



**Meeting of the Airports Commission
11th May 2015 - 10:30am to 13:30pm
Rm 6.02 Sanctuary Buildings**

Attendees:

Commission members:

Howard Davies - Chair
John Armitt
Ricky Burdett
Vivienne Cox
Julia King

Secretariat (agenda items):

Philip Graham



1. Welcome

The Chair welcomed attendees to the meeting. There was no agenda for this meeting, it was intended for the Commission to use the meeting to seek additional clarification on the assessments that had been carried out of the shortlisted options.

2. Air Quality Narrative for each scheme

The Secretariat gave a brief overview of the recent Supreme Court decision and any implications for the Commission's work.

Q How will the three schemes meet AQ limits?

There are no predicted exceedances of local AQ objectives for any of the three schemes. In respect of EU limit values, it is unlikely that Gatwick would breach these but both Heathrow schemes could. The Commission noted that this assessment had been carried out on the basis of the high-end forecasts, and both the Commission's assessment of need forecast and the promoter's own forecast showed lower levels of ATMs and passengers in 2030.

The assessed mitigations for the NWR scheme could potentially reduce predicted NO₂ emissions to bring the level below the highest monitoring site in the greater London zone, in which Heathrow is located, and therefore NWR should not delay compliance with the EU limits. It is considered reasonable that the monitoring sites concerned will reduce in line with any measures taken to deal with the highest measured site in the zone. The mitigations assessed were not enough to bring ENR's modelled NO₂ down below the highest point in the zone so this scheme would require more ambitious methods of mitigation, such as through relocating roads, the impacts of which would be difficult to assess.

The Commission noted that the AQ consultation was underway and that the emerging issues raised in response would be considered at the 11 June Meeting.

3. Fourth Runway Issues (NATS)

Q. What was NATS' view on further expansion at Heathrow and Gatwick?

NATS remains of the view that more than 800,000 ATMs at a single site is very challenging and will reduce capacity at other airports in the system. The main examples of airports capable of more than 800,000 ATMs are US airports with very large land-footprints and no nearby neighbours. The picture from Jacobs on ground infrastructure is even more telling; all of the potential sites for fourth runways at Heathrow and third runways at Gatwick would provide relatively less capacity at a much higher cost. However, NATS has not indicated any restrictions around a combination (in the long term) of a third runway at Heathrow and a second runway at Gatwick.

4. Surface Access

Q. How do we explain a decision to expand given the levels of congestion from background demand on surface transport networks?

The Secretariat passed around a note considering surface access congestion. The Commission discussed the potential for both supply measures (new infrastructure) and demand measures (demand management) to address long term congestion issues.

Q. How does the surface access resilience of the schemes compare?

The congestion of surface transport networks around Heathrow means that relatively small incidents can have a significant congestion impact. The diversity of links serving Heathrow means that large incidents do not have as significant an impact as at Gatwick. The surface access links serving Gatwick are less congested and therefore more resilient against minor incidents, but the closure of the Brighton Main Line or M23 would have a severe impact.

5. Freight

Q. How well placed are the schemes to accommodate any potential growth in demand for freight?

All three schemes provide increased freight capacity. The Heathrow options, however, are better placed to deliver high frequencies of long-haul connections and, for that reason, they are also more attractive for freight handling. Another attractive feature of Heathrow for the freight sector is its central position on the strategic road network. There is also a substantial cargo handling facility at the airport already. The Heathrow NWR scheme's masterplan, with its provision for an expanded freight handling capacity within the airport boundary, has been designed to handle a significant increase in the airport's freight-handling operation. Heathrow NWR could accommodate freight-handling at all areas of its airfield, with rapid throughput.

The Heathrow ENR scheme's masterplan does not specify additional freight-handling capacity within the expanded airport boundary; any such development, if needed, would therefore have to be located outside the boundary of the airport.

As there currently is only a limited freight-handling operation at Gatwick, any significant growth in the cargo sector at Gatwick would require a significant investment by third parties to develop freight-handling facilities. The scheme's masterplan does not explicitly provide for additional freight-handling capacity, but there is sufficient space to provide such capacity if need be.

An increase in freight is not expected to have a significant impact on road congestion in the future. For the Gatwick scheme, however, the Commission's advisors modelled the impact of freight on the road network on the assumption of no significant changes to airline business models at the airport. If such changes were to occur and they had a significant impact on the amount of freight handled at the airport, the road network around Gatwick could become congested as a result of this development.

Action: The secretariat to provide a note on whether and how aviation may support businesses in the UK in achieving future growth, and on the demand for freight in the future.

6. Competition and Fares

Q: What competition impacts could each of the schemes deliver?

All three schemes provide opportunities to provide significant benefits of competition, but there are risks pertaining to the expansion of Gatwick in this regard. Expansion of Heathrow NWR and Heathrow ENR can deliver substantial benefits of competition to the users of aviation - from the reduction of scarcity rents at the airport, from increased frequencies and numbers of direct destinations offered, and from more carriers competing for passengers, especially in the market for long-haul travel. These benefits may be even higher if a low-cost carrier enters Heathrow and they are likely to result in on average lower fares for passengers.

Expanded Gatwick could also deliver significant competition benefits, predominantly from the reduction of scarcity rents at the airport, but they are not expected to be as high as the ones from expanding Heathrow.

7. Connectivity in the Carbon-Capped and Carbon-Traded worlds

Q. How do the connectivity and economic benefits of each of the three schemes compare in a carbon-capped world and a carbon-traded world?

The secretariat presented the benefits of expansion with a carbon cap in place. Each of the schemes still delivers significant connectivity and competition benefits in a carbon-capped world, although these benefits are smaller in scale in comparison with a world in which the aviation sector is enabled to freely trade carbon.

It was agreed that the overall narrative on the economic and strategic benefits in a carbon-capped world would be further discussed at the next Commission Meeting.

Action: The secretariat to investigate the extent to which CGE results can shed light on economic benefits under the carbon-capped scenario.

8. Community and Housing

The Commission recognised the potential for decisions about wider development, e.g. housing and public services, to spread across local authority boundaries and discussed the potential for a more integrated or coordinated approach to managing these impacts. This might include new governance structures but the Commission would be unlikely to prescribe a particular solution in its Final Report.

The Secretariat explained in more depth the issues around housing at both Heathrow and Gatwick.

The assessed additional demand for housing under airport expansion (assuming a continuation of current commuter patterns) is c. 5,100 for Gatwick, and c. 48,300 for Heathrow by 2030. This represents a proportion of the additional direct, indirect and induced employment in the local area (14 local authorities for Heathrow and 15 local authorities for Gatwick) consistent with current patterns.

A key driver of the difference between the two sites is the forecast passenger growth. Gatwick has a much slower increase in passenger numbers, as there is less pent up demand at present so by 2030, employment figures are relatively low. By

2050 this changes with 32,000 additional employees anticipated. Gatwick also has a higher passenger to employee ratio so fewer additional employees are needed as the airport grows. Heathrow, due to its current severe capacity constraints, sees significant passenger increases and this generates much higher employment numbers by 2030. Heathrow also has a low passenger to employee ratio so more employees are needed. As such additional employment and thereby demand for local housing has grown much more quickly by 2030 at Heathrow than Gatwick although the difference would narrow over time.

Action: Secretariat was asked to consider how to set out the need for an integrated and co-ordinated response to managing the wider impacts of development in Final Report, including discussing with expert advisers.

Action: Secretariat to look into infrastructure delivery 'ombudsman'/ coordination role.

9. Consideration

The Commission discussed the analysis that had been presented at this meeting and the meeting on 8 May 2015.

On the basis of the information available at this point, the Commission provided an initial steer that, whilst all three final short-listed options were considered credible propositions, they felt that the Heathrow North West Runway option presented the strongest case, reflecting its greater strategic and economic benefits.

The Commission recognised that its environmental impacts were generally greater than those at Gatwick (though in some cases less severe than those from the Extended Northern Runway option), but considered that the mitigations that they had discussed, including the elimination of flights before 6am and the introduction of a noise levy to fund enhanced community compensation and mitigation, would contribute to offsetting these effects. Overall, they considered that this was a package which struck an appropriate balance between national and local benefits and impacts.

The Commission emphasised that this initial steer would need to be reviewed, and could be changed, in the light of responses received to its ongoing air quality consultation and of any remaining consideration of responses received or issues raised through the broader consultation on the shortlisted options.

The Commission noted the work that the Secretariat had carried out to prepare draft material for the Final Report which was not dependent on the choice of recommended option. It tasked the Secretariat with completing the remaining sections of the draft report, in line with this initial steer, for review by the Commissioners.

In addition, the Commission noted the preparation of evidence bases, containing the majority of the material needed to compile a business case and sustainability assessment, for each of the shortlisted options. Following its initial steer, it tasked

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the Secretariat with turning the Heathrow NWR evidence base into a draft Business Case and Sustainability Assessment for review by the Commissioners.

The Commission noted that two possible publication dates for the Final Report had been identified – 19 June and 1 July. It asked the Secretariat to develop a forward plan for its work on the Final Report and Business Case/Sustainability Assessment which would enable a publication date of 19 June.

It recognised however that if the analysis of responses to the air quality consultation required more time than that date would not be achievable; it also recognised that if significant further work was required to address points made in responses, or if its initial steer needed to be changed, then this would have a more significant impact on its timescales.

The Secretariat noted that while the earlier work to compile evidence bases and prepare overall narratives for each shortlisted option would help to reduce any delay, it was still possible if the steer changed that even the 1 July date would not be achievable. If further analysis was required, the impact on timescales would depend on the scale of that work. The Commission took note of these points.

The Secretariat also noted that to enable a 19 June announcement, the typesetting process for the majority of the draft Final Report and Business Case/Sustainability Assessment would need to begin before the Commission's meeting on 11 June. Therefore, there was a risk of nugatory work and expenditure. The Commission took note, but stated that it was prepared to accept that risk.