



Transport Committee

Oral evidence: Airports Commission: Interim Report, HC 1011

Monday 20 January 2014

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Members present: Mrs Louise Ellman (Chair), Jim Dobbin, Jim Fitzpatrick, Karen Lumley, Jason McCartney, Karl McCartney, Mr Adrian Sanders, Chloe Smith, Graham Stringer and Martin Vickers

Questions 1-65

Witnesses: **Sir Howard Davies**, Chair, and **Philip Graham**, Secretary, Airports Commission, gave evidence.

Q1 Chair: Good afternoon, Sir Howard. Welcome to the Transport Select Committee. Would you like to give us your name and position?

Sir Howard Davies: I am Howard Davies, Chair of the Government's Airports Commission. Next to me is Philip Graham, Secretary to the commission.

Q2 Chair: You have been asked to secure evidence-based consensus. The Mayor of London has described your report as “gloopy and tangled,” “perplexing and odd” and its recommendations as “to some extent severed from the evidence.” That does not sound much like consensus, does it?

Sir Howard Davies: Well, he would say that, wouldn't he? I completely dismiss what the Mayor has said about our report. It is completely at variance with what anyone else has said—transport correspondents, the airports themselves, other economists, etc. Unfortunately, as far as the Mayor is concerned, we do not seem to have produced the answer he wants us to produce. We will proceed with our analysis in the way we have been asked to do.

The Mayor has a particular view about hub capacity and a particular view about Heathrow. That is where he starts and that's where he ends, and anything at variance with that is dismissed. Personally, I do not think it is at all helpful that he uses this rather colourful language, but I guess that is a matter of style. I do not think it particularly illuminates the debate to do so, but we will not react; we will simply press on, because there are some important issues to resolve about the future of demand for aviation in this country, and about the environmental and cost consequences of different solutions. Among those is an estuary option, on which we are doing further work. I will attempt to rise above this vulgar abuse and press on with the job.

Q3 Chair: Do you think these remarks are about trying to bring political pressure on you?

Sir Howard Davies: I do not know. As I said, I think the Mayor began with a particular view about aviation demand and the solution to it, and therefore dismissed a lot of other options ab initio. He said you can't do Heathrow and you can't do Gatwick, and therefore any review that reopens those questions does not match what he sees as the answer. I am sure it is a genuinely held view on his part, but it is not a starting point for an independent review. You cannot begin by ruling out a lot of options without argument. Whether it is political pressure, I do not know; it is above my pay grade.

Q4 Karl McCartney: Although, as chairman of the commission, you are independent, the Mayor of London perhaps has a democratic right to make his views known on behalf of constituents, whether or not they voted for him. London is quite a big place, so he has quite a few voters. Did you have any meetings or discussions with him, even though you are independent? If you did not, do you think it probably would have been wise to do so?

Sir Howard Davies: Yes, I have done several times throughout the process. I have met him several times in his office, most recently a couple of days before the report was published, and I will do so again.

Q5 Karl McCartney: Do you have a good relationship with him, in spite of what you have just said?

Sir Howard Davies: I thought I had, but I suppose you are only as good as your last game. We have always had very civil and often amusing meetings, and I will endeavour to carry on doing that. We certainly will maintain our connections with the Mayor's office. I was slightly surprised by this outburst over the weekend, given the tone of the meetings we have had up to now, including before the interim report, because we appeared to be dealing with each other in a very straightforward way, and I hope we can get back to that.

Q6 Graham Stringer: In trying to get consensus, when the Secretary of State made his last statement to the House of Commons on your interim report, he accepted that it would be a good idea if all three parties accepted your final report recommendations as they went forward. Have you had discussions with the leaders of the three main parties along those lines? It seems to me important, whatever your final report says, that after 50 years of discussing it, it is not another report that gathers dust on a shelf.

Sir Howard Davies: Yes. A slight grace note on my answer "yes" is that I had discussions with the party leaders when I began the work, part way through it and just before the interim report. I think it is a normal matter of courtesy to talk through what you are about to say. It is not for me to try to push them into saying that they will or will not agree with what I eventually come out with; I do not think that would be reasonable before we actually come out with it, but we attempted to maintain a parallel relationship with the leaders of the three parties—indeed, I think we succeeded. I hope Ed Miliband and Nick Clegg would agree with that; we talked to them in advance of our publications and explained the rationale. We have been prepared to talk—to Mary Creagh, for example, quite often, and before her, Maria Eagle. We are attempting to build the basis for an eventual consensus. I do not think I can be sure that one will emerge, but we are certainly treating the three parties in the same way.

Q7 Graham Stringer: May I move on to the Isle of Grain airport? I read the full report. Your analysis of the consequences of having an airport at the Isle of Grain is even more devastating than this Committee's Report. We commissioned independent work on it and we ruled it out. You say that in order for it to go ahead you have to close three airports: one of the largest airports in the world, a major commercial airport and a package airport at Southend. Your median figure, when you put optimum bias into it, is a cost to the public sector of about £100 billion, and there is great uncertainty

about whether it would be allowed to go ahead anyway because of the environmental consequences. That really does seem to be a slam dunk. Why are you going ahead with more work on this?

Sir Howard Davies: The arguments advanced for a new hub airport in the estuary are in some respects of a different character from the ones advanced for a third runway at Heathrow, or a second at Gatwick. In a sense, they are arguments of a shift in the economic geography of London and the south-east. The case is made that London's population will grow by 1 million between now and 2030, and people will have to have somewhere to live and work; that the Thames Gateway area is going to be an area of expansion; that Heathrow itself could be a major area of housing expansion in the west if it were closed; and that a new airport would allow for a massive increase in aviation because it would allow 24-hour operation. There is a whole variety of arguments which are difficult to weigh up definitively against the arguments for expansion at the margins of other airports.

The environmental arguments are quite difficult to assess as well. On the one hand, some people say you would never get agreement to build an airport on locations where there are significant bird habitats; you would never get permission to do it. On the other hand, people say that you would as long as you provided compensatory habitats and no other options were realistically available, and that might be the case if you could demonstrate that the noise implications elsewhere would be completely unacceptable in the public interest.

Looking at all these arguments in the round, we had to ask ourselves: "Are we satisfied that our degree of certainty is enough either to rule this option in or rule it out?" In the end, after going round the houses—I accept it was the area on which the commission spent the most time in the weeks before our interim report—we decided that we did not have enough information to make a firm decision. Therefore, we decided to carry out studies on four areas, which themselves demonstrate the areas of uncertainty.

The first is on surface access, where the feasibility and cost of driving rail routes into the centre of London from the estuary is something we think is crucial to the decision, and about which we are not certain enough at the moment. The second is what those environmental directives mean. It is quite difficult to look round Europe and find any comparable issues. You can find one or two cases in relation to ports, but there are only limited places where you can put a port and, therefore, to say there is no alternative location is an easier thing to do, whereas in principle you can put an airport on any flat ground. We are looking at what that really means—what the directives would and would not allow you to do.

We are looking also at the economic geography argument as to whether it is the case that the airport would act as a pole of attraction, and whether the routes through to the airport—road and rail—would create a stimulus for that area of London. Finally, we are looking at what would induce the airlines to move there. The airlines are saying they do not want to go there because it will be too expensive, but how does that play out? What would the expense need to be and, to feed back from that, what would be the public subsidy for the airport?

For a decision of such significance, which would be the biggest planning choice that London would make in a generation or more, we feel it is reasonable to do that additional work before we make a firm decision.

Q8 Graham Stringer: Perhaps I could ask the question in a different way. Do you really think you can form consensus on the basis of closing three airports, to which presumably the owners of those airports would object, and spending £100 billion-worth of public money, or a bit more or less, when the expansion of Heathrow or Gatwick—I do not know the finances of Stansted—would probably be commercially viable without any, or very much, public subsidy for extra ground transport? Is that really a possible basis for consensus?

Sir Howard Davies: I am not sure I quite recognise the idea that three airports would have to close.

Q9 Graham Stringer: It is in the report; you talk about Southend, City and Heathrow.

Sir Howard Davies: We think that Heathrow would have to close for commercial reasons, because we do not think that an estuary airport could be built without the assurance for promoters that it would become the hub airport. The only way they could get that assurance is if Heathrow were to be closed. Almost certainly, the only way the Government could give them that assurance would be if they bought it. Although we will do more work on the financing of the estuary, we think that almost certainly the first step would be that the Government would need to acquire Heathrow, and run it up to the point at which a new estuary airport opened. I am not totally clear what it would cost. The sorts of numbers quoted are £13 billion to £15 billion. Therefore, the owner of Heathrow would not object, because the owner would have to be the Government before you could actually get the thing opened. Possibly, Southend and London City would. London City is a significant point. Southend is commercially owned, so they would have an interest, but it is not a huge part of the London airspace at the moment. It would be a significant disruption, but putting in place a big four-runway hub airport would be bound to do that.

Q10 Graham Stringer: May I move on to Stansted? Manchester Airport Group has pointed out that your projections for the numbers on Stansted in 2020 are what the airport is likely to meet this year. Do you accept that point?

Sir Howard Davies: I am not sure I could answer that specifically. I thought we presumed a further increase in 2020 beyond what they are achieving this year.

Philip Graham: Stansted airport have signed commercial deals with easyJet and Ryanair; my understanding is that if they achieved their targets they could achieve somewhere in the region of 19 million to 20 million passengers next year, which is broadly in line with the forecast we made for 2020. However, we also looked at lower and higher ranges of those forecasts. We carried out a high level of uncertainty analysis around that. Even if you look at the top end of our forecasts, or at the previous set of forecasts made by the Department for Transport in 2011, they were roughly equivalent to what Stansted are saying might be achieved now. The broad conclusion that the commission reached would still hold—that Stansted would fill substantially more slowly than Heathrow or Gatwick, which are both operating at almost total capacity at the moment, whereas Stansted is operating at about 50%. With these forecasts, as with any forecasts, there is a certain degree of uncertainty, but I do not think that uncertainty fundamentally changes the conclusions that the commission reached.

Q11 Karen Lumley: How quickly did you rule out Birmingham airport having a second runway?

Sir Howard Davies: We went to Birmingham and spent a day there and talked to the airport. I hope they believe that we gave them a fair hearing. Our conclusion on Birmingham was that there is a lot of scope to expand throughput because they already have a lot more capacity than they have business. There is a runway extension, which will improve their attractiveness to long-haul flights, but the modelling of demand that we did suggested to us that Birmingham was unlikely to need a second runway within the currency of the forecast period we were looking at.

Q12 Karen Lumley: Did you factor HS2 into this modelling?

Sir Howard Davies: Yes, we did. HS2 potentially has a number of different effects on aviation. One is that, overall, HS2 reduces aviation demand a little bit, probably by something like 1%, because it diverts traffic from aircraft to fast trains. It does bring Birmingham airport somewhat closer to the London market, but it does the opposite, too; it means that people in the West Midlands find it easier to access airports in the south-east. It also makes it easier for them to access

Manchester airport, once phase 2 is built. The net of all of that, and our modelling and forecasting, did not seem to us to have a very big impact on the throughput at Birmingham airport.

Q13 Karen Lumley: Would you accept that putting a second runway at Birmingham would be far less controversial than putting a third and maybe a fourth one at Heathrow?

Sir Howard Davies: I suppose it is true to say that there is quite a bit of local support around Birmingham—there is some opposition too—for expanding that airport, but we had to ask whether that was the right amount of capacity in the right place. One of the points that came through in the research, quite strongly to me, was that the propensity of people in London and the south-east to fly is substantially higher. The propensity to fly of people living in the West Midlands is significantly lower than in the south-east. Therefore, you would be pushing people to take longer journeys to get to their airport if you were expanding Birmingham than if you were expanding an airport in London or the south-east. It seemed to us that it was likely to be a struggle to have another runway and expect it to attract a lot of business from London and the south-east. It would then force people to take longer surface journeys, which itself has bad environmental consequences. We did take it very seriously, but overall we did not think the arguments stacked up.

Q14 Karen Lumley: Realistically, do you think there will be a third and fourth runway at Heathrow in your lifetime?

Sir Howard Davies: In our report, we are not arguing about a fourth runway. If you said a third runway, because that is the proposition we are considering, I am feeling reasonably healthy at the moment.

Q15 Chair: How long are you thinking about?

Sir Howard Davies: Our view is that it would be possible to build a third runway at Heathrow by about 2026, and that is certainly in the horizon of my own expectations.

Q16 Karl McCartney: You have obviously spoken to various people, and you have talked very much at a local and national level. Have you spoken to any of what you might call the international competitors about where competition lies currently, and will do in 10, 15 or 20 years' time? It is not necessarily in Europe.

Sir Howard Davies: We have. We have been to Schiphol and spent quite a lot of time with them; we spent two days at Frankfurt airport. I have been a few times to the Port Authority in New York and New Jersey, which owns the New York airport system. I have been to see the Hong Kong airport people. Yes, I think we have talked quite extensively to other people overseas. You get a slightly different picture. If you look back at the 2003 White Paper, which was the last time very serious consideration was given to this in this country, that paper mentions Dubai once en passant, and it is now likely to become the largest airport in the world. Everybody is looking hard at how they position themselves in this new environment.

There are considerable uncertainties, which I think everybody accepts: the nature of the aircraft and equipment people will fly, which opens up different opportunities for different types of viable routes; the nature of competition within the airline movement; the nature of competition within airports; and the impact of climate change. When you talk to people internationally, there is a very great sense of the plates shifting underneath them.

We did a collaborative venture with the OECD, who very helpfully organised a two-day seminar based in Paris. They brought together people from all sorts of other places, including Australia—

we looked at Sydney airport—Japan and other places in the States, and it proved to be very interesting. The proceedings of that have just been published, if the Committee is interested in seeing them. The one thing I came away with was a sense that these issues were extremely complicated, and a feeling that internationally to have a bottom-up look at all of this was a sensible thing to be doing at the moment. Many other people were starting to ask themselves whether they had got appropriate configuration.

Q17 Karl McCartney: As an aside, obviously you picked up quite a few air miles visiting all these different places. From your experience as a traveller, do you think the experience of passengers in this country equates to different airports elsewhere around the world?

Sir Howard Davies: To be clear, the long-haul flights that I have taken for these things have not been paid for by the commission, because I have been going there for other reasons. I think the commission did pay for us to go to Schiphol and Frankfurt, but that is all.

Philip Graham: It did.

Sir Howard Davies: Surveys of international passenger experience suggest that Heathrow and Gatwick are doing quite well. They are usually in the top 10 or so in terms of the passenger experience of international airports. You tend to find that the brand new airports, or the ones that have a lot of space and are very well organised, like Singapore and Hong Kong, do very well, but by European standards our airports do a good job, and a particularly creditable job given the capacity they are operating at. It is much more difficult to operate at close to 100% capacity, with the limited resilience that gives you. Our airports are not at all bad by international standards, from a passenger perspective.

Q18 Jim Fitzpatrick: May I go back to the point Mr Stringer raised about political consensus? Notwithstanding the Mayor's unfair attack on you and the commission, at least you both agree that there is a capacity issue.

Sir Howard Davies: Yes.

Q19 Jim Fitzpatrick: The solution is what is in dispute. I am speaking as the former Minister who fronted the third runway for the Labour Government, which became a political football in the general election of 2010. I am curious about the timetable for your report after the general election in 2015. Was that a timetable the commission worked out it could not beat, and it had to be after the general election, or could you have delivered your report before the general election?

Sir Howard Davies: We were asked to deliver a report after the general election, and that was the basis on which we took on the job. If you ask whether we could have delivered a report before the general election, I am sure we could have delivered a report, but we were asked to do it after. Therefore, our work programme has been designed in such a way that that is what we will achieve. We have taken the opportunity given by that relatively long timetable for our report to do as much work as we can to allow a new Government to hit the ground running when they make a decision. In other words, in our phase 2 we will be doing substantial environmental and surface access assessments, which we will do a lot of the work that a Government would need to do if they made a decision about a particular option. Of course, the Government will need to do some of that work again, but we will leave a memorial to our work in the form of a lot more detailed planning for the option we eventually recommend than would otherwise have been the case.

My question in a sense is: how long is a piece of string? We could have delivered a report saying, "We've had a look at it, listened to a few people and we think this," or we could do something much more substantial, and, with the time we have been given, that is what we are doing.

Q20 Jim Fitzpatrick: Not very long ago, Heathrow was serving over 20 UK airports. That number is now down to six, and the projection in your report is that it could be as few as four. How much consideration was given to access from the rest of the UK to Heathrow, or certainly the south-east, to allow it to benefit from international connectivity, and how much of it was down to UK plc connecting with the rest of the world? Did you get much information or evidence from the Foreign Office and UKTI on the second part of that question?

Sir Howard Davies: Your questioning is reminiscent of points put to me by Alex Salmond. I do not know whether this is the only point on which you agree with Mr Salmond.

Chair: I think it is just a coincidence.

Sir Howard Davies: In the course of the work I went to Northern Ireland, Scotland and Wales and met the Governments there. They made it absolutely clear to me that regional connectivity—national connectivity, if I am talking about Scotland—is absolutely crucial. It is the case that the number of links from UK regional airports to Heathrow has fallen. You have to be slightly careful because some of the ones that go to Schiphol would not sensibly go to Heathrow anyway. However keen you are on Birmingham, the chances are that you think there will not be many Birmingham-Heathrow flights, so we have to be slightly careful about that comparison.

Undoubtedly it is true that for some people in the regions, connections via Dubai in some cases, or Schiphol in others, have become more attractive. Here we have to be slightly realistic. For people wanting to go to, say, a second-tier city in Pakistan from Birmingham, taking a Dubai flight and switching to Air Dubai, which is their low-cost carrier, into Pakistan is probably a perfectly reasonable thing to do. The chances are that even if you had four runways at Heathrow, you would not get flights to second-tier cities in Pakistan. For some of that, you just have to say that is the way the world is going, and that it is an increase in convenience to people visiting friends and relatives and we should not really worry about it. We have to be careful about what kinds of connectivity we are losing and what kinds we could get back.

On the other hand, if you are forcing a Glasgow businesswoman to fly to Schiphol in order to get a flight to Chicago, which is going backwards, you would say that it is probably not a good thing. It is less convenient, and if she could get on to the Heathrow connection more quickly that would be better. We have to parse this problem, but undoubtedly the over-capacity at Heathrow in particular has caused a diminution of regional connectivity internationally.

As for the broader issue, we have not formally got any input from the Foreign Office on this point, but we looked at a number of studies that have been done on the relationship between international connectivity and trade and investment, which demonstrate to us that there is a link. We set out in our report what we think are the GDP implications of that. I do not think we have had a formal submission from the Foreign Office, but we have looked at the work they have done.

Q21 Chair: The CBI told us in our earlier evidence sessions, when we conducted our own inquiry on this, that there was a major issue to do with lack of connectivity to emerging markets. Is that something the work you have done supports?

Sir Howard Davies: There is an issue, and there is likely to be a bigger one in the future. If you look at the data, which we include in the report, some of the arguments people have advanced about our crisis of connectivity at the moment seem to us to be somewhat overstated, in that if you compare Heathrow with Schiphol, Paris and Frankfurt, which is a reasonable comparison, the figures that suggest Frankfurt has a lot more connections actually relate largely to second-tier Russian cities. The UK's trade and investment flows are not particularly with those places. Even if we had flights to Novosibirsk and Nizhny Novgorod, I doubt if they would be much used, except by people who own apartments in Kensington. We think it is somewhat overstated, but it certainly

seems to us to be the case that over the next 10 years the lack of slot availability at Heathrow means that new routes will emerge that are less likely to start in the UK than in some of the places with marginal slot capacity. It is not that critical at the moment, but we forecast that it is going to deteriorate.

Q22 Jim Dobbin: You mentioned Dubai, with its impressive airport, and Frankfurt and Paris. Looking to the future of the UK over the next 50 years or so, would it be better now to put some meat on the bones and get the whole thing agreed, with planning permission for the development of additional runways?

Sir Howard Davies: Following our report, if we can be persuasive enough and build enough consensus—I do not think anybody here would think we are likely to get everybody to agree on every point—we assume the next step would probably be a national planning statement, or conceivably a hybrid Bill, which would set out the basis for the planning of airport capacity in the future. If the Government were able to secure enough support for that, they would move ahead, and our work would have allowed that to start more quickly than would otherwise be the case.

We think that a decision very shortly after the next election will be important and urgent. Even though we do not forecast as large an increase in aviation as the Department for Transport's forecasts have done in the past, and there has been a fall-off as a result of the recession, and we accept that some of the diverted demand is probably providing a better service for people, so we should not worry too much about it—even with all those qualifications—there will be a significant capacity problem in the mid-2020s, and therefore a decision shortly after the next election will be important.

Q23 Chair: How short is “shortly”?

Sir Howard Davies: We would hope that if a Government could reach an agreement on our recommendation, they would get on with a national planning statement very fast. That should be able to be published within a year or so, shouldn't it?

Philip Graham: They should be able to publish it in draft reasonably quickly.

Q24 Chair: Can you give us an idea of how long it would be before a new Government could do something?

Sir Howard Davies: Before a national planning statement? That could be in a matter of months, couldn't it?

Philip Graham: In draft. There is then a set of consultation processes that are stipulated in the legislation that have to be gone through.

Q25 Mr Sanders: National flights are increasingly a way for people to get around the country. To what extent have your forecasts taken into account the future of domestic flights both to hub and non-hub airports?

Sir Howard Davies: Domestic flights are certainly built into our forecasts. We have attempted to look at the scope for diversion of domestic flights to high-speed rail, which most people would regard as positive, if it can be done. We think there is some, but, as I said in answer to Karen Lumley, about 1% of total aviation could be diverted to high-speed rail. Our forecasts include domestic aviation.

Q26 Mr Sanders: Given that it is almost impossible for a regional airline to get a slot at Heathrow, are you basing it on the difficulty of regional airlines to access the main airport, or are you taking into consideration that increased runway would be used by increased domestic flights?

Sir Howard Davies: We cannot be certain about how a new runway would be used, but our forecasts would certainly incorporate an assumption that some of the additional capacity created by a third runway at Heathrow, were that to be the option, would be taken by regional feeder flights. In principle, Heathrow would see that as attractive, because clearly their business model depends on feeding people into long-haul flights, and UK regional feeders into Heathrow are a potentially significant part of the market that currently they are not really able to access.

Q27 Mr Sanders: What about people who are not feeding into an international flight but just trying to get from another city in the United Kingdom to London? At the moment, there are very few flights that enable them to do that; for example, there are none at all from the south-west of England. It seems impossible for them to get slots at Heathrow unless they are slots run by airlines that are linking internationally. How can we resolve this, and help people who want to fly into London access flights that enable them to do that?

Sir Howard Davies: If you are talking purely about people wanting just to get to London, going to Heathrow is an expensive way of doing it and is likely to remain so. Heathrow's landing charges are significantly higher than anybody else's, because other people with larger planes, supplying passengers who are transferring and taking other services available at Heathrow, are prepared to pay that price. On the whole, if I were looking at direct routes for people from the south-west just wanting to go to London, I would be slightly surprised if an airline would really want to go to Heathrow anyway and pay that price. I would have thought they would be more likely to want to go to Luton, Southend or City, where landing charges would be smaller.

Q28 Mr Sanders: It is not just the south-west. If you take some of the islands around the UK—the Channel Islands or the Isle of Man—and Northern Ireland or even Scotland, they want to link in. Is there not a case for a domestic airport that has some sort of link to Gatwick and Heathrow, and is there primarily for domestic air travellers?

Sir Howard Davies: The islands typically tend to fly to Gatwick at the moment, because I suppose more of their traffic is coming direct to London. London City would be the closest to what you are talking about. It is essentially UK domestic plus near-Europe. It has one flight to New York, which I sometimes take, but it really is one. That would be the nearest thing to the sort of airport you are thinking about.

In this country, we do not own airports. When we think about planning future capacity and talk to people in Paris, Frankfurt, Amsterdam or New York, the difference is that in this country for the most part public authorities do not own airports, so it is not open to us to say that this airport will be used in this way for that type of traffic. We do not have the levers to pull. In New York, the airport system is owned by the states of New York and New Jersey, and to some extent they have the ability to plan where capacity goes and how it is used, and similarly in other parts of Europe. I think we are the only place which is attempting to manage capacity in a fast-moving global environment without owning the airports. Admittedly, MAG owns Stansted now, and Luton council technically owns the freehold to that airport, though it is run under franchise, but Heathrow and Gatwick are entirely private. We are operating in an environment where you do not have very many tools. The traffic distribution rules cannot be used for that purpose. I hear what you say about the attractiveness of that model, but I am not sure I know how we could decree it, and the market is not supplying it at the moment.

Q29 Mr Sanders: I heard a remarkable thing. Apparently, there are two runways at Schiphol that are as far apart as Heathrow is from Northolt, which rather suggests the possibility that Northolt ought to be considered in any look at airport capacity in the south-east of England. What was your view of Northolt? Did you take it into consideration?

Sir Howard Davies: We looked at it quite hard. There are complications about Northolt. They are set out in the report, and probably Phil can find the relevant bit. The complications are in a number of different areas. One is that it has heavy military use, and the military need it at the present time. We consulted the Ministry of Defence about their needs for Northolt, and they do need it. There are also problems about the fact that its airspace is essentially coterminous with Heathrow, and therefore additional take-offs and landings at Northolt conflict at the moment with the ones at Heathrow. Even if you had additional flights out of Northolt, you would not necessarily generate a lot more capacity looking at the two airports together.

There is also a problem about the runway configuration in relation to the road system, which makes it impossible to lengthen it and can put significant constraints on how much you can use it. Transportation from Northolt to Heathrow is quite long and rather unpredictable. We could not see a viable model to put a fast link between Northolt and Heathrow, given the plausible volumes that you could get out of Northolt. We looked at this quite intensively, but our conclusion was that it was not an option that offered any but the most marginal improvement in regional connectivity.

Q30 Jason McCartney: Continuing on the same theme, for me as a Yorkshire MP, you can replace the south-west with the north. I was pleased to read that your commission said that you “did not believe there is a binary choice between additional hub capacity or additional point-to-point capacity.” However, in this whole debate, and when the statement on your interim report was read in the House just before Christmas, there is a total obsession with the south and south-east. I am a big supporter of HS2; I see an opportunity to shift the focus away from the south. I am just wondering why you are so focused on options that will have such severe environmental hurdles to overcome and seem quite unrealistic, when there are great opportunities in the north of the country, whether it be Manchester, Leeds Bradford airport or somewhere else.

Sir Howard Davies: I hope I do not ignore this. As Graham Stringer knows, I was born and brought up in his constituency. My mother lives in Bamford about 200 yards from your constituency, Mr Dobbin.

Jim Dobbin: She is one of my constituents.

Sir Howard Davies: She is now in your constituency, is she? She always tells me she is in Rochdale.

Jim Dobbin: No doubt they have improved.

Q31 Jason McCartney: Can we come back to my question, please?

Sir Howard Davies: I know that Manchester is a long way from Yorkshire—further than London is from Yorkshire in many respects. We looked at whether there were options available to us to improve the utilisation of regional airports. In my reply to Mr Sanders, I mentioned that we looked at the possibility of using the traffic distribution rules to push flights around.

Q32 Jason McCartney: Did you visit Manchester?

Sir Howard Davies: I visit it all the time.

Jason McCartney: Specifically to talk about the work of the commission?

Sir Howard Davies: We actually did not have a commission meeting at Manchester airport.

Q33 Jason McCartney: But you had one at Birmingham.
Sir Howard Davies: We did have one at Birmingham.

Q34 Jason McCartney: Are you planning to have one at Manchester?
Philip Graham: We held a public evidence session.

Sir Howard Davies: Yes, we did. We distributed our favours. We had regional visits to Northern Ireland, Wales and Scotland and Birmingham airport. In Manchester, we held a day of consultation meetings in the town hall, but we know the airport very well. Geoff Muirhead, who was chief executive of Manchester airport, was on the commission for a while. We looked at whether the traffic distribution rules could be used. Our conclusion was that they could not. These are very heavily influenced by international agreements, and you cannot use them to force flights to move from place to place.

We also looked at the possibility of using differential rates of APD to influence flights. We modelled the option of saying, “Could we have an APD surcharge on congested airports which was then compensated for by a reduction elsewhere, leaving the yield the same?” The Chancellor has not given us a licence to reduce the yield of APD.

Unfortunately, this did not produce a very sensible outcome; in fact it produced a worse outcome in a whole variety of ways. It produced a bit of movement of flights away from Heathrow, but only those where Heathrow already had the connectivity, so it did not do anything positive for connectivity. It also on average ended up with a more inefficient set of connections and smaller planes, and it was environmentally bad. You had the use of smaller aircraft and lower capacity on those routes, so there were more emissions per passenger mile flown than you would get with the existing configuration. Unfortunately, this did not look like a good option. Some of the details are in the main report. That was a disappointment to us. It did not look as if it worked. One of the problems is that the propensity to fly of people in London and the south-east is significantly higher. On average, for those in the south-east it is 2.5 flights per person per year and it is 1.5 for the rest of the country.

Q35 Jason McCartney: With the likes of the BBC relocating to Salford and taking into account the economy in the north—manufacturing output and growth is outstripping that in the rest of the United Kingdom—and those new markets, how much does your report reflect the fact that those new markets are in China, the far east and Russia? You also talked about linking to airports in Pakistan. At least a proportion of the UK’s Pakistan Kashmiri population live in the north. There is a substantial Pakistan Kashmiri population in my constituency, and I have flown from Manchester to Islamabad to meet members of the community there. How much has that come into your thinking? The economy is changing in the north of England. Are you just going back over old ground with certain boxes ticked? I really think you should take your commission up to Manchester to look at how the northern economy is changing, with the increase in manufacturing and engineering output and these new markets.

Sir Howard Davies: I haven’t been in Manchester since Saturday night; I don’t know whether it has changed a lot since then.

Jason McCartney: As a Yorkshireman, I mean Yorkshire as well.

Sir Howard Davies: Yorkshire is obviously a no-go area for me, but I think our forecasts do take account of the changing profile of demand.

Q36 Jason McCartney: You think they do, or they do?

Sir Howard Davies: I say “I think” because I am a prudent man. We do not know how the forecast of demand is going to go. You may say that there will be more manufacturing in the north. There may be, but we do not quite know how that will translate into demand for aviation. They are inherently uncertain, but we look at trends and try to see how far those trends will go in the future.

I can only say that our understanding, looking at the forecasts and the way air traffic configuration has developed, does not encourage us to think that there will be a big shift in the balance of activity to airports in the north. These new routes are highly unlikely to be viable except from an airport that can attract feeder traffic. That is how a new route starts; it usually starts with some origination traffic, but also some feeder traffic from elsewhere, so new routes are highly likely to start in places like Heathrow in particular, or possibly Gatwick.

Chair: Mr Stringer, we will have to let you in on the Manchester point.

Q37 Graham Stringer: It is a general regional point. You look at a third issue in paragraph 5.91, where you are looking at stimulating extra growth in the regions and more encouragement for fifth freedoms and/or an open skies policy. You say that you have taken legal advice on the issue, and it would be very difficult to do. First, will you share that legal advice with the Committee? Secondly, I cannot see why the Government do not unilaterally declare open skies in all the regional airports and let people fly in and out. It would not make a huge difference, but it would make a significant difference to the regional airports, yet every time, whether it is fifth freedoms or complete open skies, an airline in the south-east objects to unfair competition. I do not think your report is robust enough in examining that option. I would be interested in your response to that.

Chair: Would you be able to share your legal advice on fifth freedoms?

Sir Howard Davies: Do we have legal advice in a form that is shareable?

Philip Graham: I am afraid I would have to ask the team member who dealt with that part of it.

Chair: Would you look at that?

Sir Howard Davies: We will certainly look into it and see if we can supply that to you. If you think there are options that we are not exploring properly, we would be happy to have that view expressed to us. This is not an area where we are trying to push a particular line. In the period before new capacity comes on line—we know that even if everybody were to agree with what we say, that will take between 10 and 15 years—we very much want to see the capacity available at regional airports better used. We are certainly in the market for ideas about how that could be achieved, but so far the advice we have had is reflected in this part of the report.

Q38 Graham Stringer: You are open to more robust arguments on both fifth freedoms and open skies.

Sir Howard Davies: Yes; we would be interested in that.

Q39 Martin Vickers: On regional airports, Humberside airport is vital to the future of the Humberside economy. It is an expanding economy, which is receiving a lot of Government support at the moment. Although I accept there is a need for increased capacity in the south-east, how much has your modelling assumed that a growing economy will make people further away from London want to travel into London to use international services? On Humberside, there are three daily flights to

Schiphol. Why would anyone want to go anywhere but jump across the North sea? How much has your modelling tried to take account of this?

Sir Howard Davies: I hope that our modelling is sophisticated enough to capture the fact that although these airports are competitive—London Heathrow, Schiphol, Frankfurt and Paris—they actually offer a different range of services to different places. I mentioned the fact that if you want to go to second-tier cities in Russia, Frankfurt is probably where you want to go. Similarly, if you are interested in francophone Africa, Charles de Gaulle is where you want to go. Heathrow’s particular competitive advantage, although not the only one, is north America, or very frequent flights to places like Hong Kong and Singapore built on these traditional connections. We do not think it is enough just to say, “There is a flight to Schiphol, and you can go where you want,” because you cannot. There are places you would want to go to from Heathrow that are not as conveniently served from Schiphol. In particular, the network of routes to Philadelphia, Seattle, San Diego and so on that you can get at Heathrow is not matched at Schiphol. The modelling would assume that if there is demand for the routes Heathrow serves, people will try to get to Heathrow to access them, and it would not assume that they would all go to Schiphol, where in some cases they would have to go back to Heathrow on a Schiphol flight to get to San Diego. It does break down these things by routes.

Q40 Martin Vickers: You cover the impact of low-cost airlines to a considerable extent, acknowledging that even business travel is moving quite significantly in some cases to those airlines. I was not quite clear from the report how much the modelling accounted for the continuing shift of not just leisure flights but business traffic to low-cost airlines.

Sir Howard Davies: I hope we have covered that. The estimate of Ryanair, for example, is that 18% of their traffic is now business traffic, and from memory it is a little higher for easyJet.

Philip Graham: For easyJet, it is about 20%.

Sir Howard Davies: It is of a similar order. Undoubtedly, for the type of routes they serve, they are very appropriate and useful for business passengers, but that is focused on particular types of route. For example, if you have business in Vilnius, as I happened to have recently, Ryanair is the way you go; British Airways does not fly to Vilnius, and perhaps is not likely to at the moment. For some routes, those low-cost airlines perform a service for business passengers, and we tried to take that into account as well.

Q41 Chloe Smith: I ought to throw in the good constituents of Norwich and Norwich International airport, which also connects to Schiphol. I share Mr Vickers’s comments about the “why change” question for that segment of the population. Effectively, what we are moving towards in the debate is more about international than domestic passengers. If your answers to Mr Sanders are true, essentially domestic passengers still need to take trains and cars, and then make their choices.

May I move to some of the points about overground transport that you make towards the end of your report, in the section on short-term things to do? First, I would be interested in your comments about how in particular the Stansted links ought to be taken forward there, and how quickly. Secondly, may I go to your comments about noise, and why you think a new noise authority is needed, and how you think we should go about approaching that?

Sir Howard Davies: Thank you. I am glad we can spend a moment on these short-term things because I think they are quite important. We looked at surface access for existing airports because although inevitably the focus is going to be on the next new runway recommendation—that is the sexy bit—none the less we have a gap of 10 to 15 years before that comes on stream. Therefore, we have to ensure that we can make the best use of the capacity we have at existing airports. The transport links to Gatwick and Stansted in particular leave something to be desired, as we all know.

We decided to make a submission to the Chancellor before the autumn statement, so the submission was made before the interim report, because we knew the bus was passing and we wanted to get on it. We argued essentially that in circumstances where you had constrained capacity at the most popular airports and where you had a hiatus, inevitably, because of past decisions or lack of them, before new capacity could come on stream, it made sense to attach a higher weight to investments that could improve access to existing airports with spare capacity than you might otherwise do in your normal transport appraisals. That is the essence of the argument we tried to put forward.

To our pleasure, we found that the Government bought that argument. The Treasury agreed with it and said, “Yes, we accept that there are a number of things that could be done,” and essentially they have been pushed up the queue of transport projects. They involve some four-tracking of the line to Stansted, which will improve speeds and reliability for the Stansted Express, and investing in a new station at Gatwick, with longer trains and more luggage-compatible trains. Clearly, a brand new high-speed link to Gatwick is a different order of expenditure; we are talking many billions there. These ideas are in the tens to hundreds of millions, but the Government have said they support that, and they are in the national infrastructure plan which was published in November.

The noise authority is a different type of issue. Our conclusion about noise is that there is a significant failure of trust, if you like, between the various participants assessing noise implications of air transport, whether airports, environmental groups or the CAA. Each of them thinks that the other does not know what they are talking about, or exaggerates, underplays or whatever it is.

We looked at how this is dealt with round the world, and found in Australia and France what we saw as useful working models of separate aviation noise authorities who are the go-to people about assessing the noise implications of the development of an airport, whether it is a new terminal or a new runway, or indeed even new approaches to vectoring on take-off or whatever, which distribute noise in different kinds of ways. The airport noise authority would be the expert on measuring noise, setting appropriate parameters for noise, because there is massive dispute about that, as you probably know, and being a statutory consultee on developments that would affect noise.

We looked at whether this was going to cut across the Civil Aviation Authority. We concluded that they should not be a noise regulator, because we felt that there was then a problem of potential double jeopardy for airlines, but we think that carving this out as a separate authoritative independent noise authority would make planning decisions on new airport capacity, or new airspace management routes, better in the future, in that there would be an independent authority that would rule on what the implications would be. We therefore hope that when the Government respond to this report, which we understand they are going to do in a couple of months’ time, they pick that up. It would need primary legislation, though not a huge amount, and we think it would be a very good idea to get on with that now so that it was in place to deal with any decisions made after the next election.

Q42 Chloe Smith: In addition to the initial thinking you have already done about the CAA and perhaps other bodies that would need to interact, how do you think such a body ought to be accountable and open to the public to do so?

Sir Howard Davies: I cannot say that we have designed it fully at this point, but we certainly think it would need that degree, because the whole point is that it would have to achieve credibility with local groups. It would need to consult with HACAN and the other people who are active and knowledgeable in this area, and it would need to operate in an open way, but there are interesting precedents around the world that I think it could copy.

Q43 Chloe Smith: Do you think that noise is effectively the losing battle in all this? Do you think that to a degree people are just going to have to put up with airport noise?

Sir Howard Davies: The figures available to us suggest that noise around the major airports will gradually diminish, because the aircraft being brought into the fleet at the moment are significantly quieter and, in a number of cases, take off more steeply from shorter runways, etc. than the existing

fleet. Our forecasts are that the numbers of people affected at given noise levels will fall over the next decade or so. Very roughly, if it is 250,000 at Heathrow at the 57 Aeq level, it would fall to about 150,000 over the next decade. I would not say this is an inevitable awfulness. Clearly, there will be some people who will still be affected by a high and disruptive level of noise, but the numbers are projected to fall. We think that is a fairly safe projection looking at the purchase profiles for new fleets by airlines. It would be nice if 380s and 787s could come into the fleet more quickly, but there is a speed at which they can be produced. I talked to Boeing in South Carolina about how this was working, so we are reasonably confident of that.

Q44 Chloe Smith: To what extent do you intend to stay on top of the short-term actions you set out while also of course having to juggle the broader and quite political work of the remainder of your commission?

Sir Howard Davies: We will certainly look with great interest at the response that the Government produce in March. If it is not satisfactory, we will say it is gloopy, or whatever the current favoured phrase is if you want to criticise something. We will take an interest in this because we believe it is an integrated package. The other bit you have not mentioned is the future airspace strategy, and the need to push that forward. We hope that the Government will pick that up as well, because we think that if we are to get the best out of what will inevitably be constrained airport capacity in a congested corner of a congested island—we are never going to have a massive amount of surplus capacity—we must make sure we manage well what we have got. The future airspace strategy is a crucial part of that as well. We will be staying on top of the Government's responses to that, and I think we can do that and push forward the phase 2 work.

Q45 Chair: Have NATS responded to you in relation to your airspace proposals?

Sir Howard Davies: I do not know whether they have formally responded to us, although we had a lot of discussions with them.

Philip Graham: We work very closely with them. They were providing advice to us in the course of our work.

Q46 Chair: Are they party to your proposals?

Sir Howard Davies: They are not party to our proposals in a technical sense, no; but I would be surprised if they disagreed with them.

Q47 Chair: You say that noise will reduce in the future. What significance would that have for people who are opposed to Heathrow expansion on grounds of noise?

Sir Howard Davies: I am not hiding the fact that there will still be a lot of people affected by noise at Heathrow, and slightly more if Heathrow expands than if it does not, although our figures suggest, if you look at the detail of the two options that we have put forward for Heathrow, that the increase as a result of the expansion on the people affected by noise would not be very great, compared to the reduced number—I am sorry; I am not explaining myself terribly well. If it is, say, 250,000 now, it will go down to 150,000 or 140,000 if there is no third runway. It would go down to a similar area, though not quite as low, if there were a third runway.

Philip Graham: Our estimates were quite high-level, but we think that, with the north-western runway proposed by Heathrow Airport Ltd, the effect on noise in relation to the 57 decibel contour that Sir Howard mentioned would be broadly neutral, so it would stay at roughly 150,000. That decline would not be affected.

Q48 Chair: You are saying that if that particular runway option was taken, the impact on noise would be neutral—broadly neutral.

Philip Graham: The increase in the number of flights is effectively offset by moving a significant proportion of the airport's traffic further to the west, which means the planes are coming down higher over the most populated areas, so the noise impacts on people are reduced as a result.

Q49 Chair: And on the other Heathrow option.

Philip Graham: Looking at it on the same basis, there is a slight increase. Rather than the 150,000, which is the background reduction, it is approximately 170,000 to 180,000.

Q50 Chair: And compared with the position now.

Philip Graham: It is still very substantially lower.

Chair: Lower than it is now?

Philip Graham: Yes.

Sir Howard Davies: Yes. Say it is 250,000 now, it goes down to 170,000-180,000, or 140,000-150,000. These details are what is going to happen in phase 2. The promoter is arguing it. We have run the rule over it and we have had consultants look at it, but I think this is the territory that we need to explore in greater detail.

Q51 Chair: But this is one of the areas that you will be looking at in detail.

Sir Howard Davies: Absolutely.

Q52 Chair: Why are you proposing a separate aviation noise authority rather than the CAA being given this responsibility?

Sir Howard Davies: We think there is a case for another player in this marketplace. To be blunt, people criticise the Civil Aviation Authority from outside and say, "Oh, it's been too closely associated with airport and airline interests," etc. We think that to cut through what is sometimes a rather dysfunctional debate—I am not trying to ascribe blame to either side of this—a focused, targeted, independent authority with a particular focus on noise would increase the confidence of people affected by noise that their concerns were properly taken into account, and that the figures being produced were independent and accurate.

Q53 Chair: Do you get the impression that there is general political consensus on the need for more runway capacity in the south-east, rather than on exactly where it should be?

Sir Howard Davies: I find myself in a slightly curious position in a room of politicians being asked to give a verdict on politics. From talking to people privately, my sense is that there is perhaps more agreement and more basis for understanding about what needs to be done than there was 18 months ago when we began this exercise, but maybe that's me—maybe that is a bit of wishful thinking on my part.

Chair: That's your impression.

Sir Howard Davies: But I also think that many people are saying, "Look, we've appointed a dog. Why bark ourselves?" and will wait for us to produce a complete proposal properly worked through with all these figures that we hope are as reliable as we can give, and then people will make a decision. For politicians who say that to me, I think that is perfectly reasonable, and I might do the same in that case.

Q54 Chair: I wanted to ask questions about your proposals in relation to Gatwick. You seem to be suggesting in the proposals you have put forward that there would be two hubs: a Heathrow hub and a Gatwick hub. Is that correct? It is a little ambiguous. You talk about point-to-point and then you talk about hub capacity, and you seem to be implying that there could be a Gatwick hub as well as a separate Heathrow hub, and maybe some airlines would move from Heathrow to Gatwick. What is the basis of that thinking, and what real grounds do you have for believing that airlines would move from Heathrow to Gatwick under these proposals?

Sir Howard Davies: This is the area that is going to be at the centre of the discussion in the next year, because I think there is a lot of confusion about hubs. Really, a hub is an airline, or conceivably an airline alliance, because it is the airlines that operate the connectivity and manage that process. Therefore, we have suggested it is not at all clear that the choice is between hub and no hub. In the future, there may be a blurring of the lines between what we have traditionally thought of as a hub airport and traditionally origination and destination. For example, Milan airport is operating something called ViaMilano where the airport will manage the connection between airlines, and create a connectivity which the airlines themselves do not wish to do. Maybe that could happen at Gatwick.

The essence of the argument is, what is going to be the future balance between network airlines and point-to-point low-cost carriers? If you look over the last decade, more than all of the growth in aviation demand has been in the low-cost sector in this country, among airlines who do not offer connectivity—who do not see themselves as hubs that are offering a wide range of services but are all operating point-to-point and, if you want to transfer to another airline, that is your business when you get there. Therefore the question is, how is that going to develop in the future? Are we going to see a revival of market share of the network airlines or are we going to see the continuing growth of the low-cost at their expense? In the low-cost sector, are we going to see low-cost move into long haul? Norwegian, for example, are talking actively about that; indeed, they say they are buying some aircraft to do that. Ryanair have talked about it. If that were to happen, it would rather alter the balance between what we have traditionally thought of as hub capacity and point-to-point capacity, because you would have some long haul going from London to, say, New York. If that happens, will it all go from Heathrow? Quite probably not, because if they are offering a low-cost package, they will be looking to go from a lower-cost airport.

We think that the question of how the balance between what we traditionally thought of as hub capacity and origination and destination business shifts in the future is very important to the type of capacity that you want to have. In a perfect world, you would want to have—if I asked Michael O’Leary what he’d say—well, I won’t say precisely what he says because this is a family audience.

Chair: It’s all right; he has been to this Committee before.

Sir Howard Davies: He says, “Build another runway everywhere and then see what the market does.” In fact, we do not think that is likely to be fundable, and we think it would be difficult to support that politically as well, but he has a point, in that we just do not know how the market is going to evolve. You can produce a very plausible argument that the future lies with low-cost airlines offering long-haul routes as well; that that will pull some traffic out of Heathrow to other airports like Gatwick; and that will then leave open some capacity at Heathrow to develop the kinds of things that Heathrow can do very well, which is the new route to Wuhan, but perhaps there would not be 23 flights every day to New York because some of those would be point-to-point from somewhere else. That is a perfectly possible future.

What we want to do over the next few months is to get people to focus on that debate, talk in more detail to airlines about how they see the future developing, and talk in more detail to the alliances as to whether, if you built new capacity at Gatwick which allowed them much more flexibility, they

would consider moving an operation there. Of course, if you ask them now, they will say no, but if you said, “Well, what if there wasn’t increased capacity at Heathrow, what would you then do?” maybe you would get a different answer. That is the nature of the debate we want to have.

Q55 Chair: Are you saying that your proposal for Gatwick would depend on airlines or alliances moving from Heathrow to Gatwick?

Sir Howard Davies: Not necessarily, because it could depend on one of two things. One is the growth of low-cost point-to-point, which pulled traffic away from the hub, or it could be an airline or alliance moving to Gatwick. Either of them is possible.

Q56 Chair: How could they be persuaded to move if they did not want to? Would there be incentives? Could they be directed to? How could it happen?

Sir Howard Davies: I do not think they could be directed to, but here you are asking me to articulate the Gatwick case. We have not reached a view on this, but the case would be that if you had additional capacity and a new terminal at Gatwick, which would allow them much greater flexibility of operation and perhaps a lower price than at Heathrow, maybe they would find that an attractive option.

Q57 Graham Stringer: There seem to be two difficulties with the arguments you have been articulating about the lack of certainty of future hubs. One is that in your report you indicate that there is a growing market in slots at Heathrow; it can be as much as £20 million a slot. Surely, that indicates huge excess demand at the present time, not in 10 years’ time, for slots at Heathrow. The second argument is really Davies against Davies. You said before that routes are built up by pulling in other routes so that you get connections at the airport. However good aeroplanes get at flying further, being quieter and more efficient, you will always need hub capacity to build up new routes to new economies, will you not? Therefore, you will need a hub.

Sir Howard Davies: I think that is very likely, but the question is how big that hub can and should be. Do you get to a point where the hub can be too big, and is not efficient as a transfer mechanism because it is too large? There are people who think about airports who argue that case and say there is an optimal size for a hub, which may not be 1 million passengers a year, because you may then create something that is so large that it does not operate as an efficient transfer mechanism. The question is not whether there will be a need for hub capacity in the sense you describe—I am sure there will be; the question is how much of it, and whether the market will develop in such a way that some of what currently goes on at Heathrow would be better somewhere else. It might be low-cost flights to New York, which would suck some demand out of that, but leaving capacity to develop the Wuhans.

I hope you understand that I am not advocating this; I’m just saying this is the argument that the people who advocate a distributed hub option will argue. They say that you should be creating a system that is flexible enough to cope with a different set of future demands, and also to cope with the fact that London has separate catchment areas around it, and a more flexible airline system would better match the nature of London’s particular market, and might be better at coping with the domestic market. Maybe it copes a bit less with transfer passengers, but what should our priority be? That is the way the argument runs.

Q58 Graham Stringer: But on the first point about demand for a hub now?

Sir Howard Davies: Undoubtedly, that is the case now. I would not deny that. At the moment, the way demand is would indicate that additional capacity at that hub would be required, but there isn’t

capacity at Gatwick either, so you cannot see what would be the effect of opening up capacity at Gatwick on the slot price at Heathrow. We do not know that.

Q59 Chair: You have shortlisted Gatwick, yet you seem to be saying that you have not spoken to airlines to see whether they would actually go.

Sir Howard Davies: We have spoken to airlines.

Q60 Chair: Do you have a solid basis for thinking that Gatwick could work in relation to moving from Heathrow to Gatwick?

Sir Howard Davies: We have spoken to the alliances. I have said, I hope honestly, that at the moment they would say that is not what they want to do. The question is, if there were to be no expansion at Heathrow, what would they then do, and I do not know the answer to that, but that is what we are going to be investigating over the next year.

Q61 Chair: In terms of future work, what are you going to be focusing on first, in relation to the Isle of Grain possibility? What are you going to do to reach a conclusion about whether that should be shortlisted?

Sir Howard Davies: We set out last Thursday two strands of work. On the Isle of Grain, we have said that we are going to do four studies. I can usually remember three of them; Phil will remember the fourth. One of them is on surface access, mainly to London, but also how it would connect up with the rest of the transport network, and whether that is feasible and at what kind of cost. Secondly, on the environmental directives, what is actually possible at that location? How would the alternative sites point and the compensatory habitat points be considered? Thirdly, on the economic geography thing—I say that as shorthand—would this actually promote further economic development in that part of the south-east? Would this have a positive benefit, including the closure of Heathrow, and how would that work? The fourth one is airline behaviour. What would it take to get airlines to want to relocate to a new hub airport? What sort of price would they pay to go there, and what does that tell you about what the price of the airport has to be, and, if there is a gap between the two, what does that tell you about what the public expenditure implications would be? Those are the four pieces of work we will be doing.

The aim is completing those strands of work by June, which we would then publish for comments. Then we would aim to make a decision as to whether we would treat it as a shortlisted option on a par with the others, by early September probably. If we did, we would have to do the same process for that estuary option as we are doing for the other three. For the other three, we published a draft appraisal framework on Thursday. We need to publish that in draft to get comments, because we give six weeks for people to comment on whether the criteria we are looking at are appropriate. If they, or something like them, are found to be appropriate in six weeks' time, we will publish them finally.

The promoters of the three schemes are then required to put to us a business case and strategic analysis. For Gatwick, it would have to cover all these points. They would have to articulate why they thought this matched what was going to happen to the airlines, so the promoters themselves will have to do some of this work. We will get those assessments in the summer and consult publicly on them in the autumn. Around the turn of the year, or in the first month or two of next year, we will put cold towels round our heads, take our phones off the hook, put on one of those e-mail messages saying, "You will not have an e-mail until June," and go away and think about what our recommendations are going to be.

Q62 Chair: How long would it take to construct the options you have now—the two Heathrow options and the Gatwick one—and what would be the cost with the infrastructure?

Sir Howard Davies: Do you remember the timetable we set them?

Philip Graham: Our assessment was that the Heathrow north-west runway option could, with a fair wind, be potentially constructed by around 2026, assuming there was a rapid decision after the final report was published. We felt that the Heathrow hub option was likely to be around 2028, which is slightly slower than the proposal made by the promoters of that scheme. London Gatwick would be around 2025-26. In relation to the Isle of Grain, the timing of that is likely to flow to some degree out of the additional studies we are carrying out, because a crucial element of that will be the feasibility and timing of delivering the surface access. The proposers of those projects have indicated that they think it could be built by around 2029-30, but we need to look at that in more detail.

Sir Howard Davies: That depends quite heavily on the surface access.

Q63 Chair: You said that it depended on a rapid decision. What is “rapid”? When are you assuming that a decision would be taken to get to these dates?

Philip Graham: We are assuming, as we said earlier, that the decision to adopt our recommendations and publish a draft national policy statement would be done in the months following the provision of our report. The exact road map for delivery is one of the areas we will be looking at in more detail in phase 2, but as long as the decision is taken by the end of 2015 to move forward in that way, those timetables are what we currently think is credible.

Q64 Chair: What is the cost of those proposals with the infrastructure you have recommended?

Philip Graham: I do not have those figures quite as easily to hand.

Chair: Could you send it to us, if you do not have it to hand?

Philip Graham: Yes.

Chair: Have you got it?

Sir Howard Davies: Yes, we do. I am not sure I have the whole cost in my head.

Philip Graham: For Gatwick and the two Heathrow options, it is in the £15 billion to £20 billion category; for the Isle of Grain option, it is around £80 billion to £110 billion. Those are the total costs. That does not make any assumption at this stage about what proportion of that would be paid by the private sector and the public sector. That is the complete cost envelope. We will be drilling into costs in more detail in the second phase of our work.

Q65 Graham Stringer: You came forward with two Heathrow options, which I do not think people were expecting. One of the new ideas—at least it was new to me—in this discussion that has been going on for so long is *The Economist's* proposal for two new runways to the west of the current ones to make Heathrow a four-runway airport. Did you look at that proposal?

Sir Howard Davies: Yes, we did. It would be right to say that *The Economist* publicised this proposal, but I do not think they dreamt it up. A think-tank called Policy Exchange did the work on it. Heathrow themselves looked at it, and we did also. The essence of that proposal would have been to shift the centre of gravity of the airport much further to the west. The difficult part of it was building over reservoirs. The advice we received from Thames Water was that this was extremely difficult. People will never tell you that anything is absolutely impossible, but while it is true, as

this Committee knows well, that no runway has been built in the south-east of England since 1945, apparently neither has any new reservoir been constructed in about the same period. Therefore, we thought that finding alternative locations for all of that reservoir capacity—the Wraysbury reservoir and another one whose name I forget—was just too difficult and too expensive, and took too long. Apparently, the process of constructing reservoirs—you can imagine the infrastructure that goes with a reservoir—was such that we did not feel that was a feasible option. It was very attractive in lots of ways, and we reached that conclusion with some regret, but that was where we came out.

Chair: Thank you very much.

Sir Howard Davies: You're welcome. Thank you.