

# MAYOR OF LONDON

**Sir Howard Davies**  
Chair  
Airports Commission  
Sanctuary Buildings  
20 Great Smith Street  
London SW1P 3BT

**Date:** 31 OCT 2013

Dear Sir Howard

## **Response to Airports Commission 'Emerging Thinking', 7 October 2013**

In your speech on 7 October, you invited comments on your emerging thoughts. I have considered some of the points you made under the headings below.

First, however, I was pleased to hear your comments on 7 October that net additional runway capacity is needed in the south east of England. I agree wholeheartedly. I have been arguing this in my role as Mayor of London since 2008. In January 2011 I published my report *A New Airport for London Part 1*, which showed that new runway capacity was needed to meet projected demand. Later that year, I published my further report *A New Airport for London Part 2* which added further evidence to the case. The evidence is compelling in favour of a significant new hub airport at a site away from the constraints faced at Heathrow.

### **A hub airport thrives on all traffic, not just longhaul**

In its interim report, the Commission should definitively state that the new capacity that is needed should be provided at a single large hub airport. The Commission should rule out proposals based on a "no hub", "virtual hub" or "dispersed hub" model and should reject the "constellation" approach to airport provision that has been tested uniquely in Britain and is manifestly failing us.

I have published compelling research from independent experts which shows in more detail than ever before the connectivity that we as a nation would forfeit if we elected to build multiple two-runway airports in the South East rather than one major four-runway airport. I have been encouraged to hear that my team in Transport for London have been working closely with officers from the Commission to delve more deeply into these findings and better understand why it is that flights to large emerging economies like China and South America are so fundamentally reliant on hub capacity to establish themselves in the UK aviation network. I am confident that, with the aid of that collaboration, the Commission will reach the right answer in its interim report.

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However, at this stage I would like to re-emphasise a point that has been made a number of times in other forums. Its importance makes it worth repeating. The whole logic behind a large hub airport rests in the bringing together of passengers and freight/logistics, and using that confluence of traffic to make connections possible that would otherwise be of questionable viability. Following that line of logic, a hub airport is made most effective (i.e. most connected) when it is at the centre of a wide variety of traffic, both longhaul and shorthaul. There continues to be suggestions from some quarters that shorthaul flights could be hived off from the hub (be that Heathrow or a new airport) in an attempt to relieve congestion. That would certainly relieve congestion, but it would also seriously undermine the effectiveness of the hub as well as the amenity it provides to regional airports in the UK, which would be left with no connectivity to our national hub airport.

### **Heathrow cannot be expanded**

In its interim report, the Commission should take the opportunity to state definitively that it will not be supporting expansion at Heathrow and that the 480,000 ATM cap currently in place will not be lifted, in the short, medium or long term. There are multiple grounds why expansion cannot be allowed at Heathrow, but one of the most direct concerns to over 750,000 people, the vast majority Londoners whom I represent, is noise. The Commission has not yet given its response to the comments it received in response to its consultation on noise, but I cannot write to you now without highlighting the very interesting and timely research published in the *British Medical Journal* on 9 October into the effects of aviation noise on the health of residents of West London. It makes the startling revelation that those who live closest to Heathrow – roughly 100,000 people within the 60 dB LAeq contour are identified to be at significantly increased risk – suffer from a 10%-20% greater risk of hospital admission for strokes, coronary heart disease and cardiovascular disease as a result. Such findings are yet more damning evidence as to why that airport has reached the end of its practical and acceptable life, and that expansion there is an impossibility.

### **The need for spare capacity**

I was pleased to see you recognise the importance of resilience at our most congested airports. While the lack of available hub capacity to develop new connectivity is having measured negative impacts on our economy, the fragility of London's main airport exacts a further toll. Only this week, bad weather forced the airport to ask all airlines to cancel 20% of their schedules. The serious economic impacts of the lack of resilience at Heathrow must not be underestimated: when snow caused 4,000 flights to be cancelled there in December 2010, it was estimated that the UK economy lost £1.2 billion per day as a result.

Heathrow is the closest thing we have to a hub so the only way to address that problem is, in practice, either the provision of new runways at Heathrow (something I have separately argued will never be possible, because of political barriers, the unacceptable environmental impact on local people and engineering impracticalities), or the construction of a new, four-runway hub airport elsewhere.

Britain's international competitors do not operate hub airports at the level of capacity usage seen at Heathrow. Amsterdam Schiphol operates at approximately 70% capacity, and both Paris Charles De Gaulle and Frankfurt operate at around 75%. But resilience is not the only reason to provide spare capacity. A new large unconstrained hub with slots to spare will enable airlines to experiment with new routes to new destinations. This cannot happen at present at Heathrow without an unnecessarily high business risk for airlines with established routes. Slots, on the rare occasions when they do become available, are prohibitively expensive, meaning that only the most established and lucrative routes can be made viable.

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This is why many important domestic connections have been lost in recent decades and why the UK is missing out on forging links with some of the fastest growing cities in the world. An airport operating to international capacity usage norms would also be able to offer flights to a wider range of UK destinations, with onward connections for regional businesses to the rest of the world.

## **Deliverability of new airport capacity**

In response to the questions asked after your speech on 7 October, you made reference to two issues that appear to me to be open at this stage, in my view rightly. One was whether any new infrastructure would be privately financeable; the other was whether it would be deliverable within the current regulatory environment. These are potentially crucial points in determining the Commission's next stage of work. I assume that you would consult before reaching a definitive view on either but, in the meantime, I should like to offer some preliminary comments.

The justification for new aviation capacity arises in large part from a national strategic need for new connectivity that will support economic growth. Like all business cases, it should be assessed independently of the method chosen to finance it. Ideally, any infrastructure project would indeed be commercially attractive to a private investor. That would indicate to a high degree of certainty that whoever embarked upon it (be it the Government or a private investor) would be getting value for money. But the attractiveness of an infrastructure scheme – particularly a very large project, with all the associated complexity – to a private sector investor, who is only interested in pure financial gain, does not tell the entire story as to whether the Government should be supporting and funding a scheme.

Crucially, in the case of a piece of infrastructure that will earn its return from charging regulated levies to its users, resort to private finance will, because of the higher cost of debt, lead to higher user charges than would be the case if the Government were to build the infrastructure using its own credit rating. There is an arguable case that the Government should fund the new infrastructure and then sell it once built as a going concern, when a far wider range of investors will be interested in being involved and the implied finance cost will be much closer to the Government's borrowing rate.

At this stage, I am not advancing a definite view on whether Government financing should be used or not. I am saying that it is a subject of considerable significance that deserves a proper debate. My purpose now therefore is to assure myself that you have not reached a view either way on this and that you will consult if you see the need to do so.

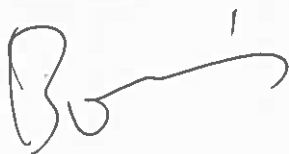
We have to be realistic about the costs associated with new airport capacity. A new four runway hub airport would cost a similar amount to building two new runways and the associated terminal capacity at Heathrow. The airport component of both would cost around £30bn for a comparably sized airport. We would expect airport revenues to be sufficient to make this level of investment commercially viable, and to have no net cost to Government. However, in both cases, new rail and road links are needed. This would require substantial Government support. The capital costs of the new links that would be required are similar: £20-25bn for a four runway Heathrow; and £25bn for a new hub. Investment in new rail and road links serving a new hub airport would represent better value for money. It would create new links and new journey opportunities, and unlock new sites for housing and employment growth. Any Government investment would pay for itself very quickly. The additional connectivity alone offered by a new four runway hub would be worth an additional £7bn to the UK's annual GDP.

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On the question of the regulatory framework, it must be apparent that no new aviation infrastructure of the scale contemplated will attract investors on the basis of the current regulatory regime, with its quinquennial reviews and the uncertainty associated with them. Again, my purpose at this stage is to seek assurance that you have not taken a view without consultation that the infrastructure required must be delivered within the current regulatory structure.

I am looking forward to meeting you on 16 December, as arranged, and to reading the Commission's report. I hope that the encouraging level of collaboration continues between our respective teams, and as ever please feel free to contact me or them should you wish to discuss any aspect of this important subject further.

Yours ever,

A handwritten signature in black ink, appearing to be 'Boris Johnson', with a stylized flourish at the end.

**Boris Johnson**  
Mayor of London

Cc: Rt Hon Patrick McLoughlin MP, Secretary of State for Transport