House of Commons

Transport Committee

Oral evidence: Scrutiny of the draft Heathrow Expansion National Policy Statement, HC 482

Wednesday 9 September 2026

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Watch the meeting

Members present: Ruth Cadbury (Chair); Dr Scott Arthur; Jacob Collier; Daniel Francis; Olly Glover.

Questions 187-243

Witnesses

I: Dr Lucy Budd, Honorary Professor of Sustainable Transport, Institute of Transport and Logistics Studies, University of Sydney; Sophie Dekkers, Chief Commercial Officer, easyJet; Ben Garratt, Interim Director of Policy and Communications, Logistics UK; Jonathan Sullivan, Chief Corporate Development Officer, IAG; Nigel Wicking, Chief Executive, Airline Operators Committee.

Written evidence from witnesses:

- Logistics UK
- easyJet
- International Airlines Group
- Airline Operators Committee

Examination of witnesses

Witnesses: Dr Lucy Budd, Sophie Dekkers, Ben Garratt, Jonathan Sullivan and Nigel Wicking.

Q187 **Chair:** Welcome to this morning's evidence session. This is the third session of our scrutiny of the Government's draft Heathrow expansion national policy statement. We have two panels today, focusing on the strategic case for Heathrow expansion from the aviation point of view. Please could I ask our first panel of witnesses to introduce themselves?

Nigel Wicking: I am Nigel Wicking from the Heathrow Airlines Operators Committee, which represents all the airlines at Heathrow airport.

Jonathan Sullivan: I am Jonathan Sullivan, the chief corporate development officer at IAG.

Ben Garratt: I am Ben Garratt, interim director of policy and communications at Logistics UK, the trade association for the logistics sector.

Sophie Dekkers: I am Sophie Dekkers, chief commercial officer at easyJet.

Dr Budd: Good morning. I am Lucy Budd, honorary professor of sustainable transport at the University of Sydney and chair of the Transport Geography Research Group at the Royal Geographical Society.

Q188 **Chair:** I will start with Lucy for my first question. A lot has changed in aviation since the last national policy statement, in 2018. Have those changes been adequately reflected in the draft Heathrow expansion statement?

Dr Budd: I agree that an awful lot has changed since 2018, in terms of demand profiles, economic and geopolitical conditions and environmental policy. One of the key issues that has changed since 2018 is the decline in business travel and the relative rise in leisure travel, which needs additional exploration and consideration.

Chair: This question is to all of you. Some of our written evidence has argued that there is a vacuum in the Government's overall aviation strategy—in fact, in their overall policy—and that a lot of the draft strategy is based on 2013. Do you agree, and is that a problem for the Heathrow expansion national policy statement?

Sophie Dekkers: Yes. I think there are still more gaps to be clarified—you are absolutely right. Key focus areas for us are around affordability. There are improvements in the draft HENPS, which says that charges should be "no higher than necessary" and "financially sustainable", but it feels a bit woolly. We are really looking for it to be backed by objective benchmarks, which seem to be lacking. We are also looking at whether the charges would enable the growth that the policy intends to achieve.

Ben Garratt: Our main concern about the gaps in the policy is around the economic modelling and the lack of capturing freight benefits. Things like the role of airports—particularly Heathrow—in trade and boosting UK productivity and the role of freight in supply chain resilience need to be addressed.

Jonathan Sullivan: Our view of the gaps that may exist is that, first, we do not believe the policy statement does enough to show the importance of our only national hub. Heathrow is a hub, and hub airports have much better, and very different, economics for the nation than point-to-point airports. Hub airports are precious—they are rare. Countries go to great lengths to establish hubs, and the pressure to build a hub is really powerful.

Secondly, like easyJet, we do not believe the policy statement goes far enough to address affordability and make it a fundamental and overriding condition for the national policy statement. Whatever the airport needs to invest to expand, the airline community needs to put forth £75 billion in new, cleaner, more fuel-efficient, quieter aircraft for this to work. That element of affordability needs to be done voluntarily, and it needs to be maintained. If it is not, we risk losing the national hub. That is exactly what we are working against as a community and at IAG. We want this expansion to succeed, and we want it to be affordable.

Chair: We will come to hub airports in a moment. Nigel?

Nigel Wicking: Since 2013, Heathrow has unfortunately become the most expensive airport in the world, and it has held that record for that period. It is double the price of any of the local hubs and most international hubs globally. From our perspective, affordability is the most important factor that is not included.

In 2018, we had the test, but the Secretary of State’s position was that charges would not significantly change from where they were at that point. Heathrow airport supported that position. Now we have a situation where charges could go up to £65 per passenger, from £26 today. That will not be sustainable relative to the economic opportunity. It will not be sustainable in terms of developing the traffic and opportunities that could come from a hub airport such as this.

Dr Budd: There is scope for greater clarity about what this expansion is seeking to achieve in terms of increased connectivity. Are we talking about increased domestic connectivity, international connectivity or both? In chapter 2, there is to my mind a certain ambiguity about the emphasis. Paragraph 2.2 stresses domestic connectivity and paragraph 2.16 stresses international connectivity, so I would like greater clarity about the actual objectives of the expansion.

Chair: Thank you. Sorry, I should have said at the beginning to those of you working in aviation that I thank you for giving up your time today. Given the NATS outage yesterday, it must be very stressful. The Secretary of State for Transport will be making a statement later. We are aware of you and your teams during this ongoing disruption.

Q189 **Dr Arthur:** I am an Edinburgh MP. Since covid, it feels like the point-to-point routes operated by Edinburgh airport have increased substantially, and Edinburgh benefits from that. When I think about going on holiday, I look at where I can get to from Edinburgh; I do not look at where I can get to through Heathrow. I understand that is the way we are going as an aviation economy—we are going much more point to point rather than through hubs. Lucy, am I right in that understanding? Is investing in Heathrow investing in a model that we are moving away from?

Dr Budd: That is a very interesting question. Certainly, the academic literature reports that between 2003-2013 there was a 31% drop in flights between London and regional airports. We have seen some other carriers developing what could be termed a hub bypassing strategy, whereby instead of flying into Heathrow and then out again, airlines are transiting passengers through hubs in Europe and the middle east, but I would suggest that that is perhaps complementary to what is happening at Heathrow. We have very different market segments developing, each of which are serving particular traffic needs and customer demographics.

Jonathan Sullivan: To add to that, for long-haul traffic and long-haul flying, a little bit more than 90% touches a hub at one end of the flight or the other. It is really important for that to work.

Q190 **Chair:** Sorry, is that 90% of passengers—

Jonathan Sullivan: Roughly 90% of all long-haul flights in the world need to touch a hub.

Chair: That is flights, but what percentage of passengers on long-haul flights will take more than one flight in that journey?

Jonathan Sullivan: More than half.

Q191 **Dr Arthur:** How many of the people who touch a hub have the hub as their destination? If I ever fly to Heathrow, it is because I am going to London.

Jonathan Sullivan: To expand on this a little bit, short-haul economics work really well in a point-to-point space. We have seen the rise of easyJet, Vueling—one of our airlines—and many others that work well in short haul, but for long-haul flying, a hub is absolutely essential to make that flying consistent and sustainable over time.

Heathrow is one of the most blessed airports in the world from a catchment perspective, and even there, 45% of the passengers in 2024 were connecting as they went through it. Only 55% were direct out of Heathrow, and it is one of the best airports in the world for that perspective. We need a hub at Heathrow for it to work. Adding a hub in Heathrow does not take away from any of the flying from Edinburgh over time. We would expect all of the flights that Edinburgh has to other hubs to stay and perhaps grow over time because of Heathrow’s expansion.

Q192 **Dr Arthur:** That connecting point is interesting. A lot of those people, if they have time, might sit down and buy a cup of coffee; but, other than that cup of coffee, what is the benefit to the UK economy of those people landing, waiting and then leaving?

Jonathan Sullivan: We have multiple benefits because of the hub system itself. I am really glad you asked that question. First, the hub airport will support more connectivity directly. All the areas within the UK—the regions of the UK—that connect through Heathrow will have more opportunities to do so, and the business area around the UK will have more opportunities. Wide-body aircraft carry freight and that freight is costed roughly at marginal cost for the cost of carriage. That is a significant boon for the exporters and the importers in the economy. Because there is more choice and more people can be served, you end up with more frequencies to the regions because of this. As Heathrow expands, we would expect that you would get more points within the UK reconnected back to Heathrow, offering opportunities for businesses and people in those areas for one-stop journeys elsewhere in the world and more connectivity directly from Heathrow to the rest of the world.

Q193 **Dr Arthur:** So that 45% of connecting travellers who may or may not buy a cup of coffee is just a price we pay for all the other benefits we get from having a hub?

Jonathan Sullivan: That is part of how the hub itself works, and I would not consider it a price we pay. The benefit we get is that we are able to offer economically sustainable flights that are consistent over time, because we can bring all that demand together in one spot and then redistribute it. That is great for the economy, and it is also great for those passengers. Many of those journeys have to be connected somewhere; connecting them over a hub, particularly one here, helps the rest of the UK do more.

Q194 **Dr Arthur:** Can we not maintain the same level of connectivity by perhaps investing in other airports in the UK rather than Heathrow? We could talk about the other London airports, and I have talked about what is happening in Edinburgh. Can we not do it in that more distributed way? That would distribute the benefits and some of the impacts of airport expansion.

Jonathan Sullivan: I am glad you asked the question—maybe I can start. From a point-to-point perspective, for short-haul travel, investment can take place anywhere, but the benefits for the entire UK that connect the UK to the world need to be at Heathrow. It is our only national hub, and we will be able to spread those benefits across the UK better, because you will more connectivity and more frequencies through Heathrow and more points connected to Heathrow within the UK. That will allow more connections beyond the UK.

Ben Garratt: Can I add a dimension from the logistics sector? Our interest in this is that the wider logistics sector underpins the economy. The rest of the economy relies on it to move all goods and to enable all trade. That includes over £1 trillion of goods trade per year. A significant chunk of that—just over a quarter in terms of value—goes through Heathrow.

Q195 **Dr Arthur:** We heard last week that a significant amount of the value going through Heathrow is gold that goes back and forth to Switzerland. Is that correct? That is not really helping UK trade, is it? When we talk about value, we have to be clear about that.

Ben Garratt: Yes—I will be clear. Even if you discount the gold, Heathrow carries more goods by weight and value than all the other airports because of the way that a hub airport works and because of the role of long-distance trade and wide-body aircraft. Gold slightly skews it because, by its nature, it is heavy and valuable, so it will skew those numbers. It is also relevant to the UK economy, given that London is a financial centre; but even if you discount it, Heathrow is still the most important airport we have in the country by value and trade.

Other airports play a really important role for goods movement as well. From our sector's perspective, it is not an either/or. There is a role that hub airports play. There is a role that belly hold and smaller point-to-point airports play. There is a role that almost-dedicated freight airports play, such as East Midlands airport, which is right next to East Midlands Gateway and works together with that hub.

The logistics sector is a very rational, efficiency-focused, low-margin sector. It is focused on doing things in the most economic, rational way that works for the customer. That is leading the sector to make significant use of Heathrow. The sector is not being strong-armed into it. It is the opportunity available and they are using it.

Q196 **Dr Arthur:** Lucy, I will end by coming back to you, and apologies if you are not the right person. We talked about the hub model. Some people think that might change. Heathrow aside, over the lifetime of the delivery of the project—over the next 30 years or so—how do you think the hub model is going to change, not just in the UK but elsewhere around the world? Are hubs going to keep on getting bigger and bigger as we propose through Heathrow? Or are we going to see more investment in regional airports for those direct flights over the next 30 years?

Dr Budd: That is a really important question. Certainly, the hub-and-spoke network model is underpinned by very powerful commercial drivers, which are delivering clear and important cost and operational efficiencies to airlines that choose to adopt them. That said, in the case of the UK specifically, growth at other regional airports does not appear to be dampening demand for additional capacity at Heathrow.

Certainly, if we look longer term into the future, even with the advent of new, longer-range wide-bodied aircraft such as the Boeing 787 and the Airbus A350, I think there is going to be a limit to which passengers are going to endure ultra-long-range flights. For that reason alone, and the constraints of geography, if we can term it that, I think we are going to see a hub-and-spoke network model continuing, at least for the foreseeable medium-term future.

Nigel Wicking: When you look at Heathrow, it is full. The reality is that most of those operators that have ended up in Edinburgh or elsewhere still want to serve the UK market, and they are putting in point-to-point for that purpose. I do not think that will ever go away, because that is now a leisure market that has been created—an opportunity.

The reality is that we have trade connectivity going through Heathrow. If we are not able to expand the capacity, that capacity and demand will go elsewhere, because the other hubs are coming up. There is Istanbul, the middle east, and some of the European hubs. They are still growing and they will take the market between Europe and north and south America from Asia. We have to be ready to combat that and take a position on how the UK wants to be in that trading environment.

Q197 **Chair:** Obviously, a lot of our witnesses who support expansion have made the case that Nigel, Jonathan and Ben have made: that Heathrow is full and it is our important hub airport—which it is, there is no denying that—and that there is a risk that others may take over. What is the economic loss to UK plc if Heathrow does not expand? So what if there are more flights, people and freight go to other hubs—Schiphol, Dubai or wherever? Heathrow is my local airport, but if I was a business person well away from London—in the north of England, Scotland or the far south-west—if I needed to get from A to B and I or my goods had to change planes, what is the loss to the UK of that expansion not going ahead as opposed to just falling down a league table? It feels a bit macho to me.

Ben Garratt: This is a slightly non-aviation point. We commissioned Oxford Economics to do a study for us a couple of years ago about the relationship between the logistics sector and UK productivity. It found that the relationship was very strong, and that we had been slipping back because of general issues within the efficiency of our overall logistics system caused partly by trade friction and customs issues and partly by under-investment in transport infrastructure, innovation and some other areas. It found that if we could reverse that and get more efficient again, it would be worth up to £8 billion in productivity gain each year.

If we think about the logistics sector as a series of pumps and pipes, it is about taking the friction out of that so that things can move as smoothly as possible, it is as efficient as possible, things arrive on time as much as possible and things are as cheap as possible to move. That helps UK plc. It is about taking friction out of the system.

Q198 **Chair:** Okay, so you have costed to freight. Lucy, do you have an analysis of the "So what?"?

Dr Budd: The important point in all of this is that expanding capacity in and of itself at an existing hub is no guarantor of additional capacity. It will depend on a multitude of other factors: the competitive landscape and whether existing full network service carriers or alliance members wish to base additional aircraft assets at that particular hub, and things such as fees and charges, the efficiency and management of the proximate airspace and the surface access. There is a whole range of additional considerations. It is not a case of, "Build additional capacity and additional connectivity to whichever world region you care to name will automatically follow." The whole piece is a lot more complex and nuanced than that.

Q199 **Chair:** What is the impact of having a single hub in the UK on the resilience of aviation in the UK? Should we have a secondary hub? Could we?

Jonathan Sullivan: The economics of Heathrow as a hub are very powerful. To the extent that that hub can grow, it will provide the best return for the UK. Building a hub is a gigantic investment to pull off. Over the last 20 years, the middle east has tried to build large hubs in Doha and Abu Dhabi. They have invested billions and billions in the airlines, the capacity of the airlines and the aircraft itself, as well as the ground infrastructure needed to handle the aircraft they are putting together, to make it work.

Adding a second hub would be far more expensive, and we would probably need to support another state-owned carrier in order to put in the capacity because the losses it will suffer as it starts up and the amount of investment it needs to get to scale would be significant. A hub requires a hub airline. You can look through audited financial statements and public disclosures on what has been spent in the middle east as a benchmark for that, but it would be to the tune of billions. The best investment for the UK is to make Heathrow work, make it affordable and expand it. That will have benefits that flow to all the nations and regions of the UK.

Nigel Wicking: Just coming back on that resilience point, you will have seen that yesterday Heathrow got to the point of being full. It did not take very long for it to be full, which is a reflection of the fact that it is fully utilised. In the end, that is why we need a third runway at the appropriate price, in order to ensure that we have greater resilience because, relative to other hubs, we are now in a really difficult position.

Chair: That is until it gets full. Okay, let's move on to the demand for expansion.

Q200 **Jacob Collier:** Perhaps I will start with Sophie first. Would you say that the views of airlines and other airport users have changed since the last draft in 2018?

Sophie Dekkers: Certainly, from easyJet's perspective, our views have not changed. I think there is still demand, particularly for London. I also have some Oxford Economics data, which suggests that growth over the next five years is expected—passenger demand will grow by 5% every year—so the demand is there. We need to make sure that we have infrastructure that meets that demand. We are seeing that London airports are full, so that is a challenge in the broader sense.

What is interesting is that the DFT's own appraisal suggests that capacity growth needs to come with 30 million from short-haul passengers and 12 million from long-haul passengers. We need to make sure that there is the infrastructure for short-haul passengers and airlines as well.

What is interesting—building on the previous questioning around hubs—is the criticality of hubs. Obviously, we are not a hub airline as such, but we operate into 48 of the 50 busiest airports in Europe, so we are very used to operating into hub airports—Heathrow and Dublin are the only two that we do not operate into. So, it is not binary that that low cost-carriers can operate successfully in those airports.

What is interesting, though, is that if an airline is based at an airport, that generates jobs. Regarding the Chair’s point about connecting over Europe, that does not generate the jobs. If an airline is starting and finishing at Heathrow, it is generating local jobs. We employ 12,000 people in the UK—pilots, crew, engineers and so on. It will be the same for all other airlines.

If we can generate connecting traffic from the UK and make sure that connection happens in the UK, that means you need based aircraft in those airports, and that generates jobs. One of the benefits of Heathrow expansion, or London expansion overall, is generating employment and creating a stronger economy from it—taking on the point that a connecting passenger might not spend that much in the terminal; nevertheless, that connecting passenger does generate jobs. That is the criticality that we should not forget in this process.

However, going back to your original question, our position has not changed. I sat on this panel in 2018 and reiterated the same points: it needs to be about affordability, it needs to be about not being gold-plated, and it needs to meet passenger demand, which is growing in the UK. The external economic modelling suggests that passenger demand is still growing. We need to ensure that we are fit as an industry, with the right infrastructure, to be able to do that across the UK and not just at Heathrow. Fourteen out of our 20 growth aircraft in the last two years have gone into regional UK. We have not been able to grow in London; it’s full.

Jonathan Sullivan: If I can add to what Sophie has said, Airlines UK published some work that Steer had done, which suggested that four times more jobs are brought by an aircraft that is based here than one that is based overseas, and to the extent that that is a larger, wide-body aircraft, which is what Heathrow will have more of over time, it is more—perhaps up to nine times more jobs. If we do not make that investment, we would lose out on a significant amount of good employment, good careers and good economic activity, because we can connect passengers here.

To the second point regarding your question, IAG’s views have not changed either. The demand for expanding Heathrow is as big now as it was before. The economics for expanding the hub are really important. The really key, critical issue—the fundamental overriding principle—is that we need to find a way as a nation to deliver this affordably, because if it is affordable, and it is going to work for everybody.

Ben Garratt: From a demand perspective, at Logistics UK and in the conversations that we have had with our members, we have really seen interest in infrastructure and improving infrastructure go up the agenda. A few years ago, the private sector was doing its thing, being as efficient as possible, and it was mainly concerned to ensure that regulation supported efficiency and safety. Increasingly, we hear views not just about airports but about road, rail and other aspects of infrastructure—namely, that they are hitting a ceiling on what they can deliver for the economy. Infrastructure investment is needed across the UK—including to grow Heathrow, because it is full—to deliver more for the UK economy.

We also hear, from the Government, the focus on reindustrialisation. I think people have characterised UK trade as our buying goods and selling services. The reindustrialisation agenda implies that we will be selling more goods too, which will create good jobs across the country, and that means selling those goods around the world. The way to do that is through air.

Nigel Wicking: The other operators at Heathrow are, like the base carriers, very supportive of expansion, but again, it cannot be at any cost. It has to be economically viable, and that goes more so for international carriers, because they will go elsewhere.

Chair: We have questions on that.

Q201 **Jacob Collier:** If the Government cancel or delay this project, what will that mean for airlines and the decision that you will make? Does it mean that you will go elsewhere in the UK? You have already said that we are at capacity; what will it actually mean if this does not go ahead?

Sophie Dekkers: From easyJet's perspective, we are a pan-European airline. We have 365 aircraft; 196 of them are based in the UK and the rest are based in Europe. We will continue to grow in Europe because we have choices about where we can place capacity. That is the reality. Actually, several of the UK regional airports are becoming full as well, so our options are becoming more limited. We opened the Newcastle base this year, so that is a good opportunity for us, and we opened in Southend airport last year because we want to grow in London, but there is no London capacity available. Those are opportunities that we will be making and that we are trying to build, but the reality is that our decisions will be to grow in Europe faster than we grow in the UK if there is not the capacity.

Q202 **Dr Arthur:** Sophie, are you not making the point that I made earlier? You are looking at other airports because London is full. I think people elsewhere in the country want direct flights to Europe and elsewhere. They do not want to go to London, swapping at Luton or wherever, to get another easyJet flight to Europe; they would rather have it direct. Although you are not happy with it, is that not delivering real benefits for people who live in Newcastle, Edinburgh and elsewhere? They do not want to go via London, do they?

Sophie Dekkers: Yes, I completely agree with you. We used to operate into Newcastle, then we ceased operations and we just restarted again this year. The challenge with somewhere like Newcastle is that there is limited demand for the opportunity we have there. Somewhere like Edinburgh is full first wave, so we cannot base more aircraft there. That is the same for Manchester, Bristol and Birmingham. Those airports are at capacity. The opportunities to find profitable, commercially viable flying in other parts of the UK are limited, so that is one challenge we face. We can look at the whole of Europe as well, so those are the trade-offs we make when we make those assessments.

Jonathan Sullivan: From IAG's point of view, this is not an either/or question. Investment in Heathrow does not need to change investment at Edinburgh and other airports. If airports can develop affordably and add the ability to handle more flights at particular times of day affordably, airlines will find a way to put capacity where the demand actually wants to be.

If Heathrow cannot expand, it makes it very difficult for British Airways to expand, and the economics of British Airways are very good. It is a very good employer; it has a very good network that has been built out over 100 years; it is a tremendous asset for the country. To the extent that we are not able to expand that business, that is a lost opportunity for all the United Kingdom and for London. We will push more of our investment into Europe where we own three other airlines, all of which we are trying to make as good as possible.

Q203 **Chair:** Some of the evidence we received points to the jobs not growing in number but being diverted from other parts of the UK to west London. Is that a risk, from your perspective? Jonathan and Sophie, that is particularly for you.

Jonathan Sullivan: I find that economic analysis curious.

Chair: All right: you disagree with it. Sophie?

Sophie Dekkers: I would disagree as well. I do not think it is either/or, as Jonathan said. We have 267 aircraft on order. We need places to put them. We will be growing in the UK regions and growing in London if there is the opportunity and if it makes commercial sense, so I do not think it is either/or. Certainly, our track record recently is growing in the UK regions where there is capacity and where it makes sense. Airport charges in the UK regions are much more affordable than they are in London, which does play a part in our investment there.

Q204 **Jacob Collier:** Just to pick up on that, Nigel, you said Heathrow has the highest charges in the world. The draft HENPS says: "Without expansion, passengers are likely to suffer from higher fares and more delays." Do you agree with that, and what other effects do you foresee?

Nigel Wicking: Higher fares I do not recognise, necessarily, because all hubs must be competitive with each other. People will use software to identify the best routeing to take, for the price. On resilience, I would raise a concern if we do not have expansion, because we are operating at full capacity, and it takes quite a long period to recover from situations like yesterday. We have a lot of aircraft that were dispersed across Europe; they will find it very difficult to get back into the UK today, because there are not many ad hoc slots available at Heathrow for them to get back in.

Jonathan Sullivan: We fundamentally disagree with the way that modelling is carried out. Competitive forces in aviation are extreme and severe, and we compete every single day. Those forces have an impact on price, and prices out of Heathrow are roughly comparable to prices out of any hub in the world, based on the distance being flown and the products being served. The DFT has for a long time suggested that by now we would have significantly higher prices, because Heathrow has been full for 20 years. The way the modelling is done is one thing, but it cannot be pushed on to the airline community. As it is significantly competing every single day, higher prices do not come through.

Q205 **Jacob Collier:** Do you think expansion at Heathrow would mean more competition between airlines themselves, and that we would potentially see more airlines flying from Heathrow?

Nigel Wicking: Yes. Heathrow itself is suggesting that there will be an additional 30 routes coming into the airport, which will open new markets and trade potential, and allow other airlines to potentially service the UK market and connect with other airlines through alliances and relationships.

Q206 **Chair:** That is potentially true, isn't it? If the routes are going to be determined by the market, it could mean, as you say, more routes—or more flights to existing high-demand routes, like New York.

Nigel Wicking: Yes, it could be both, but the fundamental underpinning all of that will still be affordability. It still needs to make economic sense for airlines that are not based here to be able to fly into the UK, and to have connecting flights and operations through Heathrow—and they will look at other hubs from that perspective.

Q207 **Chair:** Picking up on cost, we had the session on the carbon and climate change impact yesterday. Our witnesses talked about the carbon cost of expansion and aviation in the future. Was that cost, as well as the cost of construction, also modelled into both your analysis and the Government's analysis?

Jonathan Sullivan: At IAG we are committed to net zero. We have a road map that will work towards net zero; it has three core pillars, and sustainable aviation fuel is a good portion of that. With the right policy framework, and with a global approach driving to net zero, we believe carbon will move in that direction.

Q208 **Chair:** And the price per tonne of carbon?

Jonathan Sullivan: The way the sustainable aviation fuel market will work out, and the way, ultimately, new aircraft will be invested in, should help to alleviate that problem as we move towards net zero by 2050.

Q209 **Chair:** Even though the net zero trajectory is behind forecast?

Jonathan Sullivan: This is a global problem at the start. We need to establish a global industry—as IAG, we are working with the UK Government and Governments around the world to establish that. As these mandates come in, we are working to make sure that global industry is established. Delaying Heathrow's expansion while we wait for the industry to be established is only going to hurt the UK. This is a problem that needs to be solved globally.

Nigel Wicking: From that perspective, IATA has sustainability as a primary focus, and it is mandating net zero targets for 2050. SAF will be 65% of that, in terms of realisation. There is a lot still to be done to allow Governments to catch up with what is needed.

Q210 **Olly Glover:** Dr Budd, we have touched on this a little already, but one of the key cases for expansion of Heathrow is business travel and the revenues that result from it. However, business travel has been declining as a proportion of all journeys at UK airports since 2017 and is forecast to continue declining until 2050. Have the benefits of business travel from Heathrow expansion been overstated, in your view?

Dr Budd: As I said in my opening statement—

Olly Glover: Which I missed—apologies for that.

Dr Budd: One of the biggest changes since 2018 has been the decline in business travel. According to the DFT's 2026 aviation forecast, the proportion of travellers flying purely for business purposes fell from 19% in 2019 to 13% in 2024. While there are important variations—London City and Heathrow airports are above that national average—the trend does seem to be declining, and at the same time we are seeing a rise in the proportion of leisure travellers.

We talked about affordability earlier. There is certainly some evidence that, yes, some passenger segments are price sensitive, but, equally, there is increasing evidence that some passengers, particularly on the longer-haul leisure routes, are trading up to premium economy and business class products. The issue of affordability is therefore quite nuanced and perhaps not as straightforward as one might think.

Olly Glover: Would any of the other witnesses like to comment on that?

Jonathan Sullivan: There was a step change in business travel as a result of the pandemic, but business travel itself is now growing in total. As a proportion, maybe it is not growing as fast as the leisure travel segment, but it is a mistake, from our point of view, to suggest that business travel will be less in 2050, in absolute terms, than it is today. We think the United Kingdom needs to be able to service as much of that business travel as possible, and that needs to be done at the times of day when business travellers need to travel.

Dr Budd: If I can respond to that, we have certainly seen a number of corporations fundamentally change their business travel policies in the light of the pandemic, but also in the light of concerns about climate chaos. We are also seeing individual consumers making more considered choices about how, when and where they travel.

All those behavioural dynamics need to come into play when considering what the future demand profile will look like, particularly for business travel. We are already quite familiar with using alternative technologies—video calls and so on—and there is scope for new technologies, not just on the aviation side but in the IT and communications space, to change the landscape of future business travel needs.

Q211 **Chair:** So who is generating the demand that you are projecting? Is it Brits going on holiday once a year or many times a year, or is it people coming into Britain? What is the balance of those projected increases in passengers?

Sophie Dekkers: A lot of it is people travelling more frequently, but, from a business travel perspective, the profile of business travel has changed; people are now looking for value. What is interesting about business travel is that short haul has not been as impacted; short haul into Europe and into the major hubs has not been as affected as long haul.

I think we were at about 19% business passengers pre-pandemic, and we are at about 16% now, but that is building back. Interestingly, that is very closely correlated with the frequencies and schedules that you operate. If we operate two a day into a major city, we are more likely to have a business passenger profile than if we operate three times a week, for example. We are actually looking at investing in building back some of our city proposition to be able to serve that.

What has also changed is people's behaviour in terms of where they are working. A lot of people moved out of London during the pandemic; people moved to Edinburgh or elsewhere in Scotland, and are now commuting in.

The profile of a business traveller has therefore changed slightly; it is less about the big corporates travelling—I completely support what you are saying, Dr Budd—and more about the SMEs that are still travelling, but also the commuters; people are now commuting. That business travel is therefore building back.

It is a combination of that and leisure travel, where demand continues to grow. Interestingly, the profile of what people are spending their money on post-pandemic is more around experiential spend—more about experiences than material products. We are seeing that trend continue, and therefore the demand for leisure travel continues to grow as well.

Q212 **Chair:** So the bulk of the increased demand is leisure travel and British people going overseas. Is that right, that most of our British aviation growth is Brits going to other countries, as opposed to other people visiting Britain? What is the proportionality of the projected growth?

Sophie Dekkers: We are now operating two thirds of our capacity on leisure short haul—to beach destinations—and that has grown from about a quarter pre-pandemic. So, yes, that growth is coming from leisure and, predominantly, you are right that it would be outbound. The remaining two thirds is city and domestics, and city travel is 50:50 from both directions. That is what you typically see on a route, but as I say, the schedule that you build and operate determines the type of passengers you get. If you do three a week, it will very much be leisure city breaks; if you do double daily, you are more likely to see business passengers on it. We see that there is still a demand there, and that is where we are investing some of our capacity—in building that back. It goes hand in hand with the schedule that you operate.

Q213 **Chair:** That is helpful, Sophie, but you are not at Heathrow. What is the profile of the passengers who will be using the third runway, if it goes ahead?

Jonathan Sullivan: At a hub, it is slightly different from what the point-to-point networks have. Sophie is exactly right that the more consistent the schedule is and the more you have double daily, the more business travellers you get.

The overall growth, and the way we look at estimates for it over time, is closely tied to the overall growth of the relative economies. At IAG, one of our most important markets is the transatlantic market, and to the extent that the United States has been growing faster than Britain, that point of sale—passengers originating from there, and through our partnership with American Airlines—

Q214 **Chair:** What is the proportionality between leisure and business?

Jonathan Sullivan: I will have to write to you on where exactly that sits over time; it is different on a revenue versus passenger basis.

Chair: That would be useful.

Jonathan Sullivan: But from a long-term view, when we look at the economics, we do not distinguish passenger types that way; we look at the money itself and where the value—

Q215 **Chair:** My understanding is that currently, Heathrow is somewhere in the order of 80% leisure and 20% business. Is that what the projected growth will be if runway 3 goes ahead?

Jonathan Sullivan: I believe it comes back to how well the UK economy can do relative to the growth rates of the rest of the world. If the United Kingdom is growing much more slowly, you would expect to have more inbound travel, and perhaps more of that is leisure. If the United Kingdom can go forwards economically, we will get more business travel as a proportion. A lot of our flights are business based. It really comes down to the ability of business to work.

Q216 **Chair:** Did you want to add anything, Nigel?

Nigel Wicking: Only that we would need to come back to you with any kind of statistical analysis, if there is any.

Chair: That would be helpful. Thank you. Jacob will now pick up a bit more on freight.

Q217 **Jacob Collier:** The draft HENPS does not include detailed forecasts for freight; it is assumed to be at 2019 levels. Ben, do you think that that is a reasonable assumption? What will be the additional economic impact of more freight at Heathrow?

Ben Garratt: We do not think it is a reasonable assumption, and we are concerned that it underplays the role of freight. From our perspective, the overriding reason to expand Heathrow is economic, to support the growth of the UK economy, and freight is a key part of that. We see in various parts of DFT modelling—this is not unique to this issue; it happens across road, rail and other investment too—a struggle to capture the full benefits of freight. We think it underplays the opportunity to move more goods more efficiently by air cargo, which means it also underplays the productivity benefit across the UK and the supply chain resilience benefits. It is potentially harder to capture those benefits statistically than when looking at passenger revenues, because the air cargo element is just one part of a longer journey, but we do think it could do a better job of that. We are confident that if it did capture that, it would increase the case for Heathrow expansion even more.

Q218 **Jacob Collier:** Other than runway capacity, what barriers to freight would need to change for it to grow?

Ben Garratt: There is the cargo handling estate element of it as well. For transparency, Heathrow is a member of Logistics UK, and lots of our members use Heathrow. They work closely with Heathrow to try to make that cargo handling estate as efficient as possible. Obviously, it is in a relatively constrained and congested part of the country. We want to see continued investment in that. That is probably not a case of massively expanding that part of the estate, but about investing in technology and looking at where regulations can help to make it work as smoothly as possible.

Much more broadly than that, there is what you would call surface access for passengers. The road and rail networks and connectivity with Heathrow all form part of the picture. We want to see—not necessarily from the airport, but from policy more broadly—an improved understanding of and a focus on how we can make our road and rail networks, including where they connect to major hubs like Heathrow, work as smoothly as possible. That perhaps means moving away from a piecemeal project-by-project view of public infrastructure investment in the country, and more towards understanding how the logistics system works as a network. We produced some research on that in 2024. We published a map of where we think the core logistics networks, road and rail, are in the country, and how they connect to our key ports and airports, including Heathrow. We want that to have a greater influence on investment plans from the Government so that we understand where we need to improve our efficiency as a country.

Q219 **Jacob Collier:** Olly is going to come on to rail in a second. The proposals obviously contain changes to the road network around Heathrow. Is that adequate to take the capacity for your members, or would there need to be changes around that?

Ben Garratt: They are adequate if you zoom in at that level. The greater concern from our members, like for lots of people, would be about disruption to the road network during it. Things should be expanded, so that is about communication between Heathrow, National Highways and the logistics sector. We saw a good test case of that with a major junction upgrade and the first closure of the M25 ever, I think, to deliver upgrades relatively near Heathrow recently.

We need to look more broadly than that at general M25/M4 capacity and freight network capacity across that part of the country to make sure we can move freight as smoothly as possible. If you zoom out on that level, I don't think it is fair to say that that is a Heathrow responsibility. It is the responsibility of the Department for Transport, working with the logistics sector and others to establish where, over time, we need to keep investing in our infrastructure to make it work smoothly.

Dr Budd: May I add a couple of points on the air freight side? The wide-bodied aircraft that go in and out of Heathrow have the capacity to transport belly hold cargo, and the narrow-body fleets that typically operate the point-to-point services do not. That has enabled Heathrow to develop quite a substantial cargo operation, despite having very few, if any, dedicated cargo aircraft.

However, just as we have seen with the passenger side, where we have specialisation between the point-to-point short haul and the full-service network hub model, we see specialisation in the freight sector. Although Heathrow has operating restrictions that prevent freight flights and any other flights operating at certain hours of the night, other airports, such as East Midlands and Stansted, do not have those operating restrictions, which has enabled them to grow a very significant 24-hour cargo operation. You have dedicated freighter aircraft coming in in the early hours of the morning. It is important to consider that niche specialisation of the integrator coming in on dedicated freight aircraft, as opposed to the belly hold cargo, which comes in through Heathrow. That is an important point to consider, certainly in terms of whether the operating restrictions at Heathrow will remain, what they will look like, and what the impact of that will be on logistics and forwarders in the country.

Q220 **Chair:** Speaking from a local point of view, one of the few conditions that we were able to have on terminal 5 was night flight restrictions.

Ben, do your members operating at Heathrow raise issues about the road network around Heathrow? That is often raised, and we have the local authorities coming next week. There is frequent congestion—the M25 was out last week. For your members coming in and out of the cargo terminal, there are a lot of very narrow roads, Victorian bridges and so on, which we worry about. Is that an issue now? Do you think there is enough in the draft policy statement about future road infrastructure?

Ben Garratt: There probably is not in the policy statement. It is an issue that we have around many major hubs in this country. We often have big hubs just off the strategic road network. There are differential levels of investment in the strategic road network and elsewhere, and that particularly affects the ports to the east of the country. That is why we produced this map: to try to say that it is not just about the strategic road network and the local network; it is about understanding where freight flows go and, therefore, where we need to put that investment. But it does come up. It is a congested part of the country. The south-east is a very busy place, and our members want to see it work as efficiently as possible. They are not arguing for building a hub elsewhere; they want this hub to work as well as possible. Almost anywhere we talk about in the country, we are seeing road speeds slow across the strategic road network, which is harming UK productivity, so we need to see that addressed.

Chair: That probably moves us on to Olly's question.

Q221 **Olly Glover:** Mr Garratt, in your written evidence, Logistics UK called for the final Heathrow expansion national policy statement to place greater emphasis on the use of rail freight during construction. In your view, would the capacity of the existing rail freight corridor to Heathrow need to be enhanced in order to make that possible?

Ben Garratt: Likely, yes. Rail freight plays a really strong role in our overall logistics system—it is about 8%, nearly 10%, by tonne kilometres across the country—and in certain segments it plays a particularly strong role. Construction and the ability to move very heavy things is a forte of rail freight. As we have seen in major infrastructure projects elsewhere, to get more into that area would require some additional work. We have not done a study on what additional work would be required, but it is not necessarily building whole sections of new track; it could be additional sidings, freight terminal capacity—things that could be done without disrupting the passenger network. But if we want to get more on rail freight in general, we are going to have to expand our rail freight network.

Q222 **Olly Glover:** I agree with your analysis. Of course, the Great Western main line slow lines—in western region language they call them relief lines, but that is one for another day—are much busier now because of Crossrail, the Elizabeth line, so I think you are right about that. If at some point this century or millennium we ever get the western or southern rail access, how might that impact freight potential?

Ben Garratt: As you might have heard, we are pro building infrastructure, so we want to see those projects go ahead. We heard from the Transport Secretary yesterday the new interim target for rail freight growth of 40% by 2040 ahead of the 2050 target. Delivering that rail freight growth, not just around Heathrow but across the country, will inevitably require investment in infrastructure for freight. That could be quite different from passenger infrastructure. Often what happens in the rail freight planning space is that a passenger project is proposed and the freight community can see it happening and say, "Oh, can we add this on top, please, to make it work as well as possible?" We would really like to see a more freight-centric way of doing things given that rail can play a much bigger role, and the Government and the industry want it to play a bigger role, in the movement of freight. We have not come up with a particular piece of engineering around there, but the more capacity the better.

Olly Glover: Hear, hear.

Jonathan Sullivan: If I may add to that, one of the big deviations of this national policy statement from the 2018 national policy statement is that it is asking the airline community and the passengers to pay for all the ground transport improvements, rather than taking the "user pays" approach that was more the case in 2018. That has a massive impact on the ability to afford this expansion. To the extent that there are benefits and users that are going to be shared over the overall infrastructure, we believe as an airline community, and as IAG, that this should be done on a "user pays" basis, consistent with how it was done in 2018, rather than by asking airlines and airline passengers to pay for all of it.

Q223 **Chair:** While we are on the subject of rail, Nigel, I only recently became aware of the line that brings oil into the airport, and the fact that it will potentially be impacted by construction of a third runway and a terminal. What are your members saying to you about that?

Nigel Wicking: Clearly, there is a lot of risk associated with moving the M25, filling in lakes, moving a river, moving the rail head, moving a substation and power lines—

Chair: I particularly want to know about the airlines' access to oil and fuel with that line.

Nigel Wicking: Clearly, that line is a key provider of fuel. It also provides some level of resilience, relative to the fuel lines that also come into Heathrow. From our perspective, this is why risk is such a big issue with the 3,500-metre runway from day one. We would prefer to have a phased approach and to consider a shorter runway, and from there to look at expanding to a longer runway. Combined with that, we would also suggest that the HENPS must not lock in one scheme. It should stay open to a phased approach and it should be open to alternative promoters rather than just Heathrow Airport. We have got Heathrow West as an available promoter, which provides competitive tension on pricing.

Q224 **Chair:** Sorry, I slightly cut you off, because I realised you have not had a chance to raise concerns about the logistics of the proposal and the other risks. Do you want to just elaborate a little?

Nigel Wicking: In terms of the fuel supply down that rail line, we have not had any evidence on how that will be replaced and overcome as yet, other than that it has to be moved.

Chair: You touched on the substation.

Nigel Wicking: The substation would have to move, and I think there are three lakes and a river—the lakes would probably have to be filled in. If we are suggesting that all those could be done within a five-year period and we will build a runway of 3,500 metres, then I would have concerns about whether that is achievable when we have two tunnels that have taken 13 years instead of three years to deliver and have been four times the price. My confidence in taking the risk of moving the M25 in the initial period is battered by the fact that Heathrow has not had great success in, as an example, delivering tunnels, and I don't think we need to go there from day one. We need something that can be delivered and operated, and a shorter runway would achieve that. From there, we obviously get utilisation and an opportunity to expand at another point.

Chair: Thank you. We are going to move on to domestic connectivity.

Q225 **Dr Arthur:** I will try to keep this brief, because we are up against the clock. Domestic connectivity—increasing flights into London and also connecting to onward destinations—is part of the argument for it, isn't it? Is there enough in what has been proposed to ensure domestic connectivity, or should the Government be much more forceful in ringfencing capacity? Or should we just leave it up to Heathrow to decide what balance is right for the airport?

Jonathan Sullivan: Perhaps I can go first. We operate more than 95% of the domestic connectivity out of Heathrow and more than 50% of the domestic connectivity in London in general. The most important issue to establish that is going to be affordability. I know I am banging on about affordability, but to the extent that we can get that expansion built affordably—the site built affordably—the airlines, including British Airways, will have the financial capacity and the desire to add more flights and more destinations to the UK regions and UK cities.

Q226 **Dr Arthur:** Your desire is great—I like desire—but should the Government ringfence capacity to make that happen or just trust you to deliver on that desire that you have?

Jonathan Sullivan: From our point of view, the Government need not ringfence it, because the desire will be sufficient if the economics to build it affordably are there. We need that extra runway and terminal capacity in order to add that in. It has been crowded out a little over the last few years. We can add those flights back in if the airport is delivered affordably. The cost of delivering that airport needed to be borne by the passengers and the airlines that are there. To the extent that the cost rises above what airlines can bear and pass through to passengers, the whole airport becomes unaffordable. All the domestic connectivity through Heathrow is then at risk. That was the exact problem we are trying to avoid.

Q227 **Dr Arthur:** But it is a pretty marginal activity. If I get on the British Airways flight down to Heathrow to go on to Chicago or something, the initial leg of that flight is quite a marginal activity for you, so it is important we get this right in terms of cost.

Jonathan Sullivan: Maybe I can reframe that. Our domestic network is very important to us; it is not a marginal part of our business. We maintain that domestic network because it is in the best interests of our overall business. We want great connectivity to everywhere we serve, with consistent service spread through the day, connecting to our overall route network. That serves the local passenger very well. We have a significant number of flights to Denver, of which I am a frequent user—as well as to Glasgow. That also serves connecting passengers as they move through the day.

Nigel Wicking: easyJet is an example of where we should be achieving connectivity at the right price in an economically viable way. Then, they will be able to connect with all the Chinese airlines and other airlines that go through Heathrow directly. Their passengers can come from Newcastle, Edinburgh or Glasgow through Heathrow, go on to a Chinese airline and then out to Shanghai. That would not be available on point-to-points, because you are never going to get to a situation where Edinburgh has all that choice available to it. Yes, it will have a concentration of some routes into the middle east and north America, but the breadth of opportunity that comes with Heathrow, for people to connect through easyJet, will be phenomenal.

Sophie Dekkers: I echo exactly what has been said. It comes down to affordability. If think about how much people are prepared to pay for a domestic flight, in reality they are not going to choose to fly where there is a £65 airport charge—as was quoted earlier in this session—before adding everything else on top.

I completely agree with what Jonathan said. I do not think that Government should determine exactly how much is for domestic capacity. One of the big game changers for us was the halving of ADP—obviously I have to mention that in a Transport Select Committee. The halving of ADP made a material difference to our domestic investment: we increased our domestic capacity by 30%. In fact, we have launched Manchester-Southampton, which we will start flying from December. We will continue to invest in domestic capacity where it is affordable.

Another point I would add is on operational reality and being able to deliver operationally. That is about having efficient terminal capacity that facilitates the short turnaround typical of a low-cost model. We have experience of doing that in other airports, like Lisbon, Amsterdam Schiphol and Paris-Orly, where you can do that effectively. Being able to facilitate that 35-minute turnaround means that you can keep prices low for passengers because you have maximum utilisation of the aircraft.

When we talk about affordability, we should not think just about the cost of construction; we need to think about the type of construction. We are not asking for a specific terminal. In fact, you do not need a different terminal to operate; you just need efficient infrastructure—including, particularly for us, the ability to board with both front and rear steps. We were able to introduce that at Lisbon, where initially we just had air bridges. The fact that we now have rear step boarding as well has reduced the turn time by seven minutes. Heathrow does not need to design anything specific; it just needs to enable that type of boarding to have that efficiency.

Efficiency equals affordability, which means we can pass the savings on. If you can keep the costs low, the attractiveness of doing domestic—shorter sectors—becomes a commercial reality for airlines. That all needs to be part of the considerations going forward, but let's not forget the impact that things like APD can have on domestics by opening up capacity there, too.

Q228 **Dr Arthur:** That vision for easyJet, connecting into long-haul flights—perhaps from Edinburgh, of course—also means that there will be much more people moving between terminals and collecting their easyJet luggage to go on to their long-haul flights. That adds a lot of complexity to Heathrow's operation. Nobody likes picking up their luggage and checking it back in. That adds a lot of headroom, doesn't it?

Sophie Dekkers: It is interesting that you say that. Today, we connect with 16 other carriers through that manual process, but we have a live project at the moment, "Manage Connections", which essentially looks to do through bags so that we take that point of friction out for customers. We are hoping to launch a trial with that in October, in Geneva, which has a better set-up for us. That will enable easyJet-to-easyJet connections with through bags, which we can then open up. As I just said, we can then connect into long-haul carriers across the network. We see that as a real opportunity. We are one of the few pan-European short-haul airlines that operates in those airports.

Dr Arthur: You are doing a great job of selling easyJet.

Chair: Okay. I am conscious that time is moving on, we have another couple of topics to cover and one of our witnesses needs to leave early. Olly, quick question, please.

Q229 **Olly Glover:** Hopefully we can make this a yes or no question and recover some time. Do you support the conclusion of the draft national policy statement that only a 3,500-metre runway can deliver the necessary benefit?

Ben Garratt: Yes.

Jonathan Sullivan: No.

Nigel Wicking: No.

Sophie Dekkers: No.

Dr Budd: I'm afraid the academic caveat of "More research is needed" applies here.

Olly Glover: Fair enough. We've got one yes and three nos.

Chair: If you want to add to that, write in afterwards.

Q230 **Jacob Collier:** I guess this is the million-dollar question: how confident are you that expansion can be delivered on time and on budget?

Nigel Wicking: I think it can. It depends on what you define as the budget, because the key scheme provider, Heathrow airport, is suggesting a budget of £49 billion at the moment. That is the starting point without surface access and various other costs that would be built in. From our perspective, 3,500 metres is not required from the outset and probably would not be deliverable within the timeframe. If we had a phased approach and delivered a shorter runway initially, that would take the opportunity to deliver more capacity and could be delivered on time and at a more effective price, particularly when you consider that there are competitors out there offering a lower price.

Q231 **Jacob Collier:** You have all stressed that affordability is key. How could that be achieved? Are the current proposals as affordable as they could be?

Jonathan Sullivan: Let me boil this into three quick points. First, put affordability into the national policy statement as a fundamental and overriding principle that requires an assessment that is consistent across the four tests. Secondly, have a through-line on accountability around affordability through the regulation to the CAA over time. Thirdly, through the regulatory change process that the CAA is undergoing—they recognise that there is a problem with the regulatory framework around the economics of Heathrow—bring competition to bear and better capital governance over time. If we design from the start so that we need to deliver this on time and affordably and make it work, we have a much better chance of achieving it than if we try to fix it halfway through.

Ben Garratt: Airlines will have a more specific response to that. The reason for my answer to the longer runway question is that it is crucial to the wide-body, long-haul flights that support air cargo. From the perspective of the logistics sector, we want to see it delivered on time and on budget. We are generally believers in the market and hope that Heathrow and others around the project would want to see it work for its customers. We would look forward to working closely with them as an industry and helping to scrutinise that while it is happening.

Sophie Dekkers: The key point for me, for easyJet and for the industry is not forgetting the importance of airspace reform and London airspace reform. We cannot continue to grow infrastructure on the ground without fixing what is happening in the skies. The Government have committed to that under UKADS, but I talked about it in 2018 and eight years later, nothing has happened. Airspace has to change.

I know that environment is critical. Modernising the airspace would reduce fuel emissions by 10%. We need to look at what is happening in the sky as well as what is happening in the ground.

Dr Budd: I agree entirely. The discourse around expansion is being framed very much in terms of additional ATMs. The ability to deliver that depends on the infrastructure, assets, design and configuration of not only what is on the ground, but what is in the air, as Sophie rightly said. Given that the airspace architecture and the ATC procedures have a direct and significant impact on emissions, noise and efficiency, I wondered whether there was any significance in the fact that there was not more consideration about airspace design and modernisation in the document.

Q232 **Dr Arthur:** The tragedy here is that airspace modernisation will hopefully reduce noise for some people and reduce emissions, but the whole project has been delayed because that team is looking at Heathrow. In Edinburgh, the consultation has already been done, but now we are in limbo. That is a real issue.

Sophie Dekkers: Completely.

Q233 **Daniel Francis:** We have seen in some of the written evidence an argument that affordability should be a fifth test in the HENPS. Do you agree with that? If so, how would you want that to be defined and expressed?

Nigel Wicking: It should actually be an overriding principle rather than a test. Clearly, in 2018, it was a pre-statement to everything being done that it would be within the realms of the existing charges. From our perspective, the DFT should ensure that, all the way through the process, they have to come back to affordability in assessing the proposals put forward by the promoters.

Jonathan Sullivan: In what we wrote to you in our submission in advance of this Committee, we did call it a fifth test. We have modified our view and are asking for what we are now calling a fundamental, overriding principle, which can be inserted into section 4 of the document. We provided draft language to the Department for Transport as part of their consultation on how to do so.

Ben Garratt: We have not argued that. From our perspective, what would make the whole thing affordable and as efficient as possible is a greater focus on, first, understanding the economic reasons for it and, secondly, the surface access piece we were talking about and the wider transport connectivity piece. That would probably be more meaningful for the logistics sector overall.

Sophie Dekkers: The short answer—building on what I said at the beginning about some of the woolliness of the wording in paragraph 4, in particular, of the draft statement—is that our view is that it should be independently assured. It needs to be independently assured rather than being self-marked.

Dr Budd: From an academic perspective, my response would be: how can this be done responsibly and sustainably?

Q234 **Daniel Francis:** How would you want the promoters to engage with you on how the potential charges should work?

Jonathan Sullivan: We are working with both promoters, and the way we are engaging with them is that they are trying to work through how their phasing would work and how that would work into a charging profile. What we would need, though, is, for whatever the promoters put forward, with evidence on how they want to spend things, how the competition itself can be run, because the wording around competition in the national policy statement makes it very difficult to effectively compete. How the competition itself can be run can bring forward a way to make affordability binding so that the promoters themselves are taking on some risk in that process, in order for us overall to deliver this on time and on budget and make it work for everybody. Remember: the airline community for this work also has to put £75 billion of its own investment forward, and we need the conditions right to do that. Building on the airport does not bring the capacity; airlines have to bring the aircraft and run the schedules. And it is just £75 billion in metal that we need to bring in to make this work.

Q235 **Daniel Francis:** Lastly, then, is there a scenario in which charges increase to a point that may threaten demand at Heathrow?

Nigel Wicking: Yes. You should have heard this already, but the reality is that if you get to a charge of £65 per passenger or anything—at the moment, we are at £26, and with anything above £31 or £32, you are starting to get into a situation where airlines and their passengers are looking at alternative routings. As soon as that starts to go in the wrong direction, it will just go into decline. You will not get the connectivity opportunities, and the international operators will start looking at other hubs to operate through.

Jonathan Sullivan: The economic work that we have conducted—we had a consulting firm, Oliver Wyman, conduct some independent analysis on this—validates the idea that the £6 to £7, or £5 to £6, increase in charges starts to break what we would call short-haul economics, and it is very difficult for short-haul capacity to remain in Heathrow at that point. This environment, the whole airport, needs to work for everybody. That £75 billion of investment means that it needs to be a place where all airlines want to compete. If charges rise too much and the short-haul element of the airport does not work any more, that means the whole airport does not work.

What we need to do is work together to drive an affordable programme that does not have charges rising above the £5 to £6 increase that we are talking about here, in real terms, so that everybody wants to compete there and the full £75 billion of investment comes in. Without that, without easyJet or other airlines wanting to come in, charges really balloon. At that point, capacity comes down and we risk losing this precious national hub. That is exactly what we are trying to avoid here.

Sophie Dekkers: I will give the real example of Amsterdam airport Schiphol. Its charges, plus the tax in the country, have gone up significantly since covid to the point where it is not financially viable for us to operate the short-haul flights that we were doing before. We were doing 12 flights a day between London and Amsterdam. We are now having to pivot that capacity and instead of doing multiple short sectors, where you might do six to eight flights a day on an aircraft, we are doing maybe two flights into Egypt. There is no way that we can absorb those sorts of really high airport charges on short sectors because passengers are not prepared to pay it. In the last 12 months, we have had to really change our network, reduce our capacity, and reduce that short-sector connectivity to do long leisure flying, because there is no way we can make money and it is not affordable for passengers on the short sectors. That would be the reality.

Q236 **Chair:** What is the charge at Schiphol now?

Sophie Dekkers: If you combine the airport charges and the tax at Schiphol it is €75 just to take off. That is a combination of the tax and the airport charges, but imagine a London to Amsterdam flight—that is really not economically viable.

Q237 **Olly Glover:** The Civil Aviation Authority is consulting on new regulatory models. Do you think that the options shortlisted so far contain adequate mechanisms to ensure that charges remain affordable?

Jonathan Sullivan: In the models that the CAA brought forward, it really called for two different paths. One is to make more use of competition, because the CAA has recognised that the regulation is not working in a two-runway world. The best of those models is full-scale competition to invest the capital. Long term, we believe you are going to have a price-regulated airport where the capital that gets invested gets a guaranteed return. We need competition so that the capital comes in to build the best infrastructure for the lowest price, because good infrastructure at low prices is better for everybody. That is model 7b, and that is what we are pushing for the CAA to adopt.

Significantly, and connected to that, is better capital governance. The way the process works today with Heathrow, which is a design of the regulatory model, is that every five years there is a big argument about how much money to spend for the next five years in capital. We would like a longer-term view of planning around this precious national hub asset so that we have a long-term view of capital spend and, as a community, we can work really well with the promoters or the operators of the airport to plan out the capital spend and to deliver a better quality airport that can work at lower prices over the long term, supporting lower prices for customers.

Q238 **Chair:** At one point, Jonathan, you talked about Heathrow Airport Ltd not taking any of the risk on this. Am I right that the airlines are currently having to fund the exploratory work and are taking a lot of the risk in the future?

Jonathan Sullivan: Chair, you are exactly right. Under the regulated pricing scheme that is there, the early charges that the airport is spending on this are being added to the overall cost base or the capital base of the airport. That gets passed through in charges to customers. From the 2018 work that was done, about £490 million was added into the capital base as part of the CAA's H7 decision. The decision earlier this summer was that £320 million could be allowed into the capital base with this planning process. That presents two problems. The regulatory model is what it is and it is important that Heathrow is spending to develop this and that we get it right. I do not know if those quantums are necessary, but we need a level playing field. It is impossible to ask one party to bear all the cost while the other is subsidised to that extent.

Q239 **Chair:** Are you saying that Heathrow is not putting any money in at the moment?

Jonathan Sullivan: Heathrow is spending the money but it now has the right to be reimbursed for that money as part of its capital base.

Chair: Through the airlines?

Jonathan Sullivan: Through the charges to the passengers.

Chair: So it is not risking its own capital?

Jonathan Sullivan: No.

Nigel Wicking: No. Clearly the DCO would make a recommendation to the Secretary of State as to whether to progress or not. The risk is that, pre-DCO, another £6 billion could be spent by Heathrow—

Chair: That would all come to the airlines.

Nigel Wicking: That would all then go on to the RAB. During the next regulatory period of five years, £5.8 billion is the current position that the CAA is putting forward—Heathrow wanted £9.5 billion—so all that is potentially going on the RAB, which is currently about £21 billion and is the reason we have a £26 charge.

Q240 **Chair:** Is it quite good to be a shareholder of Heathrow Airport Ltd?

Nigel Wicking: One would think so.

Chair: It does not sound like there is any risk, and a nice dividend as well.

Nigel Wicking: Yes.

Q241 **Dr Arthur:** Is the bigger irony not that it is putting forward an option that—I think I am right in saying—you do not fully support?

Nigel Wicking: I think there is too much risk built into it and it is too costly from the outset, yes.

Q242 **Dr Arthur:** You are being asked to fund something that you don't—

Nigel Wicking: One of the issues is the fact that we need to be involved in the thinking, the discussions and so on. We have had lots of discussions with Heathrow, but they have decided that they will follow the 3,500-metre route, even though we suggested, "Actually, you don't need to go there from day one." Heathrow West has listened to us and has reflected that in its proposals; we need Heathrow to do similar to bring the cost down, bring the risk down and deliver something on time. That does not get away from the fact that we still have this risk of early spend and that still has to be funded by the passengers. As an airline community, we do not agree with that. That would not be the case in any other industry.

Q243 **Chair:** That spend, since the Government statement, has to be spent by someone. If for whatever reason runway 3 did not go ahead, do the airlines currently at Heathrow have to absorb all that, while easyJet does not?

Jonathan Sullivan: That is correct.

Nigel Wicking: Yes.

Chair: Okay. Thank you for that. Thank you, all of you, for your evidence and your contributions today. As I said, if there is anything that you want to add, please email us. That brings our first panel to an end. I am going to suspend the session for a few minutes while our witnesses for the next session take their places.