



Department
for Transport

Government Response to the Transport Committee Report on the revised draft Airports National Policy Statement

Moving Britain Ahead

Presented to Parliament pursuant to section 9(5) of the Planning Act 2008

June 2018

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Introduction

The Government is pleased to have the opportunity to respond to the conclusions and recommendations of the Transport Committee on the revised draft Airports National Policy Statement, as set out in its report of 23 March 2018.

National Policy Statements

- 1.1 National Policy Statements (NPSs) were established under the Planning Act 2008 which introduced a new system for granting development consent for Nationally Significant Infrastructure Projects (NSIPs). NPSs are intended to provide greater clarity and certainty by setting out, in a single document, the Government's national policy in relation to a specified description of development and providing the reasons for that policy.
- 1.2 An extensive process of consultation and parliamentary scrutiny is required before an NPS can be designated. This enables an NPS to speed up the development consent process for an NSIP.
- 1.3 Planning processes frequently involve two processes, one by which policy is first formulated, followed by a process for obtaining consent or permission. Designating the Airports NPS sets the policy framework for expansion at London Heathrow Airport. The consenting process would only then begin with an application for development consent in line with the Planning Act 2008 NSIP regime by a private developer. It is only during that later process that the particulars of the detailed design can be known and open to scrutiny; they simply cannot be available during the earlier policy process for designating an NPS. The Secretary of State previously compared the NPS designation process to that of seeking Outline Planning Permission under the Town and Country Planning Act 1990, where details for the finished scheme are not available during the outline stage. An analogy more closely akin to the NPS designation process would be the process by which a local planning authority makes a Local Plan, before developers promote site-specific applications for planning permission. The application for planning permission by a developer to the local planning authority then begins the consenting process, analogous to the process of applying for development consent. Whilst the analogy of Outline Planning Permission may be helpful to a lay person, it should always be borne in mind that designating an NPS does not itself give any consent or permission to a project.

Airports National Policy Statement

- 1.4 The Department for Transport published a draft Airports National Policy Statement (Airports NPS), the Appraisal of Sustainability and other supporting documents for consultation on 2 February 2017.

- 1.5 The proposed Airports NPS will provide the primary basis for decision making on development consent applications for a Northwest Runway at Heathrow Airport and will be an important and relevant consideration in respect of applications for new runway capacity and other airport infrastructure in London and the South East of England.
- 1.6 The Airports NPS will set out the Government's policy on the need for new airport capacity in the South East of England and the Government's preferred location and scheme to deliver new capacity. It also sets out particular considerations which will be relevant to any development consent application to which the Airports NPS relates.
- 1.7 The details of any development consent application would be assessed and decided in accordance with the policies set out in the Airports NPS.
- 1.8 Mitigations required by a designated Airports NPS would not be optional. In order to comply with the Airports NPS, both the Examining Authority and the Secretary of State as decision-maker would need to be confident that the specified mitigations are included in any applicant's development consent application and that they are enforceable. Mitigations would be imposed on the applicant as legally enforceable planning requirements and planning obligations, as appropriate. A breach of any planning requirement without reasonable excuse would be a criminal offence, and there are wide-ranging powers for the relevant planning authority to investigate and intervene should this occur. This includes criminal proceedings, fines or even court injunctions that limit the airport's operations in order to stop or restrain a breach.

Public Consultation

- 1.9 The consultation on the draft Airports NPS was launched on 2 February 2017 and ran for 16 weeks. The consultation included 32 public and stakeholder engagement events and over 72,000 responses were received. The Government made a commitment to continue to update its evidence base on airport capacity, including updating passenger demand forecasts,¹ and considering the impact of publication of the 2017 air quality plan, the 'UK plan for tackling roadside nitrogen dioxide concentrations'.² On the basis of these changes to the evidence base and as a result of initial consideration of the responses to the February consultation, as well as other broader government policy changes which arose during that period, the Department revised the draft Airports NPS and launched a further consultation on the revised draft Airports NPS on 24 October 2017. That consultation ran for a period of 8 weeks and received over 11,000 responses. The Government has published a response to the two public consultations alongside this document.³
- 1.10 To oversee the consultation processes and provide scrutiny and challenge, the Secretary of State appointed Sir Jeremy Sullivan, former Lord Justice of Appeal, in the capacity of Independent Consultation Adviser. Sir Jeremy's report setting out his views on the February consultation was published on 7 September 2017.⁴ His report on the further consultation has now also been published.⁵

¹ <https://www.gov.uk/government/publications/uk-aviation-forecasts-2017>

² <https://www.gov.uk/government/publications/air-quality-plan-for-nitrogen-dioxide-no2-in-uk-2017>

³ <https://www.gov.uk/dft/heathrow-airport-expansion>

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/650116/independent-consultation-adviser-draft-airports-national-policy-statement.pdf?_sm_au_=iVVSjMPWZnrSZ58F

⁵ <https://www.gov.uk/dft/heathrow-airport-expansion>

Parliamentary scrutiny

- 1.11 As part of the parliamentary scrutiny of the revised draft Airports NPS, the Transport Committee launched an inquiry on 1 November 2017. An initial inquiry into the draft Airports NPS was halted in spring 2017 following the announcement of the general election and the subsequent restrictions of the pre-election period.
- 1.12 The Committee issued a call for written evidence and received a total of 87 submissions to the November inquiry, from organisations including airports, airlines, environmental groups, business organisations, community groups and individuals.
- 1.13 The Committee subsequently took oral evidence from a range of witnesses including the Department for Transport, Airports Commission, Heathrow Airport Limited, Gatwick Airport Limited, Heathrow Hub Limited, airlines, the Civil Aviation Authority, regional airports, climate change and air quality experts, environmental groups, local authorities, community groups and the Secretary of State for Transport.
- 1.14 The Department has considered all of the written and oral evidence received by the Committee.
- 1.15 The Transport Committee's report was published on 23 March 2018. It was broadly supportive of the revised draft Airports NPS, and made 25 recommendations that are addressed in this response. The Government has welcomed and acted upon 24 of those recommendations, disagreeing with only one. The Committee also raised some other points in the body of its report which the Government considers it would be helpful to respond to directly. Those comments are included in the table at Annex A.
- 1.16 A debate on the revised draft Airports NPS took place in the House of Lords on 15 March 2018. A range of views were aired during the debate, both supporting and opposing expansion, which the Government acknowledges. A motion to take note of the revised draft Airports NPS was agreed.⁶
- 1.17 This document is laid pursuant to section 9(5) of the Planning Act. Section 9(5) says: The Secretary of State must lay before Parliament a statement setting out the Secretary of State's response to the resolution or recommendations. This is the Government's response to the recommendations in the Transport Committee report.

⁶ <https://hansard.parliament.uk/lords/2018-03-15/debates/A0315506-29A8-4B10-8360-3CD9D3429751/RevisedDraftAirportsNationalPolicyStatement>

Government Response to Transport Committee's recommendations

Recommendation 1

Transport Committee recommendation

The Government should redraft its final NPS, in line with the recommendations set out in this report, to minimise any chance of a successful legal challenge.

Government response

- 1.18 The Government welcomes the Transport Committee's report on the revised draft Airports NPS following its detailed inquiry into the proposals. We are pleased that Members have accepted the needs case for additional runway capacity in the South East, endorsed the Department for Transport's findings that the Heathrow Northwest Runway scheme would offer the greatest benefits soonest of the three schemes considered by the Airports Commission, and agreed with the Government's preference for expansion at Heathrow, based on the strategic arguments.
- 1.19 The legality of a decision to designate the Airports NPS, and in due course the legality of any decision on an application for a development consent order, is a matter for the Courts. The Planning Act 2008, which regulates nationally significant infrastructure projects, provides a thorough process for the designation of National Policy Statements which we have followed, including consultation, publicity and parliamentary requirements.
- 1.20 In this Government response we address each of the Committee's recommendations, setting out where we have: (a) re-drafted sections of the Airports NPS specifically to acknowledge the Committee's concerns and take account of its recommendations; (b) updated the Airports NPS to clarify the current policy position, where that is deemed to be appropriate; and (c) agreed to take action separately from and outside of the NPS process, to address the issues raised by the Committee. We also set out the one instance where we do not agree with the Committee's recommendation.

Recommendation 2

Transport Committee recommendation

We recommend that both Houses of Parliament allow the planning process to move to the next stage by approving the Airports National Policy Statement, provided that the concerns we have identified later in our Report are addressed by the Government in the final NPS it lays before Parliament. Without addressing the concerns the Committee has raised, we believe there is a risk of successful legal challenge.

Government response

- 1.21 The Government welcomes the Committee's recommendation that Parliament approve the Airports NPS. This would facilitate an applicant making an application for development consent and meet the timescales that would allow a third runway to be operational by 2030.
- 1.22 In addition to the scrutiny provided by the Committee, a debate in Westminster Hall on 24 January 2018 provided an opportunity for MPs to consider the public consultations on expansion at Heathrow Airport, while the House of Lords debated the revised draft Airports NPS on 15 March 2018.
- 1.23 The Department for Transport has considered the written evidence submitted to the Committee's inquiry, along with the issues raised by Members and Peers in the debates to date. We expect further debates in both Houses to be scheduled to provide the opportunity for all Members and Peers to consider the proposals.
- 1.24 As mentioned above, in this Government response we address each of the Committee's recommendations in turn.

Recommendation 3

Transport Committee recommendation

We recommend that more detail be provided in Chapter 3 of the NPS on the evidence on environmental, health and community impacts and that the Department for Transport's comparative analysis be expanded to reflect more accurately the balance of impact across the three schemes it compares.

Government response

- 1.25 The Government is pleased that the Transport Committee agrees with our conclusion that the Heathrow Northwest Runway scheme offers the greatest strategic benefits of the three schemes considered by the Airports Commission, helping to secure the UK's hub status and offering the greatest improvement in long haul connectivity.
- 1.26 We recognise the importance of identifying within the Airports NPS where the environmental, health and community impacts will be greatest, how the adverse impacts compare to the benefits, and how the schemes compare with each other in terms of impacts and benefits.
- 1.27 Alongside the draft Airports NPS we published a number of documents which compared the environmental impacts of all three schemes. For example, the Appraisal of Sustainability (AoS) presents an assessment of environmental, social and economic impacts of all three schemes, and the Health Impact Analysis also presents an assessment of the health impacts from these environmental impacts. The AoS shows that, while all three schemes are expected to lead to a reduction in air quality and increased noise, the Gatwick Second Runway scheme would have fewer adverse effects relating to noise and air quality than either scheme at Heathrow. Similarly, negative effects upon quality of life, health and amenity were assessed to be of a greater magnitude for the two Heathrow expansion schemes and of a lower magnitude for the Gatwick Second Runway scheme. This is primarily because Gatwick Airport is in a more rural location, with fewer people impacted by the airport.
- 1.28 The Updated Appraisal Report (UAR), published in October 2017, attempts to monetise, where possible, the air quality, noise and carbon impacts affecting people

from each of the three schemes.⁷ As with the AoS assessment, these values show that environmental disbenefits would be higher with the Heathrow schemes. However, the UAR also shows that for all three schemes, these monetised values are small relative to the size of the monetised economic benefits over the 60-year appraisal period.

- 1.29 In order to enhance clarity however, we have supplemented the information already in Chapter 3 of the Airports NPS to include additional comparative evidence from the AoS on health and community impacts.

Recommendation 4

Transport Committee recommendation

We recommend that the population impact estimates be updated to reflect the air quality impacts from the increased number of aircraft movements and surface access traffic that will result from a Northwest Runway scheme. We also recommend the air quality monetisation modelling and results be published to clarify the monetised costs of poor air quality.

Government response

- 1.30 The Committee has rightly recognised the importance of determining how the air quality emissions generated by the scheme would affect people's health and the environment. At this stage of the process, the AoS that accompanies the Airports NPS does so by providing a high level assessment of the unmitigated air quality impacts of the scheme. Alongside the AoS, our updated air quality analysis report of October 2017 provides a more detailed assessment of the impact of the scheme on compliance with air quality limit values. In addition, the UAR sets out the monetised health impacts of the scheme on populations living within 2 km of the expanded airport. This area captures the vast majority (over 98%) of additional emissions that could occur from expansion.
- 1.31 The Department previously provided information to the Committee on the approach taken to monetise air quality impacts as well as on monetised health impacts beyond a 2 km boundary. That information was subsequently published by the Committee.⁸ In line with the Committee's recommendation to clarify the monetised costs of poor air quality, we have published an addendum to the UAR which will include estimates of poor air quality health impacts both within and beyond the 2 km study area.⁹
- 1.32 The Committee should note that a strategic level Health Impact Analysis was also published alongside each draft of the Airports NPS and will accompany any final Airports NPS. This identifies the impacts that could affect the population's health, including noise, air quality and socio-economic impacts, and any mitigations. This also takes into account potential impacts of increased road traffic beyond a 2km boundary.
- 1.33 The Government recognises that the AoS provides estimates of population affected by worse air quality within 2km of the expanded airport only, which is consistent with the approach adopted by the Airports Commission. Beyond a 2 km boundary, population estimates would be highly dependent on a number of assumptions such as choice of mode of transport and route choice, which in turn will be determined by

⁷ <https://www.gov.uk/government/publications/uk-aviation-forecasts-2017>

⁸ <https://www.parliament.uk/documents/commons-committees/transport/Letter-from-Chris-Grayling-MP-to-Committee-Chair-re-Airports-NPS-revised-draft-23-2-2018.pdf>

⁹ <https://www.gov.uk/dft/heathrow-airport-expansion>

the surface access strategy and mitigation actions developed by the scheme promoter as part of the development consent process.

- 1.34 As the Airports NPS sets out, it would be as part of the development consent process that the scheme promoter would need to undertake a detailed assessment of the air quality impacts of the scheme, including of emissions from road transport, and put forward an appropriate package of mitigations. No scheme would be allowed to proceed if it did not comply with air quality obligations.
- 1.35 Where the proposed project has likely significant environmental impacts that would have an effect on human beings, paragraphs 4.72-4.73 of the Airports NPS states that any environmental statement should identify and set out the assessment of any likely significant health impacts and that applicants should identify measures to avoid, reduce or compensate for adverse health impacts as appropriate. Hence a project-level Health Impact Assessment should form part of any application for development consent. This should include proposals for mitigating negative health impacts and maximising the health benefits of the scheme, and would be subject to consultation with communities and relevant stakeholders.

Recommendation 5

Transport Committee recommendation

We recommend the Government adopts a more stringent interpretation of air quality compliance than what is currently applied by the Department for Transport to support the NPS. This should include an appropriate level of headroom to manage the inherent uncertainty of predicting future air quality compliance. The applicant for a Development Consent Order should be required to show, with a reasonable degree of confidence, that their scheme can comply.

Government response

- 1.36 The Government welcomes the intent behind the Committee's recommendation and recognises the importance of ensuring the scheme can comply with air quality obligations.
- 1.37 The Airports NPS makes clear that development consent would only be granted if the Secretary of State is satisfied that, with mitigation, the scheme would be compatible with air quality obligations. Our air quality analysis of the scheme has helped inform the Government's view that this is achievable.
- 1.38 We recognise that making forecasts into the future inherently results in some uncertainty, but we have based our air quality analysis on the most up-to-date and best available evidence; namely, the evidence supporting the 2017 air quality plan and our updated aviation demand forecasts.
- 1.39 Our analysis uses a high aviation demand scenario, rather than the central scenario, to assess the air quality impacts of the scheme.¹⁰ In addition, it does not take account of any of the additional measures the scheme promoter could take to address emissions. For example, as set out in the Airports NPS, the scheme promoter would be required to consider an extensive range of mitigation measures,

¹⁰ The central scenario broadly corresponds to the Airports Commission's central scenario, assessment of need. This uses central projections for inputs published by agencies such as the Office for Budget Responsibility, OECD and IMF and assumes that there are no changes in airline business models. DfT low and high scenarios vary with key drivers, such as oil prices and GDP. The high passenger demand scenario (used in our analysis) results in a greater number of air traffic movements and surface access trips, and greater resulting emissions of air pollutants from aircraft, airport, and surface access sources, than expected under the central case. See Appraisal of Sustainability for further detail <https://www.gov.uk/dfthathrow-airport-expansion>

including an emissions-based access charge. The Airports NPS also specifically sets out public transport mode share targets for passengers and employees and requires the applicant to set out their plans on how they will achieve those targets (paragraph 5.17 of the Airports NPS). We therefore believe that the conservative nature of our analysis provides a degree of headroom to address the uncertainty associated with forecasting air quality. It would be as part of the development consent process that the applicant would need to consider a range of scenarios when assessing compliance with air quality obligations. Ultimately, as set out in the Airports NPS, failure to demonstrate compliance with legal obligations would result in refusal of development consent.

Recommendation 6

Transport Committee recommendation

We recommend that a condition be included in the NPS to the effect that development consent will only be granted if the Secretary of State is satisfied that the proposed scheme will: avoid significant adverse impacts on health and quality of life from air quality; mitigate and minimise adverse impacts on health and quality of life from air quality; and where possible, contribute to improvements to health and quality of life.

Government response

- 1.40 The Committee makes a highly relevant recommendation. Current legislation sets health-based limit values for concentrations of pollutants in the air, which are informed by World Health Organisation air quality guidelines. The Government has been clear that the scheme promoter would need to consider an extensive range of mitigations to address emissions from road transport as well as from aircraft and airport operations, both during the construction and operation of the scheme, as appropriate. As set out in the Airports NPS, development consent would only be granted if the Secretary of State is satisfied that, with mitigation, the scheme would be compatible with air quality obligations. These are in place to provide for the protection of people's health and the environment. We agree with the Committee's recommendation that this could be made clearer in the Airports NPS and have revised paragraph 5.42 accordingly.
- 1.41 As explained in the response to recommendation 4, a project-level Health Impact Assessment should form part of any application for development consent as is clearly set out in the Airports NPS. This should include proposals for mitigating negative health impacts and maximising the health benefits of the scheme.

Recommendation 7

Transport Committee recommendation

We recommend a written commitment of policy support for Southern and Western Rail Access be made by the Government in the NPS, including clarity around funding and the timeline for delivery. We also recommend the Government clarify which schemes are needed to support current two-runway operations at Heathrow and which are needed to support an expanded Heathrow. As part of this, we recommend the Department for Transport's updated surface access modelling be published so that the likely impact on road and rail congestion of a NWR scheme is known.

Government response

- 1.42 The Government welcomes this recommendation and recognises that effective, reliable and efficient surface access has a vital role in supporting access to the existing two runway airport, facilitating the expansion of Heathrow Airport and enabling it to achieve the full potential of its benefits. We have provided further clarity in the Airports NPS to reflect the status of the planned Western Rail Link to Heathrow (WRLtH) and potential Southern Rail Access to Heathrow in response to this recommendation at new paragraph 5.7.
- 1.43 The Government has made clear its support for WRLtH, which is currently in advanced development. Network Rail began its statutory consultation in May 2018, which will enable it to apply for development consent in 2019. We expect an appropriate contribution towards the cost of the scheme from the scheme promoter, commensurate with the benefit to the airport's users, and in line with our policy set out in the 2013 Aviation Policy Framework¹¹ and the Airports NPS. Subject to development consent, we expect construction for WRLtH to be completed by around 2026/27.
- 1.44 We are approaching the development of a proposed Southern Rail Access differently, recognising the interest expressed by a number of third parties in developing, funding, financing and delivering that scheme.
- 1.45 Southern Rail Access is at an early conceptual stage in its development and a route has not yet been defined. Subject to an acceptable business case and obtaining planning consent, operations should commence as soon as reasonably practicable after a new runway has opened. As part of our development process for this scheme we want to open the door to new and innovative ideas which are feasible and deliverable, make commercial sense and seek to maximise the benefits of this scheme for passengers and taxpayers. On 18 March 2018 the Department issued a call for ideas.¹² On 8 May this year we issued Prior Information Notices to gather ideas for rail access to Heathrow specifically and to explore the market's appetite to share the risk of development. This will help us to understand more about the size, scale and scope of the potential market for any Southern Rail Access.
- 1.46 Neither scheme could be described as 'essential' for a two runway Heathrow, because the airport already operates without them. However, the business case for the WRLtH is positive in a two-runway airport, and considerably stronger in a three-runway airport.
- 1.47 The Airports NPS proposes requirements for an expanded airport, including clear modal targets for passenger and employee travel. It places responsibility for developing and implementing an effective surface access plan, and meeting the targets, firmly on a scheme promoter. The application for development consent and associated surface access plan would need to be accompanied by detailed modelling and assessment of the impacts of expansion which would be scrutinised in detail through the development consent process. We recognise that the development of the plan, and the implications for the wider transport network will continue to change over time and will remain an area of interest. The Surface Access approach set out in the Airports NPS was based on the publicly available work of the Airports Commission, and published updates such as updated air quality analysis and the latest aviation forecasts. The Department's most recent aviation forecasts were published alongside the revised draft Airports NPS on 25 October 2017. The Department regularly

¹¹ An Aviation Policy Framework, published in 2013, is in place which sets out the Government's existing policy positions on airspace, air quality, surface access and noise.

¹² <https://www.gov.uk/government/speeches/invitation-for-investors-to-invest-in-rail-infrastructure>

updates its transport forecasts. This information is made public to allow the best planning decisions to be made.

Recommendation 8

Transport Committee recommendation

We recommend that the surface access costs in the appraisal, and which support the NPS, be updated and included in the final NPS to reflect the indicative costs of those additional schemes required to deliver on the target of no more road traffic. We are concerned about the absence of detail on proposed changes to the M25. We recommend that the Government work with Heathrow Airport Limited to clarify the proposals and bring greater certainty to the development plans. A key part of this must be the arrangements for diversion of traffic during any works.

Government response

- 1.48 The Committee has rightly highlighted that changes to the M25 are one of the critical areas of the project. It is essential that any planning takes account of the risk of disruption and provides effective mitigation both during construction and when operational. While the works affecting the M25 are the most high profile, this is equally important for other roads around the airport.
- 1.49 The Government and Highways England are currently working with Heathrow Airport Limited as it develops its plans. The current plans for the M25 are based on constructing a new section off-line; there will be no need to divert traffic as the existing motorway will remain open until the new section is completed.
- 1.50 Section 5 of the Airports NPS includes a requirement that the assessment and mitigation measures should distinguish between the construction and operational phases of development, and includes requirements for the applicant to consult Highways England, and other relevant transport authorities in preparing their plans.
- 1.51 The Government has added additional text to the NPS to make clear that the applicant ensures that any changes proposed to the M25 are implemented consistently with the Secretary of State's statutory directions and guidance set out in Highways England's licence.
- 1.52 We are aware that Heathrow Airport Limited has published further information on the plans for the M25 as part of its first consultation, the Heathrow Expansion Public Consultation.¹³ Further and fuller detail would be published as part of its proposed second consultation, to inform the development of its proposed application for development consent.
- 1.53 We welcome the Committee's focus on what public transport schemes might support the delivery of a no new airport-related traffic pledge. The pledge made by Heathrow Airport goes further than the mode share targets proposed in the Airports NPS. If the applicant includes this in their application for development consent they would be expected to provide more detailed evidence. On scheme costs, these would only be identifiable once the applicant was clear about the committed public transport schemes that it is seeking to rely on. As the Committee knows, potential public transport scheme costs will vary depending on the development stage and therefore it would be more appropriate to publish scheme costs outside the NPS at relevant stages.

¹³ <https://www.heathrowconsultation.com/>

Recommendation 9

Transport Committee recommendation

While we recognise the intention behind the current condition on surface access in the NPS, we conclude its drafting leaves too much scope for unintended surface access impacts from this scheme. We therefore recommend a condition be included in the NPS that ensures approval only be granted if the target for no more airport related traffic can be met, or that as a condition of approval, capacity be released at the airport, after construction, only when the target is met.

Government response

- 1.54 We welcome the intent behind the Committee's recommendation and acknowledge that managing traffic and the impacts on the surrounding transport network is essential.
- 1.55 Our proposals are based on improving public transport to the airport, encouraging airport users to switch from the car and using cars more efficiently, for example reducing empty taxi journeys. We expect the scheme promoter to prioritise measures to improve public transport and to encourage people to switch.
- 1.56 We have acknowledged Heathrow Airport Limited's public pledge to expand the airport without increasing landside airport-related traffic compared to today. This is a worthy aspiration which we support. However, we recognise the complexity of defining and measuring a specific target for no additional traffic, and the risk of unintended consequences if such a target were imposed.
- 1.57 The mode share targets we have proposed in the Airports NPS are part of a carefully considered package of measures to mitigate the impacts of expansion, whilst allowing enough flexibility to consider the effects on the wider transport network. We have proposed specific mode share targets for passengers and for employees at the airport. Paragraph 5.17 sets the baseline (2013) for these targets and paragraph 5.18 sets a clear requirement for annual public reporting of delivery against these targets. It is our expectation that the mode share targets would become requirements of a development consent order.

Recommendation 10

Transport Committee recommendation

We recommend that the Government provide a clear definition in the NPS of what constitutes a domestic route and that the Government outlines more clearly, in paragraph 3.34, how it intends to secure 15% of new slots for domestic connections, including the policy levers it will use to achieve this target. This should also include an explanation as to how the Government intends to deliver these slots in the immediate period after the third runway opens and how it will guarantee these slots are made available at suitable times spread across the day. The Government should also outline how it will enforce Heathrow's domestic connectivity commitments once a NWR scheme is in operation.

Government response

- 1.58 The Government welcomes the Transport Committee's endorsement of our ambitions for expansion at Heathrow to retain existing domestic routes and further enhance provision through new routes.
- 1.59 As set out in the Airports NPS, the Government sees the potential expansion at Heathrow Airport as an opportunity not only to protect and strengthen the frequency of existing domestic routes, but to secure new domestic routes to the benefit of passengers and businesses across the UK. The particular types of connectivity that can be accessed from Heathrow Airport are, and will continue to be, important for the economic and social development of the nations and regions of the UK.
- 1.60 The Government expects the majority of these domestic routes from a potentially expanded Heathrow to be commercially viable, as many are today, or secured through support from the airport operator. It is clear in the Airports NPS that the Government requires Heathrow Airport Limited to work with its airlines to protect existing routes and deliver new connections, and this will be examined as part of any DCO application. The Government will also hold Heathrow Airport Limited to account on its public pledges, including the introduction of its £10 million Route Connectivity Fund. If these measures do not provide the desired domestic connectivity to an expanded Heathrow, the Government will take action where appropriate to secure routes through the use of Public Service Obligations (PSOs). This includes ring fencing appropriately timed slots to facilitate onward connectivity.
- 1.61 As set out by the Secretary of State in his oral evidence to the Transport Committee, we would expect a combination of the above measures to account for up to 15% of the additional slots made available from the possible expansion of Heathrow Airport. The Government's expectations on domestic connectivity will be detailed as part of the Aviation Strategy Green Paper expected in the second half of 2018.
- 1.62 Under current EU regulations, UK Crown Dependencies do not meet the criteria for PSOs and are not included in the list of indicative domestic routes set out in the Airports NPS. We would expect flights to the UK Crown Dependencies to be included within the figure of up to 15% additional slots provided by any new runway that will be used for domestic flights, and will consider the connectivity between a potentially expanded Heathrow Airport and the Crown Dependencies as part of the Aviation Strategy. The text in the Airports NPS (footnote 85) has been amended to provide further clarity on this point.

Recommendation 11

Transport Committee recommendation

Before votes in Parliament to approve a final NPS, we would like to see evidence to demonstrate that the Northwest Runway scheme is both affordable and deliverable and that steps are being taken to address the valid concerns we heard in evidence about the high cost of the scheme and the significant risk that costs will rise.

Government response

- 1.63 The Government has always been clear that any scheme for additional airport capacity should be financed by the private sector, and agrees that any expansion must be delivered in a way that meets the interest of consumers (passengers and freight users).

- 1.64 The Airports Commission concluded that all three of its shortlisted schemes were financeable without Government support. Following the Airports Commission's Final Report, the Government undertook assurance on each scheme, and agreed with the Airports Commission's findings.
- 1.65 Since then, the Government has conducted considerable further assurance work on the financeability of Heathrow Airport Limited's scheme. Given the transformative nature of the scheme, there will inevitably be various risks and challenges that need to be addressed as the scheme design and regulatory framework are developed. Despite this, the Government has concluded that, so far as can be assessed at this early stage of the process, Heathrow Airport Limited appears in principle to be able to privately finance expansion without Government support.
- 1.66 The Civil Aviation Authority (CAA) stated in its April consultation¹⁴ that there are "credible scenarios in which capacity expansion can be delivered both affordably and financeably". This is in line with the modelling submitted to the Transport Committee by the CAA showing scenarios in which expansion could be delivered while meeting the Secretary of State's ambition for charges to remain close to 2016 levels.
- 1.67 Heathrow Airport Limited has also stated that it continues to develop potential options that could meet the aim of keeping airport charges close to the 2016 level in real terms¹⁵ and to deliver plans with an acceptable outcome to financing stakeholders, through fair and stable, long-term regulation.
- 1.68 Heathrow Airport Limited has developed these options through engagement with airlines under the oversight of the CAA in a process commissioned by the Secretary of State.¹⁶ In particular, this has led to Heathrow Airport Limited identifying cost savings of up to £2.5 billion. To maintain momentum the Secretary of State has recently recommissioned the CAA to continue to oversee airport and airline engagement up to the point of a development consent order application with an explicit focus on:
- The consumer being at the heart of scheme design, so that proposals are developed in their interest;
 - Further development of credible plans that deliver the Secretary of State's cost ambition to keep airport charges close to current levels;¹⁷
 - Benchmarking by industry-leading specialist advisers, alongside cost assessment delivered by the Independent Fund Surveyor who is appointed jointly by the airport and airlines to scrutinise proposals; and
 - Inclusion of incumbent and new entrant airlines.
- 1.69 This process will include an appropriate gateway or gateways for airlines to have a formal opportunity to express their commercial views on whether sufficient comfort is available on overall scheme affordability.
- 1.70 The Government will continue to monitor the financeability and affordability of the scheme as the design develops and as the economic regulatory framework for expansion matures.

¹⁴ <http://publicapps.caa.co.uk/docs/33/CAP1658EconomicregulationofcapacityexpansionatHeathrow.pdf>

¹⁵ <https://www.heathrowexpansion.com/construction-and-supply-chain/heathrow-set-unveil-options-2-5-savings-expansion-plans/>

¹⁶

https://www.caa.co.uk/uploadedFiles/CAA/Content/Accordion/Standard_Content/Commercial/Airports/Files/171110Section%2016ToRo nHALengagement.pdf

¹⁷ [http://publicapps.caa.co.uk/docs/33/CAP1610\(120014-12-2017\).pdf](http://publicapps.caa.co.uk/docs/33/CAP1610(120014-12-2017).pdf)

Recommendation 12

Transport Committee recommendation

We recommend a condition be included in the NPS that airport charges be held flat in real terms but with scope for a marginal increase provided the balance of benefits is in favour of the consumer, as assessed by the Civil Aviation Authority. We recommend that the Government consider whether the CAA has the powers necessary to regulate effectively future airport charges at Heathrow.

Government response

- 1.71 The Government agrees that expansion cannot come at any cost. In 2016, the Secretary of State set out a clear ambition for industry to work together to deliver a plan for expansion that keeps charges close to current levels. This ambition, together with the CAA's oversight of engagement between airport and airlines, which has now been recommissioned, has made real progress. This process can be credited with potentially driving down the costs of expansion by up to £2.5 billion.
- 1.72 Trade-offs may need to be made between financeability (the ability of Heathrow Airport Limited to raise the debt and equity required) and affordability (the increase in the level of charges levied by the airport, which may be absorbed by airlines rather than being passed on directly to passengers). The CAA has mentioned that an increase in charges may ultimately be in the interest of consumers if this were required to unlock the wider benefits of expansion.¹⁸
- 1.73 Through its licensing of Heathrow Airport, the CAA sets a maximum charge per passenger that can be recovered through airport charges following scrutiny of any costs incurred by the airport operator for efficiency. The principal duty of the CAA under the Civil Aviation Act 2012 in carrying out all its functions in relation to the economic regulation of Heathrow Airport Limited, including setting the maximum charge per passenger for Heathrow Airport Limited, is to further the interest of consumers (passengers and freight users).
- 1.74 Consequently, the CAA will scrutinise the cost of the scheme (and any subsequent increase in airport charges) to ensure that it delivers an appropriate solution to the need for extra capacity, on a basis consistent with its statutory duties to consumers, while having regard to its duty to ensure the holder of the licence is able to finance its provision of airport services. While the CAA has stated its desire to avoid significant cost and scope creep, any cost guarantee may cut across the ability of the CAA to act independently – and in the interest of consumers.
- 1.75 For example, any expansion scheme will be dependent on a number of external factors. The CAA will need to take these external factors into account, alongside the Secretary of State's ambition for charges to remain close to 2016 levels, before setting any maximum charge per passenger which can be recovered via airport charges – and, consequently, must not be bound by any cap on charges.
- 1.76 With regard to the CAA's power to regulate expansion, the Civil Aviation Act 2012 under which the CAA derives its powers was designed with expansion in mind. The development of the future regulatory framework to facilitate expansion is still at an early stage, but at this point the CAA has not identified that new powers, different to those granted in the Civil Aviation Act 2012, are necessary to regulate expansion.

¹⁸ <http://publicapps.caa.co.uk/docs/33/CAP1658EconomicregulationofcapacityexpansionatHeathrow.pdf>

- 1.77 At the Transport Committee oral evidence hearing, Andrew Haines, CEO of the CAA, noted that any legislation to give the CAA additional powers could be contentious and cause a significant delay to the timetable for expansion, which would not be in the consumer's interest.¹⁹

Recommendation 13

Transport Committee recommendation

We recommend that, at an appropriate early stage of the DCO planning process, the Government's preferred scheme be tested by the Civil Aviation Authority to ensure it is both affordable and financeable. Such a test should offer an opportunity to halt the planning process if it is evident that the proposed scheme has no realistic prospect of being built.

Government response

- 1.78 The Government and the CAA will continue to test financeability and affordability as the design of the Heathrow Northwest Runway scheme matures and the regulatory framework develops. It is not appropriate for elements of the regulatory process to be bound by requirements within any Airports NPS, but the text has been amended at paragraphs 4.36-4.40 to provide clarity on the roles of the different processes and how these are interlinked.
- 1.79 The independent economic regulator, the CAA, will assess any business plan put forward by the scheme promoter through the existing regulatory process under the Civil Aviation Act 2012. Expansion will also be subject to specific gateway reviews by airlines and stakeholders. A business plan is submitted by the licence holder and is developed following constructive engagement with airlines and stakeholders. This process will also include scrutiny and benchmarking of costs by specialist advisers including the Independent Fund Surveyor, who is jointly appointed by the airport and airlines, and whose role is to assure that capital funds are invested efficiently to meet agreed objectives.
- 1.80 As the CAA is a statutory consultee for all proposed applications relating to airports or which are likely to affect an airport or its current or future operation, the applicant is expected to provide the CAA with the information it needs to enable it to assist the Examining Authority in considering whether any impediments to the applicant's development proposals, insofar as they relate to the CAA's economic regulatory and other functions, are capable of being properly managed.

Recommendation 14

Transport Committee recommendation

We recommend the noise modelling be updated to reflect a range of possible flight-path scenarios. The results from this modelling should also be presented using a range of metrics and across the full range of thresholds recommended in the latest guidance. We believe it would be helpful if the Department for Transport published the evidence base supporting their assumptions about future fleet mix.

¹⁹ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/transport-committee/airports-national-policy-statement/oral/79002.html>

Government response

- 1.81 The Government agrees with the Committee that a range of flightpaths should be modelled at the appropriate point in the process, and that this must be done in a manner consistent with the latest government guidance. The Committee should note that Heathrow Airport Limited has recently concluded a consultation on principles for airspace design. The airport has indicated that this will be followed by two additional stages of consultation, with a consultation on flight path options expected by 2021.
- 1.82 The noise analysis that is presented in the AoS represents a strategic assessment of unmitigated noise impacts, based on indicative flightpaths. The use of one set of indicative flightpaths is consistent with the approach adopted by the Airports Commission to compare the three expansion schemes in its final report. The purpose of this assessment is to draw out key strategic considerations relevant to noise.
- 1.83 Precise flight paths for the Heathrow Northwest Runway scheme would be defined through the Civil Aviation Authority's Airspace Change Process. It is through this regulatory process that communities would see and have the opportunity to comment on the detailed proposals for new flightpaths that Heathrow Airport Limited would put forward. Any such proposals would need to take account of the Government's new policies on appraising options for airspace design and noise assessment. Ultimately, any application for development consent would need to contain information about flightpaths that are sufficient for environmental impact assessment. The examination during the development consent process would include consideration of the interactions between the scheme and the applicant's indicative airspace design.
- 1.84 Information on the Department's Fleet Mix Model was published in October 2017 alongside the revised draft Airports NPS.²⁰ The Aircraft Noise Contour noise database contains data for specific airframe/engine combinations. In particular, it contains extensive noise information for the majority of aircraft types that operate from UK airports. For future aircraft models the approach is to make an assumption on similar types whose noise levels are known.²¹

Recommendation 15

Transport Committee recommendation

We recommend that a condition be included in the NPS to ensure noise impacts be measured, during the DCO process, against an updated baseline that incorporates the Government's latest guidance and assumptions. We recommend that the NPS also specify the noise metrics and thresholds upon which noise will be assessed. These must be consistent with the Government's updated guidance.

Government response

- 1.85 The Government recognises the importance of basing any noise assessment on the best available information. We already require the noise-designated airports at which the Government currently sets noise controls (Heathrow, Gatwick and Stansted) to produce noise exposure contours on an annual basis. The latest available noise contours were published by Heathrow Airport Limited in December 2017.²² These cover a range of noise levels and noise metrics, including frequency metrics. The most up-to-date noise contours produced by Heathrow Airport Limited will therefore

²⁰ UK Aviation Forecasts report; a review of the DfT Aviation Fleet Mix Model.

²¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/372488/noise--local-assessment.pdf#page=330

²² https://www.heathrow.com/file_source/HeathrowNoise/Static/Heathrow_NAP_Contours_2016_and_Summer_Contours_2016.pdf

need to be set out in the applicant's noise assessment as a basis for comparison. This is additional to the requirement in paragraph 5.58 of the Airports NPS to limit, and where possible reduce, the impact of aircraft noise compared to the 2013 baseline assessed by the Airports Commission.

- 1.86 As set out in the Airports NPS, the noise assessment to be undertaken by the scheme promoter as part of the planning process would need to be conducted in line with relevant guidance and policy. Specifically, operational and construction noise should be assessed having regard to relevant British Standards and other guidance. For aircraft noise, the scheme promoter should have regard to the noise assessment principles set out in the national policy on airspace.²³ This is intended to include the noise metrics referred to in such policy. Paragraph 5.53 of the Airports NPS has been expanded to make this clear.

Recommendation 16

Transport Committee recommendation

We recommend that the Government defines in the NPS what constitutes “significant adverse impacts” and define an acceptable noise limit that reflects a maximum acceptable number of people newly exposed to noise due to the scheme.

Government response

- 1.87 The Government welcomes the spirit of this recommendation. The Noise Policy Statement for England,²⁴ which would be expected to be referenced in any assessment accompanying an application for development consent, discusses the concept of “significant adverse impacts” and acknowledges that the level above which these impacts occur is likely to be different for different noise sources, for different receptors and at different times. However, the Government recognises that aircraft noise is a significant concern for communities affected and that the way people experience noise is subjective. This is why the Airports NPS clarifies that noise performance targets at an expanded Heathrow should be tailored to local priorities. Such targets should therefore be set at a later stage in the planning process in consultation with local communities and relevant stakeholders and taking into account any independent guidance, such as from the Independent Commission on Civil Aviation Noise (ICCAN), which the Government announced proposals to set up in October 2017. This work by the scheme promoter would be informed by the noise assessment which, as set out in the Airports NPS, they would need to undertake having regard to the noise assessment principles set out in the national policy on airspace.
- 1.88 The Government acknowledges the evidence from the Survey of Noise Attitudes (SoNA),²⁵ which was published in February 2017 alongside our consultation on UK Airspace Policy.²⁶ This shows that sensitivity to aircraft noise has increased, with the same percentage of people reporting to be highly annoyed at a level of 54 dB LAeq, (16 h) as occurred at 57 dB LAeq (16 h) in the past. Based on the results of the SoNA study, a level of 54dB LAeq (16 h) therefore signifies a level at which significant community annoyance starts to occur.

²³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/653801/consultation-response-on-uk-airspace-policy-web-version.pdf

²⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/69533/pb13750-noise-policy.pdf

²⁵ <https://www.gov.uk/government/publications/survey-of-attitudes-to-aviation-noise>

²⁶ <https://www.gov.uk/government/collections/uk-airspace-policy>

- 1.89 As set out in our response to the consultation on UK Airspace Policy, the Government is moving away from a noise assessment policy based purely on annoyance to one which considers adverse effects related to health and quality of life. Any airspace change required for the Heathrow Northwest Runway scheme would be subject to the Civil Aviation Authority's Airspace Change Process. This would require a comparative assessment of options for airspace design with noise impacts assessed from the Lowest Observed Adverse Effect Levels (LOAELS) set out in our new national policy on airspace, namely 51 dB LAeq (16 hr) for day time noise and 45 dB Lnight for night time noise. This would be done using WebTAG, which is the Government's standard appraisal methodology for transport schemes, and would ensure that the total adverse effects of each option on health and quality of life can be assessed.

Recommendation 17

Transport Committee recommendation

We recommend that the Government set out in the final NPS how it intends to regulate any noise envelope and what options for recourse will be available against the airport and/or airlines for breaching such an envelope.

Government response

- 1.90 The Government acknowledges the importance of determining how a noise envelope should be regulated and enforced. The precise design of a noise envelope, including the details of any monitoring and enforcement regime, would be arrived at through the planning process, in consultation with local communities and relevant stakeholders.
- 1.91 As set out in the Airports NPS, the scheme promoter is expected to put forward proposals on how noise mitigation measures (such as a noise envelope) may be secured and enforced, including the bodies who may enforce those measures. These would be contained in its application for development consent, and be considered by the Examining Authority and the Secretary of State in, respectively, examining and deciding the application.
- 1.92 ICCAN will ensure that the noise impacts of airspace changes are considered and will produce best practice in noise mitigation which airports will be expected to follow. We have already established that reviewing existing mechanisms for enforcement and complaint resolution will be a priority for ICCAN when established. ICCAN could also provide advice to government on enforcement issues specific to an expanded Heathrow.

Recommendation 18

Transport Committee recommendation

We recommend the Government define a minimum acceptable level of noise respite in the NPS.

Government response

- 1.93 The Government recognises that predictable periods of noise respite are important for communities affected.

- 1.94 As the Airports NPS clarifies, it would be for the scheme promoter to put forward plans for a runway alternation scheme that provides communities under final approach paths with predictable periods of respite. Details such as timings, duration and scheduling would be defined through consultation with local communities and relevant stakeholders as part of the planning process. It would therefore not be appropriate for government to pre-empt the outcome of this process.
- 1.95 The Committee raises an important point when stating that the reference in the revised draft Airports NPS to predictability being afforded 'to the extent that this is within the applicant's control' is not clear. The Government intends this to refer to exceptional circumstances such as severe weather disruption outside of the airport operator's control. We are grateful to the Committee for raising this issue and have clarified paragraph 5.61 of the Airports NPS.
- 1.96 The Government notes that for communities living under the flightpaths farther from the airport, opportunities for respite could be provided by the design of the airspace arrangements. Proposals to change the design of the UK airspace are governed by the Civil Aviation Authority's Airspace Change Process, which is separate from the planning process, and will be complete before any third runway becomes operational.
- 1.97 In developing proposals for new flightpaths for the Heathrow Northwest Runway scheme, the airspace change sponsor would need to take account of the Government's new policy on appraising options for airspace design, such as considering the use of multiple routes, which could provide respite from noise.

Recommendation 19

Transport Committee recommendation

We recommend that affected communities are provided with a minimum average period of 7 hours of respite a night. The exact timing of this respite should be determined through joint working between the airport, airlines and communities. Evidence received suggest such a scheme would be achievable. A future night flight ban should not prohibit unpreventable overruns, in the event, for example, of weather delays. But we recommend a mechanism be established that provides stringent oversight of any night-flight regime to ensure that airlines and the airport are monitored and an effective enforcement regime is in place to incentivise much tighter control of overruns into the night-flight respite period where they are preventable.

Government response

- 1.98 The Government wants to strike a fair balance between the economic benefits that night flights offer and the cost they impose on communities, recognising that night noise represents the least acceptable aspect of aviation noise for communities affected.
- 1.99 The Airports NPS sets out the Government's expectation for every community that may be affected by expansion at Heathrow. This is an expected ban of six and a half hours on scheduled night flights between 23:00 and 07:00, meaning that, as a norm, every community affected by expansion would experience six and a half hours of noise relief.
- 1.100 The Airports NPS does not preclude consideration of different options. The Government has been clear that consideration of any ban, including the rules around its operation (such as timings), would be subject to consultation with local communities and relevant stakeholders in line with the requirements of the

International Civil Aviation Organisation (ICAO)'s Balanced Approach to noise management.

- 1.101 The Committee should note that we would anticipate there to be runway alternation even at night. This means that some communities would experience additional periods of noise relief between 23:00 and 07:00, potentially up to eight hours including any ban, subject to consultation with local people and relevant stakeholders.
- 1.102 We fully agree with the Committee's recommendation that a robust monitoring and enforcement regime should be developed. As explained in response to recommendation 17 on a noise envelope, the details of any monitoring and enforcement regime would be arrived at through the planning process, in consultation with local communities and relevant stakeholders.

Recommendation 20

Transport Committee recommendation

We recommend that: the threshold for £3,000 in compensation for acoustic insulation for residential properties be revised to reflect the significant noise annoyance thresholds in the latest Government guidance; the £3,000 committed for noise insulation be independently tested during the DCO process to ensure that this is a sufficient sum of money to mitigate properly the increased noise nuisance cause by the scheme; and the 125% offered to compensate residents whose homes are compulsorily acquired be independently tested during the DCO process to ensure it is appropriate and sufficient to cover the repurchase of an equivalent standard of housing at a suitable location. We recommend that the NPS clearly outline that there is no fixed limit on the amount of compensation offered to affected communities provided it meets the criteria set within the designated NPS. We also recommend that the £50m a year figure is increased by RPI each year so that the real terms value of this remains the same for each year of the 15 years.

Government response

- 1.103 The Government welcomes the Committee's focus on the compensation package for local communities. The Government shares the Committee's view that this package is a fundamental component of the package of measures that accompany the Heathrow Northwest Runway scheme. In totality the Government believes that the compensation offered to residents around the airport is appropriate. The Government has compared the compensation offered by Heathrow Airport Limited in the event of expansion at Heathrow with that offered by other airport operators around the world during periods of significant expansion and has concluded that the Heathrow package compares favourably.²⁷
- 1.104 Heathrow Airport Limited has publicly committed as part of its proposals to pay owner occupiers of homes within the compulsory purchase zone the un-blighted market value of their homes, plus a home loss payment of 25%, stamp duty land tax, legal fees and reasonable moving costs. This is considerably higher than the compensation that Parliament has required in statute. Heathrow Airport Limited is required to meet its statutory obligations under the Compensation Code and the Government would expect it to fulfil its public pledge to go further. Heathrow Airport Limited has also pledged to extend this offer to homes in the area known as the

²⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/562064/airport-capacity-programme-global-comparison-of-airport-mitigation-measures.pdf

“Heathrow Villages”, including Poyle, Colnbrook, Brands Hill, Harmondsworth, Sipson and Cranford Cross providing additional support to those most impacted by expansion at the airport (see footnote 226 of the Airports NPS). The Committee will note that homeowners impacted by proposed expansion will have the opportunity to make representations during the examination of an application for development consent, on any additional conditions which they believe should be attached to any compensation offer the applicant makes.

- 1.105 The Committee’s attention to noise insulation is timely. The Government published its Consultation Response on UK Airspace Policy on 24 October 2017. This acknowledged the recent Survey of Noise Attitudes (SoNA) research study which looked at sensitivity to noise. As mentioned in the response to recommendation 16 above, the study shows the same percentage of people reporting to be highly annoyed at the 54 dB LAeq (16 hr) threshold as occurred previously at the 57 dB LAeq (16 hr) noise contour.
- 1.106 Heathrow Airport Limited’s publicly committed noise insulation offer is to (a) fully insulate homes most affected by aircraft noise within the 60dB LAeq noise contour, and (b) contribute up to £3,000 towards the cost of noise insulation within the full single mode easterly and westerly 57dB LAeq (16 hr) or the full 55dB Lden noise contours of an expanded airport, whichever is bigger.
- 1.107 The Government notes that the 55dB Lden contour covers a much wider area (289,000 homes in 2030) than the 57dB LAeq contour (114,000 homes in 2030). The Committee will also wish to note that a greater number of homes will be eligible for noise insulation under Heathrow Airport Limited’s current public commitment than would be the case if Heathrow Airport Limited changed the eligibility criteria to 54dbLAeq.
- 1.108 The Government welcomes the Committee’s suggestion that the funding available for noise insulating homes within the qualifying noise contours is not capped. The Government notes that the Airports NPS makes clear that the “Secretary of State will consider whether... the applicant ... has put mitigations in place, at least to the level committed to in Heathrow Airport’s public commitments.”.
- 1.109 The Community Compensation Fund is an important component of the compensation package and the Government welcomes the Committee’s recommendation that there should be no fixed limit on the amount of compensation offered to affected communities. Any scheme promoter taking forward a planning application for a new Heathrow Northwest Runway will be required by the Airports NPS to develop a Community Compensation Fund, in consultation with local communities.
- 1.110 The Airports NPS sets out the principle that a Community Compensation Fund is required, but it does not mandate the detail. The Government has taken this approach because it believes that local communities should have an opportunity to influence the development of the fund through consultation with a scheme promoter. The Government agrees that inflation-proofing the fund is an area that might appropriately be addressed through consultation and any subsequent planning inquiry. However, the Government notes that there are many options for how a Community Compensation Fund could be taken forward, and not all options would benefit from an inflation-proofing requirement.

Recommendation 21

Transport Committee recommendation

We recommend that a condition of approval be included in the NPS which requires the scheme proponent to develop a strategy outlining how it intends on supporting local communities during and in the extended periods after the planning process is finished. This should be developed in consultation with the communities affected as well as the relevant local authorities.

Government response

- 1.111 The Government agrees with the importance the Committee has placed upon effective community engagement. The Airports NPS requires an applicant for development consent to engage constructively with a community engagement board. The Government is pleased that the Heathrow Community Engagement Board (HCEB) was launched in January 2018 and notes that since the Committee concluded its inquiry, an experienced and independent chair has been appointed. The Government expects that a scheme promoter will engage constructively with HCEB to develop and deliver a strong community engagement strategy that ensures local communities will be able to engage effectively and influence the development of the scheme. The Government agrees with the Committee's view that community engagement will continue to be necessary and important throughout the life of the airport. The Government believes that the HCEB will be well placed to lead engagement on behalf of local communities with an applicant before, during and beyond any planning process.

Recommendation 22

Transport Committee recommendation

We recommend a condition of approval be specified in an updated NPS that provides the Lakeside Energy from Waste plant with equivalent recognition as the Immigration Removal Centres and that the replacement of its facilities be accounted for in the DCO process.

Government response

- 1.112 The Government notes the Committee's recommendation but does not agree that the Lakeside Energy from Waste plant (EfW) should have equivalent recognition to the Immigration Removal Centres (IRCs). The IRCs are strategic assets providing nationally critical infrastructure and the Government therefore believes that it is correct to require that these be replaced, without interruption of service.
- 1.113 The Government recognises in the Airports NPS that the EfW plant has a role in local waste management plans and the Airports NPS therefore states that an applicant should make reasonable endeavours to ensure that sufficient provision is made to address the reduction in waste treatment capacity caused by its loss (see 5.146 of the Airports NPS). The Government considers that the EfW is not a strategic asset and that its loss would not impact the UK's ability to meet environmental targets. There is sufficient waste management capacity to absorb any Lakeside loss. Therefore it is not appropriate for the Government to grant the EfW a special status which sets it apart from other large, privately owned business facilities. The acquisition of the EfW plant should be the subject of commercial property negotiation,

as is the case with the acquisition of other commercial properties a scheme promoter would need to acquire should the scheme go ahead.

Recommendation 23

Transport Committee recommendation

We recommend that Government outline its intended policy approach to delivering airspace change for its preferred scheme as a matter of priority. We acknowledge the helpful work that the Government has already done through its 2017 airspace consultation and we recommend that the Government, in coordination with the Civil Aviation Authority and NATS, develop a clear approach as soon as possible.

Government response

- 1.114 The Government welcomes the recommendation and recognises that a clear approach to airspace change is fundamental to delivering the proposed Heathrow Northwest Runway.
- 1.115 As the recommendation sets out, the Government published a new airspace change policy in October 2017 and this was made effective in the revised CAA airspace change process on 2 January 2018. Airspace change for the proposed Heathrow Northwest Runway will follow this new process which provides a greater focus on industry and communities working together to find ways to manage noise which work best for local circumstances.
- 1.116 The Secretary of State has also been given call-in powers to have the final word on airspace changes of strategic national importance. This will allow the Government to provide high-level direction and act as a democratic backstop on the most significant decisions. The Government recognises that there is a key policy challenge for NATS²⁸ and individual airports to coordinate multiple interdependent airspace changes across different airports, including those for the proposed Heathrow Northwest Runway at Heathrow. In order to support this coordination, the Secretary of State for Transport commissioned NATS to produce a feasibility assessment of the potential future demands for airspace of airports in southern England. The Government expects to publish the high level findings of this later in 2018. The focus of this work is to ascertain whether all of the projected increase in demand for air travel can be accommodated within our airspace, whether and where airports may have the same demands over the same airspace, and the best sequence for implementation. This work will set the context for individual airspace design changes that will follow.
- 1.117 Furthermore, to provide appropriate oversight of the national airspace modernisation programme, the Government is working with the CAA and NATS to develop a new and robust governance framework with clear accountabilities. As part of this, the CAA will prepare and maintain a co-ordinated strategy and plan for the modernisation of airspace and report annually to the Secretary of State on the delivery of this strategy. The Government will also consider through the Aviation Strategy whether there are any further policy or regulatory changes required to support the airspace modernisation programme.

²⁸ NATS Holdings Limited (NATS) provides air traffic control (ATC) services through two principal subsidiaries: NATS (En Route) plc and NATS (Services) Limited. NATS (En Route) plc is the sole provider of ATC services for aircraft flying 'en route' in UK airspace. It is regulated by the CAA within the framework of the European Commission's Single European Sky and operates under licence from the Secretary of State for Transport. NATS (Services) Limited (NATS Services) provides ATC services to 14 UK airports.

Recommendation 24

Transport Committee recommendation

We recommend that the Government act immediately to identify, develop and implement the necessary policies needed to provide confidence that issues, such as airspace, air quality, surface access and noise, will be dealt with in a timely manner in anticipation of a development consent order being made.

Government response

- 1.118 The Government agrees with the Committee that all of these issues should be dealt with in a timely manner in order to provide the necessary additional capacity as soon as it is required. We have taken steps to ensure that the process to deliver airport expansion in the South East is as efficient as possible, including pursuing this policy using a national policy statement. This provides the most efficient means of ensuring scrutiny of proposals and potentially speeding up the development consent process. The Airports NPS contains assessment principles and planning requirements that any applicant would need to meet in order to gain development consent.
- 1.119 An Aviation Policy Framework,²⁹ published in 2013, is in place which sets out the Government's existing policy positions on airspace, air quality, surface access and noise. The Government also published a new airspace change policy in October 2017 and this was made effective in the revised CAA airspace change process on 2 January 2018.
- 1.120 The Government has also committed to developing a new Aviation Strategy. This document will set out a comprehensive long-term plan for UK aviation and will address the impacts of aviation on local communities and the environment. The Aviation Strategy Call for Evidence was published in July 2017. Beyond the Horizon: the Future of UK Aviation,³⁰ published in April 2018, sets out the challenges that the strategy will look to address and there will be a green paper published in the autumn of 2018. We are anticipating launching the Aviation Strategy in the first half of 2019.

Recommendation 25

Transport Committee recommendation

We recommend that the Government, in the immediate period after an NPS is designated, launch a specific policy consultation, looking at the best ways to maximise existing airport capacity across the whole of the UK. It may be prudent for the Government to consider how issues of air quality and surface access for other UK airports can be addressed in this broader strategy.

Government response

- 1.121 The Government welcomes the Committee's recommendation and recognises the importance of maximising existing airport capacity. The Government's Call for Evidence on a new Aviation Strategy, published in July 2017, stated that it was minded to be supportive of all airports that wished to make best use of their existing runways, including those in the South East.
- 1.122 Having analysed the responses to the call for evidence we have now confirmed that the Government is supportive of airports beyond Heathrow making best use of their

²⁹ <https://www.gov.uk/government/publications/aviation-policy-framework>

³⁰ <https://www.gov.uk/government/consultations/a-new-aviation-strategy-for-the-uk-call-for-evidence>

existing runways. However, we recognise that the development of airports can have positive and negative impacts, including on noise levels. We consider that any proposals should be judged on their individual merits by the relevant planning authority, taking careful account of all relevant considerations, particularly economic and environmental impacts.

Annex A: Government response to additional points raised by the Transport Committee report

Location in document	Point raised in the Transport Committee report	Government response
<p>1</p> <p>Introduction</p> <p>The planning process</p> <p>Paragraph 2</p>	<p><i>The application is considered by the Planning Inspectorate before the Secretary of State decides whether to grant a DCO. In short, and as the Secretary of State described, the NPS provides outline planning consent; it is Parliament deciding that, in principle, it is content that there should be a NWR at Heathrow airport</i></p>	<p>Planning processes frequently involve two processes, one by which policy is first formulated, followed by a process for obtaining consent or permission. Designating the Airports NPS sets the policy framework for expansion at London Heathrow Airport. The consenting process would only then begin with an application for development consent in line with the Planning Act 2008 NSIP regime by a private developer (possibly Heathrow Airport Limited). It is only during that later process that the particulars of the detailed design can be known and open to scrutiny; they simply cannot be available during the earlier policy process for designating an NPS. The Secretary of State previously compared the NPS designation process to that of seeking Outline Planning Permission under the Town and Country Planning Act 1990, where details for the finished scheme are not available during the outline stage. An analogy more closely akin to the NPS designation process would be the process by which a local planning authority makes a Local Plan, before developers promote site-specific applications for planning permission. The application for planning permission by a developer to the local planning authority then begins the consenting process, analogous to the process of applying for development consent. Whilst the analogy of Outline Planning Permission may be helpful to a lay person, it should always be borne in mind that designating an NPS does not itself give any consent or permission to a project.</p>

2	<p>The Case for <u>more Capacity</u> Review of the evidence - strategic case Paragraph 20</p> <p><i>The NPS states that the NWR scheme is “expected to lead to more long-haul flights and connections to fast-growing economies.” The DfT’s forecasts show that, at the UK level, the NWR scheme will offer one more destination overall to emerging and fast-growing economies when compared with no expansion. It will increase the frequency of long-haul connections to fast-growing economies against a no expansion scenario.</i></p>	<p>The Committee is correct to note that connectivity is about frequency of services as well as total number of destinations. By 2050 there is forecast to be one net additional connection at the UK-level to fast-growing economies (defined as less developed or newly industrialised countries) from the Heathrow Northwest Runway (NWR) scheme compared to the without-scheme case. The Heathrow Extended Northern Runway (ENR) would create no additional connections, and the Gatwick scheme would result in one less connection, compared to the without-scheme case. But this reflects a very narrow view of connectivity at only a single point in time. Frequency is also a vital component of connectivity that the above measure does not take into account - total modelled destinations can be less helpful than those of a specified frequency, as they can include very infrequent modelled charter services that offer little in the way of true connectivity benefit. Higher frequency services are vital to ensure passengers can travel when they want, and are particularly important for time-sensitive business passengers and air freight. If we take frequency into account, we see that by 2050 the NWR scheme offers eight additional daily destinations in these emerging markets compared to the without-scheme case, compared to seven for the ENR scheme and just one for the Gatwick scheme. These differences are even greater in the early years of the appraisal.</p>
3	<p>The Case for <u>more Capacity</u> Review of the evidence – economic case Paragraph 23</p> <p><i>The DfT’s appraisal shows little separates the economic cases of the three schemes. The economic benefits over the appraisal period are now marginally in Gatwick’s favour, which is forecast to deliver £74.1 billion in gross benefits; compared with a Heathrow NWR at £72.8 billion and £61.7 billion with a ENR. Once costs are considered, the net economic benefits for the NWR scheme are relatively small at a maximum of £3.3 billion over 60 years and in fact, may be negative if future demand falls. The net economic benefits for the other schemes are also relatively small. The draft NPS does not reflect the DfT’s appraisal, stating simply that “... overall the Heathrow NWR scheme is considered to deliver the greatest net benefits to the UK.”</i></p>	<p>The Government notes the Committee’s concerns about the economic case set out in the Airports NPS. As the NPS and Updated Appraisal Report (UAR) make clear, there are real challenges with monetising the full range of impacts associated with expansion, which explains why the economic case should be read alongside the strategic, and why we would not view the Net Present Value as a “maximum” given the significant positive impacts it excludes. It is worth clarifying that the economic benefits quoted by the Transport Committee reflect the lower end of the range estimated. As set out in the UAR, the range of benefits expected under the Heathrow NWR scheme, Heathrow ENR scheme and Gatwick Second Runway scheme are £72.8–74.2 billion, £61.7–62.8 billion, and £74.1–75.3 billion respectively. As such, the Government does not believe that little separates the cases of all three schemes. While it is agreed that the Heathrow NWR scheme and Gatwick Second Runway scheme have been found to deliver similar monetised economic benefits, the benefits for a Heathrow ENR scheme are clearly lower. On the relative strength of the economic cases for the Heathrow NWR and Gatwick Second Runway schemes, the Airports NPS is very clear. It states</p>

(paragraph 3.26) that "Cumulative benefits delivered by a NWR scheme remain highest throughout most of the appraisal period, until the mid-2070s, although total benefits are slightly lower than would be delivered by Gatwick expansion over the full 60 year assessment". The concluding statement from the Airports NPS that is highlighted by the Committee, which again references the UAR, relates to the Net Social Benefit metric, but also reflects the wider non-monetised benefits discussed in the Airports NPS that favour a Heathrow NWR scheme.

The evidence presented in the draft Airports NPS is based on the full appraisal set out in the Appraisal of Sustainability (AoS) and UAR. The purpose of the Airports NPS is to outline the Government's rationale for expansion, not to provide an exhaustive consideration of the economic and strategic impacts of expansion. These can be found in the UAR which is referenced as appropriate when judgements are made in the Airports NPS.

The Government is aware of the Committee's concerns, but is confident that the conclusions informed by its modelling are robust:

It is not assumed that Heathrow would fill up within 2 years of opening. This is a modelling result which reflects the extent of pent-up demand for services from Heathrow. In practice however, as the Committee notes, supply constraints could mean it takes longer for Heathrow to reach full capacity. This is why a sensitivity test was undertaken in the UAR to assess the impact of phasing capacity evenly over 10 years. This found that benefits to passengers would be reduced by less than 1%, and not therefore have a material impact on the assessment of the scheme.

That Gatwick remains a largely point-to-point airport is not strictly an assumption of the modelling, rather a finding of it. Given Gatwick's historic passenger composition it is forecast that it will continue to mainly deliver point-to-point low cost services. It is recognised that Gatwick could possibly offer different connectivity outcomes, as reflected by the Airports Commission's Low-cost is King scenario, but these are reliant on substantial changes to operating models and macroeconomic conditions. While Gatwick expansion has been found to deliver hub-type connectivity under extreme assumptions, Heathrow expansion delivers these benefits under any of the cases examined. Considering the daily long haul route forecast for Gatwick specifically, it is recognised that this appears to be low given current trends, but this is a result of the modelling and has not been assumed. The salient result is not the specific number of routes forecast but the broad relative differences between the schemes - and the key finding is that an expanded Heathrow would be expected to see far greater development in long haul connectivity than an expanded Gatwick.

4 The Case for more Capacity
Review of the evidence-economic case
Paragraph 24

...We have identified several factors in the appraisal that could increase the risk of a successful legal challenge at a later stage of the planning process. These should be corrected or clarified before the NPS is designated:
- The DfT assumed new capacity at a NWR would fill-up within two-years of opening in 2026. Several witnesses considered this to be a highly optimistic assumption. For example, the airlines considered the mobilisation of new aircraft and crew within that timeframe as unrealistic. It is also opposed to HAL's own commercial plans. If the forecasts were developed according to a more realistic profile of growth, the present value passenger benefits by the scheme would be reduced.

- The modelling also assumes that Gatwick, even with a second runway, will continue operating as a point-to-point airport, with limited long-haul connectivity. Gatwick Airport, which had 11 daily long-haul routes in 2016, is forecast to see a decline in daily long-haul routes to 7 in 2030 with a second runway and will not recover to its 2016 levels until the end of the appraisal period. This is inconsistent with recent growth in long-haul connectivity at Gatwick with a capacity

constrained single runway. Other UK airports expressed concern about the accuracy of the forecasts as they related to their airports.

- We acknowledge the concerns expressed by the proponents of the ENR scheme that the appraisal has been completed assuming a capacity lower than they believe their scheme can deliver. We do not have the technical expertise to make a formal judgement on whether the 740,000 movements for the ENR scheme are viable but we are concerned by what we have heard and the absence of a proper justification from the DfT.

- The NPS states that "in monetary terms, the environmental impacts of all three schemes are small when compared to the size of the benefits, or considered over the 60-year appraisal period." We are concerned that this only appears to be the case because the methods used by the DfT appear to underestimate these environmental costs. The full detail of these estimates is outlined later in report and in the annexes. It is beyond the scope and capability of the Committee to estimate the precise impact this could have on the economic case. Indicatively, several billion pounds of environmental costs have been omitted from the appraisal.

With regards to concerns expressed by the proponents of the ENR scheme:

- The Airports Commission considered both schemes and concluded that the Heathrow Northwest Runway scheme would facilitate around 40,000 additional ATMs compared with the Heathrow Extended Northern Runway scheme, on the basis of the NWR scheme allowing for more flexibility (including all three runways being full length and capable of independent operation) and the NWR airfield being less constrained, easing airport taxiway congestion.
- The Department has reviewed the Airports Commission's findings, taking into consideration the representations from Heathrow Hub Limited (HHL), and agreed with the Airports Commission's conclusions.
- The evidence provided by HHL uses an alternative, simplified methodology to model capacity, compared with the Airports Commission's work. Under this alternative methodology, the NWR scheme would still have greater capacity than the ENR scheme.

As discussed in the Government response to recommendation 4, the Committee's recommendation regarding air quality monetisation has been accepted and incorporated in an updated addendum to the UAR. However, wider criticisms of the environmental assessment are not accepted. The Department has followed the latest appraisal guidance and monetised these impacts appropriately. There is no basis therefore to assert that the appraisal could be omitting billions pounds of environmental costs. For example, the revised air quality monetisation (now fully included in the appraisal) leads to far lower additional costs, and does not therefore have a material impact on the overall conclusions reached.

<p>5 The case for more capacity Environmental, health and social impacts Paragraph 28</p>	<p>The DfT's comparative assessment of the schemes considered by the Airports Commission focuses on the strategic and economic business cases. Limited detail on the relative environmental, health and social impacts of the three schemes is included in Chapter 3 of the NPS. Only one paragraph in the NPS provides a side-by-side assessment of the schemes. It concludes:</p>
<p>The AoS that accompanies the Airports NPS is a strategic level assessment of the potential social, economic and environmental impacts of expansion, including on noise. The non-technical summary sets out the key findings.</p> <p>We have noted in our response to recommendation 3 that we recognise the importance of identifying within the Airports NPS how the schemes compare to each other with regards to environmental, health and community impacts.</p>	

... while all three schemes are expected to have a negative effect on impacts such as air quality, noise and biodiversity, the Gatwick Second Runway scheme has a less adverse impact than either scheme at Heathrow

In response to recommendation 3 from the Committee, we have amended the Airports NPS; see for example the new text at paragraph 3.50, providing additional comparative evidence from the AoS.

This limited consideration (para 28 - above) was justified by the DfT, on the basis that the NPS was a planning document and was "not really the place to set out an extensive discussion." We agree with this but the discussion in the NPS should reflect the weight of evidence, which we summarise in the table below. (More detail on these issues is included in the annexes to our Report). It is not clear whether the evidence base supporting the NPS fully reflects the scale of likely impacts of the NWR scheme, particularly in the way the noise impacts have been presented.

Paragraph 29

6 Improvements to the Airports NPS

Costs, financeability and airport charges
Paragraph 52

The NPS acknowledges that the Gatwick scheme "would be significantly cheaper" and require a significantly lower "level of debt and equity" than either of the schemes at Heathrow, with the Heathrow NWR the most expensive of the three schemes shortlisted by the Airports Commission. Beyond that, almost no mention is made in the NPS of the potential cost and investment risks associated with this scheme.

In 2015, the Airports Commission concluded that the "three schemes which were presented were commercially viable and deliverable with each subject to different risks and opportunities". The Airports NPS notes that while the level of debt and equity required for the Gatwick Second Runway scheme would be significantly lower than for the Heathrow schemes, the Gatwick Second Runway scheme would have comparatively higher demand risk. Since then, the Government has conducted considerable further assurance work on the financeability and affordability of Heathrow Airport Limited's scheme. The Government has concluded that, so far as can be assessed at this early stage of the process, HAL appears in principle to be able to privately finance the Heathrow Northwest Runway scheme without Government support.

7 Community impacts, compensation and support

Paragraph 75 - 76

The Committee mentions the Arora Group's proposals in the context of paragraph 1.15 of the revised draft NPS and note that Arora are proposing a cheaper scheme that reduces the cost of expansion by £5.2bn and introduces separate terminal ownership to the incumbent owners which Arora Group believe will lead to greater competitiveness and efficiency.

As noted by the Transport Committee, the revised draft Airports NPS does not preclude any applicant from submitting a development consent application.
In addition, Heathrow Airport Limited have set out their intention to the CAA and the Government that they will engage in good faith with airlines and third parties with sufficiently developed proposals. Heathrow Airport Limited

have acted on this and launched a 'pitch process' for potential commercial development partners to share ideas on how to deliver expansion.³¹

The Secretary of State has also re-commissioned the CAA under s.16 to oversee engagement between Heathrow Airport Limited and airlines to continue to work towards the ambition set out in 2016 to keep airport charges (Landing Charges, Departing Passenger Charges and Aircraft Parking Charges) close to current levels.

The Committee is correct to note the high degree of uncertainty surrounding future developments in both the aviation sector and the wider economy. This is why the Airports Commission considered a number of possible futures. It is the consistent delivery of substantial benefits from Heathrow expansion across each of these scenarios that demonstrates the importance of the hub model in providing capacity that is resilient to future market developments.

As noted by Tim Hawkins of Manchester Airports Group in his oral evidence to the Committee, while improvements in aircraft technology do make a greater range of point-to-point routes viable, this is far from incompatible with the hub model. The hub-model benefits from cost reductions in the same manner as the point-to-point model, as seen by the substantial numbers of modern aircraft operating out of hubs. Indeed, the routes proposed by Qantas may be seen within the context of the hub model - as seen by the recent route to Perth, these ultra-long haul routes operate from a hub at one end (Heathrow). While the range of possible routes is greater with new aircraft available, there will always be routes on the margin of viability - and the additional demand provided by interlining passengers will thus always help to boost connectivity.

It is also important to consider freight business models. International freight forwarders manage complex logistics chains across the globe, using central hubs to do so. Heathrow expansion ensures that the airport will continue to be able to compete against European competitors, which would otherwise present increasingly attractive options for freight operators to move to. For both passengers and freight forwarders, weakening London's hub status would result in substantial inefficiencies.

8 Annex A - Strategic Case
The future of the hub model.
There is conflicting evidence as to the future importance of hub airports in sustaining connectivity. The Secretary of State told us that the hub model is not about to disappear. There was consensus among industry representatives that the hub model would remain an important model within the industry. However, evidence suggests that the industry is changing, in part due to emerging technologies, such as the development of new planes that can carry smaller numbers of passengers commercially for much longer distances.

[When Airbus originally developed the A380 it believed that large city-pairs were going to get larger and airport capacity was going to become scarcer. Airbus believed that the hub-and-spoke network model would continue to dominate and predicted airlines will continue to fly small aircraft into big hubs to fill large aircraft. Boeing, on the other hand, did not believe as firmly in this model, with its research showing that since 1990 the number of city-pairs greater than 4,800km apart had doubled, frequencies had doubled and average aircraft size had been declining. The Boeing 787-9 was subsequently developed because it saw more growth in the number of markets and routes rather than in the size of the markets. When Airbus launched the A380 in 2000, it forecast sales of 1,200. As of April 2016, it had delivered 187. There had been speculation that the A380 would be discontinued

³¹ <https://www.heathrowexpansion.com/construction-and-supply-chain/heathrow-launches-pitch-process-for-potential-expansion-commercial-development-partners/>

altogether but had recently been pulled “back from the brink” with a \$16 billion order from Emirates. This is in stark contrast to the Boeing 787 which, as of April 2016, had 1,154 orders. The industry appears to be making progress on this front. The A350-1000 was showcased recently by Qantas to fulfil its Project Sunrise goal of flying direct, nonstop from the east coast of Australia to both London and New York (for which Boeing is expected to offer a development of its Boeing 777-8X). (Source: D Gillen, Aviation economics and forecasting (2017), Chapter 2, p 38)].

Tim Hawkins of Manchester Airports Group observed that “advances in aircraft technology mean there are many more viable routes and opportunities for point to point”; but remarked that “we have moved to something of a middle ground, and I do not think one or other is necessarily absolutely right.”

9	<p>Annex A- <u>Strategic Case</u> Passenger growth</p>	<p>One of the reasons the Government has endorsed the Heathrow NWR proposal is because it would accommodate the growth of business travel. Business travel is forecast to increase marginally, with or without any runway capacity constraints. Professor Peter Mackie and Mr Brian Pearce, former expert advisors to the Airports Commission, explained that this is because “business travel with London as origin or destination is among the least price-elastic market segments.” Dr David Metz and Professor Anne Graham also believed that there is “ample capacity to allow the growth of business travel in the absence of a new runway [...] since business travellers would pay a premium for the convenience of Heathrow.” Both the DfT and Heathrow have said that the demand modelling does not take account of how an expanded Heathrow might encourage and generate more travel by business passengers.</p>	<p>The Committee is correct to note that the modelling finds little difference between the schemes and non-expansion in terms of business passenger growth, due to the low price sensitivity of these passengers. But as noted this does not capture the additional demand that may be unlocked by forging new links to emerging destinations, as to do so would be highly challenging from a modelling perspective. Additionally, while the number of business passengers is found to be similar, the greater frequency of services offered to long haul destinations by an expanded Heathrow would enable these passengers to travel at a more convenient time. As a result, while the forecast number of business passengers are similar, Heathrow expansion is deemed to be more beneficial to businesses as a whole.</p>
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10	<p><u>Annex A - Strategic Case</u> Passenger growth</p> <p><i>The passenger growth facilitated by a NWR is accounted for almost entirely by leisure and international transfer passengers. The Government also believes it will be important for increasing tourism and the economic benefits associated with it. Lucy Chadwick, Director General at the Department for Transport (DfT), told us that leisure passengers “towards the back of the plane are bringing their tourist pounds into the UK as much as coming to do a variety of activity, so both ways there are potential economic benefits.” Yet outbound leisure passengers historically exceed those coming into the UK by 75%. The forecasts also show that an expanded Heathrow will accommodate more than three times more outbound passengers than inbound passengers. These passengers spend their money overseas and represent a “deficit” on the UK’s economic balance sheet; although there are positive economic benefits from outbound travellers as elements of several industries in the UK that exist for the primary purpose of serving outbound travellers.</i></p>	<p>With the growing importance of inbound tourism from fast-growing emerging markets, the need for fast, reliable links with long haul destinations is greater than ever. For example, between 2009 and 2016 inbound tourist visits from China rose from 87,000 to 260,000 (around a threefold increase). Being the UK’s sole international hub airport, and drawing on the evidence from forecasted long haul flights, it is clear that Heathrow offers the greatest potential in capitalising on this trend.</p> <p>As highlighted by the Committee, inbound tourists bring significant economic benefits, while outbound tourists can be seen to have a negative GDP impact. However, this does not consider the wider economic benefits that can arise through higher levels of tourism, through greater integration of cultures and on to stronger business links. Additionally, this is to view outcomes only in terms of economic activity and Gross Domestic Product (GDP), rather than taking a welfare approach, which is the standard basis of any policy appraisal. For example, enabling somebody to go on holiday abroad is most definitely a benefit to that individual, and should count as a benefit in a policy appraisal, even if there may be cost to GDP. Additional outbound tourism should therefore not be seen solely as negative or as simply a cost.</p>
11	<p><u>Annex A - Strategic Case</u> International connectivity</p> <p><i>In terms of the total number of long-haul destinations served, the forecasts show that there is little difference across all the expansion scenarios, with the NWR only offering two more destinations than would occur without expansion. This is not consistent with evidence provided by the Department in which they claim a NWR would provide “many more” destinations than Gatwick... It is a reasonable expectation that the NWR scheme would be able to consolidate on its incumbency as a hub to offer a greater number and variety of long-haul connections in the short-term and of greater frequency than the other schemes. Over the longer-term, the connectivity figures above show that the NWR scheme will</i></p>	<p>We are very clear that there is a real, significant and persistent difference in the improvement to the UK’s international connectivity delivered by each scheme. As noted in point 2 above, the comparison made here takes a very narrow view of connectivity that does not consider the importance of frequency. The revised forecasts show that Heathrow expansion significantly increases the number of daily long haul destinations available to passengers, with 16 additional destinations in 2030 under the Heathrow NWR scheme. This compares to just two additional daily long haul destinations arising from expansion at Gatwick. This is likewise reflected in measures such as the number of long haul flights (in 2040 for example, expansion at Heathrow NWR leads to 43,000 additional long haul flights against 8,000 at Gatwick) and the number of available seats (16 million additional long haul seats with expansion at Heathrow NWR against 3 million at Gatwick), which do show a substantial difference between the schemes.</p>

offer the greatest long-haul connectivity benefits, but not by a significant margin when compared with the other expansion scenarios. This is not consistent with either the NPS or the Department's assessment of the connectivity benefits, in which it states there would be "very clear difference in the international connectivity."

<p>12 <u>Annex A - Strategic Case</u> International connectivity</p>	<p>The Department has also assumed that any rise in airport charges will be absorbed by the airlines and not passed on to passengers... The Department has also assumed passengers are insensitive to price when they make their choice of airport. This appears to be inconsistent with recent trends and the airlines acknowledge that passengers are increasingly price sensitive, particularly in an era in which online price comparison websites have become the norm.</p> <p>The Airports Commission examined the treatment of aero-charges through previous research and submissions. This evidence suggested that airlines are capable of managing aero-charges without necessarily needing to pass these onto the consumer. Further assessment undertaken by the Department as part of the Further Review and Sensitivities Report (FRSR)³², which considered the value of slots at Heathrow, further supported this approach. As such the Department is confident in the use of this assumption in its modelling.</p> <p>In terms of passenger airport choice, detailed multi-factor analysis has not found price to be a significant factor at an aggregate level. The Department recognises that price may be an important factor for individuals, but this cannot be observed statistically. This may be due to the model already separating out low cost traffic, or could simply be due to limited current variation in prices across airports meaning that there is little evidence of passengers currently choosing to fly from different airports due to price.</p>
<p>13 <u>Annex A - Strategic Case</u> Direct international connectivity from the regions</p>	<p>(Figures in the aviation forecasts) imply that the premise that an expanded Heathrow means more connectivity for non-London airports is a false one. In recent years, non-London airports have had success in establishing their own international route offerings, for example Manchester Airport has recently established routes to Beijing, Hong Kong, Houston and Singapore. Tim Hawkins said that many regions had established those routes because "airlines think they can make money by serving that catchment directly, flying to the places where people in that catchment want to go". The figures above show that these international routes will continue to grow at non-London</p> <p>The UAR is clear that "While expansion will also see some displacement of passengers from other airports to the London system, overall non-London airports continue to display strong growth in passenger numbers by 2050". Heathrow offers connectivity benefits to nations and regions across the UK which rely on connections into hub airports as a way of accessing important international markets. In addition to this domestic air connectivity, Heathrow's package of surface access schemes will help users and businesses from across the country to access the expanded airport. Expansion at Heathrow is necessary to deliver the connectivity benefits that the UK as a whole requires, and this can occur while services continue to grow from regional airports. The Airports NPS is clear that the Government expects an increase in domestic services to Heathrow Airport, with Heathrow Airport Limited having set out plans for the provision of at least six additional services.</p>

³² <https://www.gov.uk/government/publications/airport-expansion-further-review-and-sensitivities-report>

airports but that this growth would be slowed by the NWR scheme.

14	<u>Annex A - Strategic Case</u> Freight	<p>The Secretary of State said that freight was “a real differentiator” between Heathrow and Gatwick. The NPS concludes that “the NWR scheme delivers the greatest support for freight (with) a doubling of freight capacity at the airport”... Ultimately freight benefits are a function of the range and frequency of long-haul connectivity. As set out above, the long-haul connectivity benefits over the longer term are only marginally in favour of the NWR scheme over the longer term. On this basis, it is not clear how the air freight benefits for a NWR scheme would, over the longer-term and at the UK level, be substantially different from those offered by the other schemes.</p>	<p>As set out above, we do not accept the conclusion that Heathrow only offers marginally better long haul connectivity improvements. Long haul international airline seats, a proxy for freight capacity, are forecast to grow substantially faster under the NWR scenario due to Heathrow’s dominance in the UK long haul ATM market; forecasts suggest that by 2040, expansion through Heathrow NWR would add 16 million additional long haul seats, while a second runway at Gatwick would only add 3 million. This is a substantial difference in the available space for UK companies to transport goods across the world. Furthermore the geographic location of Heathrow Airport, with its wide variety of surface access links and access to businesses across the M4 corridor, makes it ideally situated to capitalise on these freight opportunities and will help facilitate future growth. Heathrow has a long track-record of handling substantial volumes of freight (around 20 times that of Gatwick by tonnage in 2016), and pledges to double this capacity will see growth far above what could be achieved within Gatwick’s proposal.</p>
15	<u>Annex A - Strategic Case</u> Wider economic benefits	<p>What remains unclear is the scale of these (wider economic) benefits across the three schemes. In its appraisal, the DfT estimates wider economic benefits of between £2.0 and £3.9 billion for the NWR scheme and includes these in the economic case. These benefits reflect the increased business output from lower costs of production, and changes in tax revenue that occur from the redistribution of jobs across areas of the country that display different levels of productivity. These benefits are almost entirely dependent on long-haul connectivity growth which, as discussed above, are only marginally in favour of the NWR scheme over the longer term.</p>	<p>It is recognised that there is substantial uncertainty around the scale of wider economic benefits, and the Department continues to develop its approaches to quantifying these. What has been found consistently across the alternate methodological approaches deployed in recent years is that the NWR scheme delivers the greatest wider economic benefits. Given the great degree of uncertainty, the Department has taken a conservative approach to reporting estimated wider economic benefits. The values reported in the UAR and referred to by the Transport Committee therefore only represent the most certain of these impacts. In other words, the wider economic benefits that have been monetised and included in the appraisal are likely to be an underestimate of the total wider economic impact. As the Committee notes, these non-monetised wider economic benefits are expected to be driven by differences in connectivity. But as set out above, the connectivity improvement delivered by the NWR scheme is not thought to be only ‘marginally’ greater than the other schemes. It would deliver over 5 times the additional number of long haul flights by 2040 for example. We would therefore expect the scale of corresponding wider economic benefits to be significantly larger. For example, the potential scale of impacts can be seen from the ‘Seat based’ trade estimates reported in the UAR (p.28) which find that the NWR</p>

could potentially deliver up to £131 billion in trade benefits. While we would heavily caution against putting weight into such a number, it does reflect the possible scale of impacts. To be clear, as this figure is not included in the appraisal, it underlines the need to consider the strategic case alongside the economic case when drawing conclusions about the relative impacts of the schemes.

The Department has been clear throughout that the job impacts referred to are only for the local area, and that these cannot be taken as net increases in UK-wide employment due to potential displacement. No explicit judgements have been made as to the potential impact on net national employment. In addition, the job estimates do not include jobs in construction as by convention these are assumed to displace jobs on other construction sites.

There are, however, reasons to believe that Heathrow expansion could result in a net increase in employment for the UK as a whole due to Heathrow's international transfer passenger market, as growth sees passengers displaced from other international hubs, increasing UK aviation activity and thus employment.

The UAR has been developed (amongst other reasons) in order to provide a fair and consistent basis for comparison across all schemes and to inform the Airports NPS. There will always be uncertainties and challengeable assumptions with any analysis, which is why the Airports Commission and the Department presented scenario and sensitivity analysis. We do not accept the assertion that there are errors in the appraisal which undermine the economic case; it has been subject to thorough consultation and review, any issues have been fully addressed, and the conclusions drawn from the evidence still stand. We also do not accept the assertion that the Net Present Value represents a "maximum" and that the economic case is based solely on a net present value. As explained above, the economic case excludes significant positive impacts, and should be read alongside the strategic case, and there is a wider array of summary metrics, including the time profile of benefits, which are also important factors when considering the economic case.

With regards to the rapid growth assumption, our response is covered in point 4 above. Issues relating to surface access costs are covered by responses to recommendations 7 and 8, and air quality issues are addressed by points 4 and 21 in this annex.

On noise, the Committee's key question is about why noise costs have fallen since the Airports Commission's estimate, and how reliable the more

16 Annex A - Strategic Case
Jobs growth
The displacement impacts have not been quantified as part of the NPS appraisal. It is therefore impossible to say what the real 'net' jobs increase from a new NWR would be and whether, particularly during construction, there might be a cost in terms of labour availability elsewhere in the country.

17 Annex B - Economic Case
It has become apparent that there are inaccuracies and inconsistencies in the way the economic case supporting the NPS has been developed. These errors, discussed below, undermine the economic case for the NWR scheme which already depended on marginal net present value benefits at a maximum of £3.3 billion over 60 years. The Government explicitly acknowledges in the NPS that "in monetary terms, the environmental impacts of all three schemes are small when compared to the size of the benefits, or considered over the 60-year appraisal period." Upon examination, it has become apparent that there are issues with the way the environmental costs have been monetised.

The TC report goes on to list issues with Rapid Growth Assumption, Surface access costs, Air Quality Costs, Carbon Costs and Noise Costs.

optimistic fleet mix and flight path assumptions are. The former is discussed within the UAR on page 41. A response to the latter aspect is contained within our response to recommendation 4.

The Committee refers to expert advice that suggests a certain portion of the traded-carbon (i.e. flight) emissions should be costed to reflect leakage from trading systems or low carbon prices. We are satisfied that the latest appraisal guidance has been followed and that the policy is treated in a consistent manner. As emissions are deemed to be traded within a global system beyond the short term, for most of the appraisal period there is no possibility of leakage from the trading system.

The Government welcomes the Committee's focus on the safe operation of an expanded airport. The Airports NPS makes clear that a new runway must comply with the UK's civil aviation safety regime, regulated by the independent CAA. In its report the Committee has quoted paragraph 3.58 of the revised draft NPS with regards to safety, but has mistakenly assumed the comment quoted applied to the Heathrow Northwest Runway scheme. The quoted comment on measures required to ensure that the airport can operate safely applies to the Heathrow Extended Northern Runway scheme.³³ As the CAA stated in their evidence to the Committee "there was no obvious impediment" to development and "that hell will freeze over" before the CAA allows a scheme to go forward where there are fundamental concerns over safety. The NPS is clear that the scheme must comply with the UK's civil aviation safety regime, regulated by the Civil Aviation Authority.

The Government welcomes the Committee's consideration of the impacts of expansion beyond the red line boundary of the scheme. The AoS considers the impacts of expansion beyond the red-line boundary in a number of different appraisal areas including environmental and community impacts and the impacts on housing demand. The AoS considers the overall impacts on housing demand will be spread across local authorities across London and the South East and is low in comparison to existing planned housing. However, the scale of the change is unlikely to significantly increase the housing pressures across the entire London region. The Airports NPS itself also takes account of impacts beyond the

18 Annex D - Deliverability
Airspace
 change

The Heathrow NWR airspace proposal, including any associated flight-path changes, is only provisional and there are no formal guarantees yet that it can be delivered safely and without having a knock-on effect on other airports in the London system. The NPS concedes that there is ... greater uncertainty [for the NWR scheme] as to what measures may be required to ensure that the airport can operate safely." The work done to this point has only involved "very high level" preliminary assessments, including an airspace efficiency report by NATS; a Fast Time Airspace Simulation by NATS; an airspace resilience paper by NATS; preliminary safety review by the CAA; and a ground risk analysis by Health and Safety Laboratory.

19 Annex E - Community, Health and Social Impacts
 Wider planning issues

The direct impacts on local community and planning considered within the NPS, and to which a future NWR development consent order (DCO) will apply, are indicated by the 'redline' boundary map (see figure below). In practice, the impact of the NWR will extend well beyond the 'redline boundary' and be felt acutely by nearby communities and local authorities. As the Joint Boroughs of Hillingdon, Richmond,

³³ <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/transport-committee/airports-national-policy-statement/oral/79002.html>

<p>Wandsworth and Windsor and Maidenhead explain:</p> <p><i>Development at Heathrow affects the scope for other local planning decisions ... it would require thousands of new homes to be built, affecting local plans, road networks and involve siting thousands of extra new residents in areas affected by bad air quality and noise pollution.</i></p>	<p>boundary of the scheme, particularly in setting out mitigations to manage the impacts of aircraft noise.</p>
<p>20 <u>Annex F - Air Quality</u> Air quality in the NPS and legal compliance</p>	<p>The Government notes this section of the Committee's report. It is in the updated Air Quality re-analysis report published in October 2017 where the risks to impact on compliance with limit values are discussed. Making forecasts into the future inherently results in some uncertainty, but we have based our estimates on the best available evidence.</p> <p>Our assessment of the impacts of the scheme is conservative. It uses a high aviation passenger demand scenario, rather than the central scenario, to assess the air quality impacts of the scheme. In addition, it does not take account of any of the measures the scheme promoter could take to address emissions further. These include Heathrow's pledge to deliver a public transport mode share target for passengers of at least 55% by 2040.</p> <p>The updated Air Quality re-analysis of October 2017 does acknowledge (para 1.3.6) that there are limited actions that the scheme promoters can take to reduce the impacts of the schemes in central London. The mitigation of risks relies on the effective implementation of the Government's 2017 Air Quality Plan measures and Real Driving Emissions (RDE) legislation to reduce emissions from road transport.</p>
<p>21 <u>Annex F - Air Quality</u> Air quality and costs in the economic case</p>	<p>The air quality monetisation has been revised to capture all the health impacts from worse air quality. This is a conservative estimate that does not take account of potential mitigation measures, and uses a higher demand scenario which leads to a worse air quality impact than is likely.</p> <p>The revised appraisal is set out in an addendum to the UAR, available on the Government's website. It is fully consistent with Defra's latest guidance on how to measure and value changes in air quality.</p>

Commission sensitivity analysis only captures one component of the health costs and does not monetise the wider environmental costs from worse air quality.

22	<p><u>Annex F - Air Quality</u> The local population impacts</p>	<p>We received evidence to indicate the traffic impacts from an expanded Heathrow extend beyond this 2km radius (see 'Wider Study Area' below). While airport related traffic might have a small absolute impact in terms of emissions, additional traffic on an already congested network can have a disproportionate impact in terms of creating additional congestion and additional pollution from non-airport related traffic. The air quality reanalysis found that "modelled roadside pollutant concentrations in Greater London are elevated across a wide area" this was because of the growth in additional vehicle trips generated by the airport. To only model population impacts within a 2km area seems to be an overly rigid view of the potential population impact.</p> <p><i>It should be noted the air quality local population impacts have not been updated since they were estimated by the Airports Commission. They do not account for the latest uplift in demand forecasts and ATMs and surface access movements that would be realised with an expanded NWR and the consequent increase in pollution this would cause. It should also be noted that the population analysis is based on a static number of residents rather than an analysis including the population moving through the area.</i></p>
23	<p><u>Annex G - Surface Access</u></p>	<p>We are approaching the development of a proposed Southern Rail Access differently, recognising the interest expressed by a number of third parties in developing, funding, financing and delivering that scheme.</p>

...it is clear from the evidence that these schemes are essential even in a two-runway world

Southern Rail Access is at an early conceptual stage in its development and a route has not yet been defined. As part of our development process for this scheme we want to open the door to new and innovative ideas which are feasible and deliverable, make commercial sense and seek to maximise the benefits of this scheme for passengers and taxpayers. On 18 March 2018 the Department issued a call for ideas. On 8 May this year we issued Prior Information Notices to gather ideas for rail access to Heathrow specifically and to explore the market's appetite to share the risk of development. This will help us to understand more about the size, scale and scope of the potential market for any Southern Rail Access. Neither scheme could be described as 'essential' for a two runway Heathrow, because the airport already operates without them. However, the current business case for the Western Rail Link to Heathrow (WRLtH) is positive in a two-runway world and, as noted, was being developed regardless of expansion, but the case is considerably stronger in a three-runway world.

The Airports Commission identified three major rail improvements which would support a new NWR at Heathrow Airport. These were Crossrail, a WRLtH and Southern Rail Access to the airport. The Government has supported, or is supporting, all three of these schemes subject to a satisfactory business case and the agreement of acceptable terms with the Heathrow aviation industry.

...there are concerns that there may be difficulties in getting either or both schemes (WRLtH and Southern Rail Access) developed and operational in time for the additional runway

Crossrail is in construction and full services are anticipated to commence in 2019. The WRLtH was one of the schemes named as being in the 'develop' phase in the Rail Network Enhancements Pipeline, published in March 2018 and, subject to obtaining planning consent, it is expected to commence operations before 2030. Any Southern Rail Access to Heathrow is at an earlier stage of development and subject to an acceptable business case and obtaining planning consent, could commence operations in the 2030s to support growth in the number of airport users after a new runway has opened.

Several links on the roads network near to the airport, particularly those sections of the M4 in the closest proximity, are expected to require widening to cope with increased demand resulting from expansion.

There are a number of references to the M4 in the Transport Committee report Annex G - it is worth noting that the Airports Commission Final Report said that work to the M4 might be needed if action was not taken to improve public transport or put in place alternative measures to manage demand.

The Airports Commission Final Report stated:

"On the strategic road network, a number of links near to the airport, particularly those sections of the M4 in the closest proximity, are expected to require widening to cope with increased demand resulting from expansion, although demand management measures, such as congestion charging, could be used as an alternative to this. Other lines such as the Heathrow Express and Western Rail Access are not expected to be so busy and, with the exception of some sections of Crossrail, the strategic road and rail links serving the airport will not be as congested outside peak hours."

We agree with the assessment that demand management could be used as an alternative. Further widening/ improvement of the M4 into central London is a wider issue than airport expansion so we will consider it as part of the normal roads investment process. Our proposals in the Airports NPS are based on improving public transport to the airport and encouraging airport users to switch from car to Public Transport. Widening the M4, with all the cost and disruption that would incur, is not consistent with that goal. Some form of demand management was always allowed for by the draft Airports NPS, and this was brought out more clearly in the revised draft Airports NPS published in October 2017 (para 5.17).

As noted in the responses to recommendations 7 and 8, the Airports NPS places responsibility for developing and implementing an effective surface access plan, and meeting the targets, firmly on the applicant. There are different ways in which the applicant might meet these targets which will need to be balanced across different modes of transport- e.g. bus, coach, heavy rail, tube, demand management, private hire vehicles etc.

We have provided further clarity in the Airports NPS to clarify the status of planned WRLtH and potential Southern Rail Access to Heathrow in response to the recommendations of the Transport Committee.

There are a number of different issues here which have been brought together in the Committee's report:

- The cost of expanding the airport, and paying for surface transport improvements needed only because of expansion (e.g. M25, A4 etc.) These will be funded by the applicant.

Despite these findings, John Holland-Kaye believed that the NWR scheme "does not rely on new infrastructure that is not yet committed" and added that "just to be clear, we do not need western rail or southern rail in order to meet our mode share targets in a three runway world." Caroline Low of the Department also believed that "those rail schemes, while very important for

access to the airport, are not necessarily essential to deliver the mode share targets.

- The cost of schemes which are happening anyway, such as Crossrail, HS2 etc. These are generally funded by the taxpayer, albeit sometimes with a contribution from the airport.
- The cost of schemes which benefit an expanded airport and non-airport users (e.g. WRLtH) which are expected to be jointly funded. Any public funding would need to be justified against normal value for money rules.
- Other cost figures which have been quoted by people giving evidence, but without any detail behind them.

The Transport Committee highlight that there remains uncertainty about the costs of some of the surface access schemes.

The schemes are at different stages of development. As with any infrastructure project, as the designs and development matures so will the cost estimates. In some cases, such as Southern Rail Access, there are still decisions to take about their scope and, therefore, cost. As the design of the individual schemes matures, costs will become more certain.

A low emissions zone charge is not accounted for...in the appraisal.

The cost and benefits of a low emission zone or cordon charge has not been included in the assessment. There are a number of forms that such a measure could take so it is not possible to make a meaningful assessment at this stage.

In addition to the ambiguities around the total costs, there are uncertainties as to who is going to pay for these.

The position on who should pay for which improvements is set out above and in the Airports NPS. The contribution from the scheme promoter towards the cost of the rail schemes will be negotiated as these schemes develop. It will depend, amongst other things on the share of benefits between airport and non-airport users.

These outstanding issues around surface access costs and their attribution between the public and private sectors are vitally important both from a business case and scheme financeability point of view ...

The UAR, published in October 2017, includes a range for surface access costs. The Department did not make any changes to the surface access scheme cost estimates considered in the central case from those published in the FRSR. The costs reflect uncertainty about the scope and design of the schemes. The economic analysis is based on the surface access schemes identified by the Airports Commission. The schemes identified by the Airports Commission included those required for the additional runway to be built and some to mitigate the potential impact of expansion. It should be noted that the UAR does not take account of any benefits arising from surface access improvements, only the cost.

This is not correct. Mode share targets are set in paragraph 5.17 of the Airports NPS. The Transport Committee conflates the mode share targets and no new traffic pledge but they are different. The mode share targets set out in the Airports NPS are specific percentages for passengers, and an absolute reduction for employees against a defined 2013 baseline, whereas the no new traffic pledge is Heathrow Airport Limited's aspiration. The quote from the Secretary of State referred to by the Committee was in response to a question specifically about the Heathrow Airport Limited's 'no new traffic' pledge.

This is not correct. Para 5.17 sets a baseline (2013) for the employee targets and paragraph 5.18 sets annual public reporting requirements. It is our expectation that the mode share targets would become planning requirements, enforceable through the planning regime. If such enforceable and measurable targets are not included in a DCO application, it would not be compliant with the Airports NPS.

The Airports Commission used a wide range of noise metrics to assess the noise impacts of each expansion scheme based on indicative flightpaths. The AoS that accompanies the Airports NPS is a strategic level assessment of the potential social, economic and environmental impacts of expansion, including on noise. Its purpose is to draw out the key strategic considerations relevant to noise. (Within our response to recommendation 15) - As set out in the Airports NPS, the noise assessment to be undertaken by the scheme promoter as part of the planning process would need to be conducted in line with relevant guidance and policy. Specifically, operational and construction noise should be assessed having regard to relevant British Standards and other guidance. For aircraft noise, the scheme promoter should have regard to the noise assessment principles set out in the national policy on airspace. This is intended to include the noise metrics referred to in such policy. Paragraph 5.53 of the Airports NPS has been expanded to make this clear.

The Department is confident that the revised assumptions underpinning the carbon forecasts are robust and are based on the latest data. The dates of entry into service of more efficient aircraft have been informed by the latest update to the Fleet Mix Model, including the review undertaken by Ricardo. The increase in average passenger loads is driven largely by changes that have already been seen - as noted in the latest UK Aviation Forecasts

The draft NPS does not have any formal conditions of approval in the NPS with respect to the mode-share targets and landside airport-related traffic. It simply states that "Heathrow Airport should continue to strive to meet its public pledge".

The draft NPS does not set out any detail on how the public transport target will be measured, the baseline against which it will be measured, or what sanctions will be imposed if it is not met

... a more revealing metric—which is not presented in the appraisal work supporting the NPS—might be the gross number of people who will be newly exposed to significant levels of noise annoyance.

At the national level, the Commission's forecasts showed that CO2 emissions from aviation exceed the CCC's carbon limit without expansion (at 39.9Mt) and are higher with a new runway (43.3Mt). Despite this, the Airports Commission concluded that any one of the three

24 Annex H – Noise
Presentation of noise impacts in the appraisal

25 Annex I – Carbon
Work of the Airports Commission

shortlisted schemes could be delivered within the UK's climate change obligations, as well as showing that a mix of policy measures and technologies could be employed to meet the CCC's targets.

The latest carbon forecasts, (DfT) updating those produced four years ago by the Airports Commission, show:

Latest forecasts

- total CO2 emissions from aviation by 2050 under a 'no expansion' scenario have reduced from 39.9 Mt in the Commission forecasts to 37 Mt now;⁸¹²

- total CO2 emissions from aviation by 2050 with a NWR scheme have reduced from 43.3 Mt in the Commission forecasts to 39.9 Mt; and
- carbon emissions are improved under all expansion options when compared with the Airports Commission forecasts (figure below).

These improvements rely on new assumptions that enable carbon emissions from air traffic movements to decline at a greater rate than was previously thought, including:

- more efficient aircraft will enter in service much earlier than the Commission forecast, resulting in more technology benefits from 2030 onwards; and
- the number of passengers per aircraft rising from an average 117 passengers per flight (in 2050) to 141. Thus anticipated CO2 emissions per passenger are around 18% lower, falling from 110kg CO2 per passenger trip to 90kg CO2.

publication (p.59)³⁴ passengers per ATM grew by 12% from 2011 to 2016, from 111 to 124. CO2 emissions per passenger are further reduced by the increase seen since the Airports Commission's forecasts in the share of flights that are predicted to be short haul.

³⁴ <https://www.gov.uk/government/publications/uk-aviation-forecasts-2017>

Annex B: Witnesses who gave oral evidence to the inquiry, in order of appearance

- Philip Graham, Chief Executive, National Infrastructure Commission
- Caroline Low, Director of Airport Expansion and Aviation and Maritime Analysis, Department for Transport
- Dennis Morgan, Head of Aviation Capacity Economics Team, Department for Transport
- Nick Dunn, Chief Financial Officer, Gatwick Airport
- Captain Jock Lowe, Director, Heathrow Hub Ltd
- Tim Hawkins, Corporate Affairs Director, Manchester Airports Group
- Neil Pakey, Chairman, Regional and Business Airports Group
- Rafael Schwartzman, Regional Vice President Europe, IATA
- Professor Helen Apsimon, Professor of Air Pollution Studies, Imperial College London
- The Rt Hon The Lord Deben, Chairman, Committee on Climate Change
- Professor Piers Forster, Professor of Physical Climate Change, University of Leeds
- Cait Hewitt, Deputy Director, Aviation Environment Federation
- Councillor Paul Hodgins, Leader of the Council, London Borough of Richmond upon Thames
- Brendon Walsh, Chairman of the Officer Group, Heathrow Strategic Planning Group
- Joseph Carter, Chairman of the Transport Sub-Group, Heathrow Strategic Planning Group
- Val Shawcross CBE, Deputy Mayor of London for Transport
- Alex Williams, Director of City Planning, Transport for London
- Mr Parmjit Dhanda, Executive Director, Back Heathrow
- John Stewart, Chair, Heathrow Association for the Control of Aircraft Noise
- Stephen Clark, No 3rd Runway Coalition
- John Holland-Kaye, Chief Executive Officer, Heathrow Airport Holdings Ltd
- Emma Gilthorpe, Executive Director Expansion, Heathrow Airport Holdings Ltd
- Rt Hon Chris Grayling MP, Secretary of State, Department for Transport

- Lucy Chadwick, Director General of International Security & Environment, Department for Transport
- Caroline Low, Director of Airport Expansion and Aviation and Maritime Analysis, Department for Transport
- Sophie Dekkers, UK Director, EasyJet
- Dale Keller, Chief Executive, BAR UK
- Craig Kreeger, Chief Executive, Virgin Atlantic
- Willie Walsh, Chief Executive, IAG
- Simon McNamara, Director of Communications, Flybe
- Andrew Haines, Chief Executive, Civil Aviation Authority

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