

Consultation Response

Airports Commission Consultation: *Shortlisted options for a new runway*

3rd February 2015

Introduction

1. The largest capital-focused business advocacy organisation, London Chamber of Commerce and Industry (LCCI) represents the interests of over 3,000 companies from small and medium-sized enterprises through to multi-national corporates. Our member companies operate within a wide range of sectors across all 33 London local authority areas – genuinely reflecting the broad spectrum of London business opinion.
2. Increasing capacity at London's airports to ensure the capital remains globally competitive has long been a priority for LCCI. We welcome the opportunity to offer views on the shortlisted options for providing additional UK runway capacity in the Heathrow area or the Gatwick area.

LCCI position on airport expansion

3. As an island economy, aviation delivers the international connectivity that makes the UK globally competitive. To maintain this UK businesses must have the ability to directly connect with high-growth - and emerging - economies beyond Europe. In order to connect with distant overseas markets, **UK businesses need ready access to international air services on a daily basis with a high frequency of service.**
4. Capacity limitations on the UK's hub airport, Heathrow, already restrict access to high-growth markets. **This situation is detrimental to the UK's long-term national economic interest.** The Commission's two principal shortlisted *locations* of Heathrow and Gatwick already host airports that are great assets to the UK economy. **LCCI believes that sensible and practical future-proofing of the UK economy should see new runways built at both locations – albeit in a staggered approach.**
5. LCCI believe this would equip the UK to be prepared to meet global economic challenges over the next 30–50 years without having to endure another economically disruptive 'Commission' type process, that gives rise to business uncertainty, in the next decade. **As Heathrow is already operating as a successful hub airport for the UK, it makes sense for expansion to take place at that location first.**
6. The Commission will be interested to note that our most recent survey¹ (in partnership with ComRes) of over 500 London business leaders on the airports issue revealed:
 - 54% preferred expansion at Heathrow
 - 30% preferred expansion at Gatwick
7. As any new runway, at either location, would not be operational until the mid-2020s, **LCCI urge the Commission to press policymakers to implement practical measures to boost capacity in the short-term at all London airports** - whether through more Heathrow early morning arrivals, Gatwick and Stansted rail link enhancements or supporting the growth of London City. The UK should not have to endure a 'capacity gap' over the next decade. **Making best use of existing airport airfields and terminals should be an immediate priority.**

¹ LCCI – ComRes 'Capital 500' Quarterly Economic Survey July 2014; 518 capital business leaders surveyed



Consultation Response

Consultation questions

8. LCCI offers a response to some of the questions posed. We note the Commission's advice that respondents do not have to answer every question and may answer selectively. LCCI responses are formulated considering the broad views of our members in surveys, debates in relevant committees and ongoing discussions via feedback and correspondence.

Question 1: What conclusions, if any, do you draw in respect of the three short-listed options?

9. The shortlisting of three options, at two locations, indicates the Heathrow area and the Gatwick area offer the most advantageous prospects for successful runway operation and overall growth anywhere in the UK. **It appears only these locations can practically deliver capacity gains.**
10. Throughout the 'new runway debate' over the past decade, LCCI consistently advocated the need for any expansion to occur in close proximity to the UK's capital city, London - for obvious overall economic beneficial reasons be that linked to trade, tourism, employment or access.
11. It is notable the Commission's two shortlisted *locations* host the existing UK hub, Heathrow Airport Ltd, alongside Gatwick Airport Ltd, the first airport to be sold in the break-up of the former BAA Group. **Both are assets of significant benefit to the UK national interest.** In Gatwick's case this is notable given it has only been 'independent' since December 2009.
12. The Commission in its work of filtering fifty-two proposals on long-term capacity down to a shortlist of three options, at two locations, has identified existing success and excellence in the Heathrow area and the Gatwick area. **This being so, then there is a strong case for building new runways in both areas.**
13. This case is further strengthened by the confirmation from the private owners of both Heathrow and Gatwick Airports that they will pick-up the bill for the construction work related to building a new runway as well as related airfield and terminal enhancements. **Commercial interests willing to make private investment in strategic infrastructure should be enabled.**

Question 2: Do you have any suggestions for how the short-listed options could be improved, i.e. their benefits enhanced or their negative impacts mitigated?

14. Looking at the two locations, where the three options are focused upon, businesses will look at how to secure maxim benefits in terms of ease of access, increased employment, economic growth, user convenience and international connectivity. LCCI believes the two locations 'score' well on these matters and both are steadily increasing their relevant footprint in each factor.
15. That said, surface access often proves a frustration for all airport users anywhere. It should be noted that 61% of London business leaders polled by LCCI in 2014 said 'easy access' to an airport via public transport was 'very important' in their decision about which airport to use. **In order to maximise the benefits of any additional runway, an airport must be as fully integrated as possible to local, regional and national transport networks.**
16. For example, currently Heathrow Airport serves over 70 million passengers a year. Two of the shortlisted options propose expanding Heathrow capacity. At the same time Government is pushing plans for HS2 forward yet there is no clear commitment to a dedicated HS2 station at Heathrow either to serve the current passenger numbers – or potentially millions more.



Consultation Response

17. Gatwick Airport currently serves 39 million passengers a year. One of the shortlisted options proposes doubling Gatwick capacity. At the same time Government declined to make a dedicated Airport-only Express train service a mandatory franchise requirement. Airport users currently have to compete with South Coast commuters on overcrowded trains on the busy Brighton mainline. This situation will be exacerbated with population growth in Sussex, let alone by the potentially millions more air passenger users that would result from airport expansion.

Question 3: Do you have any comments on how the Commission has carried out its appraisal?

18. LCCI commends the Commission on the substantial work it has undertaken – and the work it will pursue in coming months – in moving towards the publication of a final report in summer 2015. Documentation flowing from the Commission has been extensive and thorough.

Question 4: In your view, are there any relevant factors that have not been fully addressed by the Commission to date?

19. While the Commission states that connections to emerging markets that will be of critical importance to securing London's future as a global city, the Commission may have wished to make more public comment on the specifics of linkage between UK aviation and UK export activity. LCCI has a particular focus on this area as the promotion and facilitation of international business activity is a key component of our annual work.
20. We run various overseas trade missions each year to enable London businesses to access overseas markets and develop new trading relationships. For example, in 2014, LCCI ran 8 trade missions to 11 markets. One mission (Geneva) departed from Gatwick Airport. All the other trade missions (including Mexico, Thailand, Myanmar, East Africa and South Korea, departed from Heathrow Airport. It is vital to the long-term UK economic interest that London businesses have access to direct, frequent air services to both established and emerging markets.

Question 5: Do you have any comments on how the Commission has carried out its appraisal of specific topics (as defined by the Commission's 16 appraisal modules), including methodology and results?

21. LCCI notes the Commission's analysis of macroeconomic GDP benefits, and local economic benefits, generated by expansion at Heathrow and Gatwick. The use of PWC, a globally recognised sector leader, to look at the wider economic impacts of expansion on the UK economy was a positive step and should give confidence.
22. It is particularly notable that Commission macroeconomic analysis demonstrated expansion at Heathrow will provide much greater benefits to the UK economy than expansion at Gatwick.
- GDP benefits of expansion at Heathrow, depending on the scenario and the expansion option chosen, range from £102 – 214 billion.
 - GDP benefits of expansion at Gatwick range from £42 – 127 billion depending on the scenario described by the Commission.
23. As previously mentioned, LCCI believe that practical future-proofing of the UK economy should see both airports expanded, in a staggered approach. The major existing economic benefits of Heathrow, allied to the potential benefits of expansion, suggest that the UK's existing hub airport should be prioritised for expansion. 'Heathrow First' followed by a clear intention for an additional runway to be built at Gatwick, would represent prudent long-term planning for our economy.

Consultation Response

Question 6: Do you have any comments on the Commission's suitability assessments, including methodology and results?

24. LCCI has no significant comments to make in relation to this question.

Question 7: Do you have any comments on the Commission's business cases, including methodology and results?

25. LCCI has no significant comments to make in relation to this question.

Question 8: Do you have any other comments?

26. LCCI notes the Commission's judgement that an additional runway at Gatwick - without expansion at Heathrow - could well threaten the hub airport to the detriment of businesses in the UK.

27. A hub airport is particularly important to encourage new connections to emerging markets. If these are not provided in London, then the UK will lose out to European airports such as Schiphol, Frankfurt and Charles de Gaulle in Paris. London's popularity as a destination to do business will suffer as a result.

28. A hub airport is important for air freight operations. For a freight hub to be successful, it needs a large number of passenger services and routes. This is because the majority of freight is carried in the belly-hold of commercial passenger aircraft. It is notable that an expanded Heathrow will be able to cater for 126-142million passengers per year, while an expanded Gatwick will be able to cater for 60-96million passengers per year.

29. According to Department for Transport figures, in 2013 63% of the UK's air freight in tonnes passed through Heathrow, as opposed to 4% through Gatwick.² LCCI agrees with the Commission's judgement that expansion at Heathrow will be highly beneficial for freight operations. As there is a limited carriage of freight in the low cost sector, which predominates at Gatwick, freight handling and forwarding facilities are limited at Gatwick. Significant growth would be dependent on third party investments. Given its substantial current freight operations, Heathrow has the necessary infrastructure to be well-placed to expand its freight operations to meet future demand.

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² Department for Transport (2014), *Transport Statistics Great Britain 2014*