15% of slots for domestic connections.

Therefore, **significant Government subsidy will be required** to support additional domestic connectivity into Heathrow.

As a result, keeping some regional airports connected to Heathrow will require long term taxpayer subsidy for private airlines

### **Key questions**

1. When will Government update the 2017 Aviation Forecasts?
2. Will Government reserve a minimum number of slots at an expanded Heathrow to be reserved for domestic connectivity?
3. How will Government ensure that regional economic growth is delivered by Heathrow expansion?
4. What estimate has Government undertaken on the number of new jobs that will be created in each region of the UK should a third runway be constructed?
5. What plans does the Government have to encourage an increase in domestic tourism to help boost regional economies?
6. Has Government updated analysis of the impacts on regional airports in terms of number of flights and passengers should a third runway be built?
7. What estimate has the Government made on the commercial viability and/or the level of public subsidy to sustain new connections from regional airports into Heathrow?