

Transport Committee

Oral evidence: Airports National Policy Statement, HC 548

Monday 5 February 2018

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[Watch the meeting](#)

Members present: Lilian Greenwood (Chair); Ronnie Cowan; Steve Double; Paul Girvan; Huw Merriman; Luke Pollard; Iain Stewart; Graham Stringer; Martin Vickers; Daniel Zeichner.

Questions 322 - 452

Witnesses

I: John Holland-Kaye, Chief Executive Officer, Heathrow Airport Holdings Ltd; and Emma Gilthorpe, Executive Director Expansion, Heathrow Airport Holdings Ltd.

Written evidence from witnesses:

- [Heathrow Airport Holdings Ltd \(Submission 1\)](#)
- [Heathrow Airport Holdings Ltd \(Submission 2\)](#)
- [Heathrow Airport Holdings Ltd \(Submission 3\)](#)
- [Heathrow Airport Holdings Ltd \(Submission 4\)](#)
- [Heathrow Airport Holdings Ltd \(Submission 5\)](#)

Examination of witnesses

Witnesses: John Holland-Kaye and Emma Gilthorpe.

Q322 **Chair:** Welcome, and thank you very much for coming along today to answer our questions. For the purposes of our recording, please would you introduce yourselves and say who you represent?

John Holland-Kaye: I am John Holland-Kaye, chief executive of Heathrow airport.

Emma Gilthorpe: I am Emma Gilthorpe, and I am the director responsible for expansion at Heathrow airport.

Q323 **Chair:** The case for a new northwest runway at Heathrow seems to be based primarily on the need to maintain the UK's hub status, but what specific evidence is there to support the assertion that the UK will benefit from extra hub capacity?

John Holland-Kaye: Madam Chair, thank you for this opportunity to speak to the Committee. This is a great opportunity to get on and make sure that, as you say, the UK remains one of the world's great trading nations by being at the heart of an aviation network. What is unique about a hub airport like Heathrow is that we can develop long-haul connections typically to the business destinations that the UK needs in order to grow its economy. It is important not just for London but for the whole of the UK that we are connecting all of Britain to the growing markets of the world.

Heathrow as a hub airport is one of the most successful hubs in the world. We have regular long-haul services throughout the year to over 80 long-haul destinations. Until we were overtaken recently by Paris, we were the best connected hub airport in the world. That is evidence of how the trading benefits we get from having a major hub can be whittled away if we do not invest in additional capacity, because airlines that want to come to Heathrow have to choose to go elsewhere, typically to our rivals in France.

Heathrow expansion brings three things. First, there will be more long-haul connectivity to the growing markets of the world, with up to 40 new long-haul destinations. That will make sure that Britain remains at the heart of the global economy. Secondly, it brings the opportunity for more regional connectivity to ensure that important markets in the UK, such as Inverness, Aberdeen and Belfast, maintain their connections, and that we can add connections to places such as Newquay and perhaps Liverpool—cities that are disconnected from the UK's hub airport and need to be reconnected to make sure that everyone benefits from Heathrow expansion.

Finally, this is not just about people; it is also about freight and exports. Almost a third of all UK exports outside the EU go on passenger planes from Heathrow, yet many of those routes are at capacity. If we want to



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grow our economy and exports, we need more hub connections from Heathrow, and that will help to make sure that Britain remains one of the world's great trading nations. Long-haul destinations, domestic connectivity and exports are the key economic drivers for Heathrow expansion.

Q324 Chair: One of the perceived benefits of a hub airport is that it will make routes viable because you can pull in transfer passengers to make up those flights. Can you give us an idea of what proportion of passengers on the thin routes at Heathrow are made up of international transfer passengers?

John Holland-Kaye: On average, transfer passengers make up about a third of all our passengers. For the Committee's benefit, a thin route is a less heavily travelled route and is typically very hard to make viable as a point-to-point route. A good example might be a market such as Mexico City. Mexico City is the commercial centre of Mexico, as you would expect; it is a city the same size as London and is growing more quickly. It is a vital trading market. On a route like that, on average there might be between 40% and 50% transfer passengers throughout the year. On some days, it might be as little as 20% or 30%, and on some days it might be as much as 60% or 70%. What those transfer passengers do is allow airlines to provide the service economically day in, day out throughout the year.

That is exactly what business travellers from the UK need so that they can travel to their destination, at any time and at their convenience, and get back again. For Mexico City in particular, we have two flights a day from Heathrow. If you are travelling in a couple of days' time, on a cold winter Wednesday, you can still get to Mexico City with a choice of different airlines competing on the route. That is a fantastic service for British businesses that is not enjoyed by their opposite numbers in Italy, Poland or many other major European markets. It is a significant benefit for UK businesses to have a leading hub airport here.

Q325 Chair: Would you be able to send us data showing the proportion of international transfer passengers on some of the thinner routes, or the routes you have recently been able to add?

John Holland-Kaye: We would be happy to do that. We will write to the Committee separately.

Q326 Martin Vickers: Major cities are developing more direct routes to other major cities all around the world, so surely that reduces the number of transfer passengers.

John Holland-Kaye: It is an interesting example. What we see happening typically in global aviation for long-haul destinations is that network carriers operating out of a hub airport are growing the number of destinations they serve; they are adding more secondary cities. A good example would be Cathay Pacific, which has recently started a four-day-a-week service from Hong Kong to Manchester. That is fantastic



connectivity for Manchester and is exactly the right thing for the UK. That is on the back of having eight direct flights a day to Hong Kong every day of the year from Heathrow.

We have been able to help develop trade via Heathrow for Manchester businesses that are now being served directly. That is a very good thing to have, but it is not a substitute for hub connectivity. Hong Kong to Heathrow is one of the busiest airline routes in the world; it is absolutely right that other cities should be able to develop connections, but it will be a long time before Manchester has a direct flight to Mexico City, or to some of the secondary cities in China that it desperately needs to be trading with. Until that time, Heathrow will be able to fill the gap and make sure that we are helping businesses in Manchester, Scotland, Belfast or the west to develop.

Q327 Martin Vickers: Are you satisfied, and can you provide sufficient evidence, that the patterns of passenger behaviour and business activity are not going to change significantly over the next 20 to 30 years, and that there will be a continuing need for a hub airport?

John Holland-Kaye: We are confident of the continued need for the hub airport. Very often, people talk about how the new planes, the Boeing 787s and the A350s, will change the economics. They are being bought mainly by network carriers operating out of big hub airports; people such as Cathay Pacific from Hong Kong or Singapore Airlines. They are helping to build the hub, because they make it more viable to have secondary cities connected. All we need in the UK is the capacity to have more flights from Heathrow to secondary cities all around the world—cities in China we have barely heard of—that will be vital to the growth of our economy in the long term.

We will see a growth in other cities in the UK having direct flights to other hubs around the world, such as Hong Kong or Dubai. That is a very good thing, but it is not a substitute for an expanded Heathrow, because only an expanded Heathrow will make sure that the UK remains at the centre of the global trading network and does not become a spoke of someone else's trading network.

Q328 Martin Vickers: As an aside, I am sure that earlier, when you mentioned connections to Newquay and Inverness from Heathrow, you meant to include Humberside.

John Holland-Kaye: I did indeed. I hope that Flybe will have a chance to speak to the Committee, because that is one of the important UK markets that is not currently served by Heathrow. It has been in the past, but they have mentioned that it might be one it would open up.

Q329 Chair: One of my questions is specifically about the importance of the hub. In the NPS, we can see that all three expansion options offer a comparable boost to passenger numbers at the London and UK level, and Heathrow offers marginally more long-haul connections than the other



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schemes. It says that in 2013 a northwest runway would offer 122 long-haul destinations, rather than 117 with no expansion, and by 2050 it would be 124 rather than 122. That does not seem to suggest quite the huge benefit you might expect from a hub. It is only marginally more long-haul destinations, isn't it?

John Holland-Kaye: Currently, we have just over 80 long-haul destinations. Paris is slightly ahead of us with 86. If we can achieve 120 long-haul destinations, it will make Heathrow the best connected airport in the world and Britain the best connected country in the world. That is a huge advantage for us as a trading nation.

Q330 **Chair:** I accept that. It is just that the NPS predicts 117 by 2030 with no expansion, and only an extra five with expansion.

John Holland-Kaye: Without expansion, as I think was laid out by the Airports Commission, we are likely to see a continued reduction in domestic routes, and UK regional routes being replaced by long-haul routes. That is not the right solution for the UK. We need to make sure that all of the UK benefits from connectivity, and only Heathrow expansion can deliver that.

The work that was done on passenger demand by the DFT takes a very conservative approach to thinking about the growth in passengers. What it clearly shows is that there is more urgent need to expand Heathrow, that the growth demand is there—I can see that myself—and that there is a significantly higher level of long-haul flying from an expanded Heathrow, but in the economic benefits it does not take into account the benefits from freight, inbound tourism and foreign direct investment. It significantly understates the economic benefit of Heathrow expansion, by over £100 billion. That is one of the big gaps between the DFT's analysis and the work done originally by the Airports Commission, and helps to underpin the wealth of benefit that comes to the whole of the UK with Heathrow.

Q331 **Chair:** But how confident can we be about that evidence when it does not appear in the NPS, and was withdrawn as not being sufficiently credible?

John Holland-Kaye: The facts around exports alone are compelling. Nearly a third of all UK exports outside the EU go through Heathrow. The exports from Heathrow in just three or four days are more than the entire annual exports out of Gatwick. That gives you a sense of how we are different business models. If we want to grow our export economy, we have to grow Heathrow, but none of that value was taken into account in the DFT analysis, and it is significant for the UK. That is why manufacturing and exporting organisations are so supportive of Heathrow expansion.

Q332 **Chair:** Can I talk specifically about business travel? Within the NPS, the importance of business travel is emphasised and is part of the strategic case, yet when we look at the numbers under all expansion scenarios, including no expansion, the demand for business travel is the same. Why



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is that?

John Holland-Kaye: To give you some context of the mix of passengers who travel through Heathrow, about a third are business travellers, about a third are tourists and about a third are visiting friends and relatives. The numbers you might be referring to are solely business travellers. They are vitally important for the growth of the UK economy, because very often they are the exporters who will do the business deals that we then export on the back of.

Tourists should not be underrated. Until recently, there were more foreign inbound tourists coming to Heathrow than outbound tourists. That is unusual among UK airports. Most UK airports have more people going overseas for their holidays and then coming back again. Heathrow is the main port of entry for global passengers coming here to spend money, and that is why the economic value of tourism, which was not included in the DFT analysis, is so important. That flight from Mexico City will have business people on it, and some people who are visiting friends and relatives, but it will have a lot of tourists from the biggest city in Mexico coming here to enjoy the fantastic wealth of facilities in the UK. That is hugely important to our economy.

Q333 **Chair:** Business travel has been declining as a proportion of total travel at the airport. Would it be fair to say that Heathrow's expansion is primarily for the benefit of leisure passengers?

John Holland-Kaye: No, it is a mix of passengers. That is typically the case on any aeroplane. From Heathrow, particularly on long haul-routes, you cannot say that it is a solely business route or a solely leisure route. Any plane will have a mix of all those passengers on board. When you think about opening up emerging nation flights, it is as much about us being able to go to some of the cities in a huge economy such as China and sell our goods as it is for Chinese tourists to get access to the UK to come and spend their money here. It is important that we have direct flights from places such as China to let tourists come here easily, because the easier we can make it for them to come to the UK, the more likely it is that they will choose to come here instead of going to, say, France, which has had a disproportionate market share of tourists from China over the last few years.

Q334 **Chair:** But is there evidence that supports what you have just said? The forecasting talks about an increase of 10 million terminating passengers per year by 2050, but they are almost all leisure passengers, so does the evidence support what you have just said?

John Holland-Kaye: Yes, it does, and I can happily write to the Committee and clarify that. Inbound terminating passengers, of whom inbound leisure passengers would be a significant part, are a very significant part of the value that Heathrow expansion brings for the UK, and will be felt right across the UK and all our tourist destinations.

Q335 **Steve Double:** As you will be aware, considerable support for Heathrow



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expansion has come because of the potential for domestic connectivity. Thank you very much for mentioning Newquay specifically. Can you guarantee that Heathrow will offer a minimum number of domestic connections if the expansion goes ahead?

John Holland-Kaye: At this stage, we cannot guarantee a minimum number of domestic destinations. The reason is that it is not within our gift or control. What we can do is make sure that it is economic for airlines to fly domestic routes, and I can talk about some of the actions we have taken to do that, and encourage the Government to change the way that public service obligation routes work, so that we have airport-to-airport PSO routes rather than the current city-to-city routes. That is important because, for markets such as Newquay and Inverness, where they have a PSO, they want to make sure that it opens up the global connections that come from Heathrow, not just a connection to London.

If I may touch on some of the things we have been doing to play our part in making domestic connections viable, over the last couple of years, as a result of the engagement we have had with UK regions, we have reduced our domestic charges by more than half. Charges per passenger have come down from about £30 to about £13 or £14. That is a significant reduction to provide better value for money for domestic passengers. We have seen the benefits of that.

We have seen more flights being added on the Inverness route. We have seen Flybe come in and offer competition and choice on Aberdeen and Edinburgh, and that in itself has led to a very significant reduction in ticket prices on those routes, which is one of the main benefits that expansion will bring for domestic airlines. We have reduced our minimum charges so that it is viable for operators such as Flybe, with smaller planes, to serve Heathrow routes economically. I know they have been very pleased with the performance they have seen in Scotland.

Q336 Steve Double: You have alluded to the fact that some domestic routes are not always commercially viable or not very lucrative. If new slots are awarded to airlines, and effectively they own those slots, what is to stop them moving on to other more lucrative routes in the future rather than those domestic ones?

John Holland-Kaye: This is where I think the PSO routes need to come in, to make sure that those routes are kept open. The last time I was in front of this Committee, we were talking about Brexit and what it might mean for aviation. At the moment, the thing that is stopping the Government making those changes around PSOs, as I understand it, is that we have to comply with EU rules. That may be an area where, as we leave the EU, there is more flexibility to do what is right for the UK and make sure that we can guarantee in perpetuity that markets such as Newquay, Inverness, Belfast and Aberdeen have a permanent connection to the best connected hub airport in the world.



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That is important because, as you know, businesses that choose to invest in those markets, of which Inverness is a great example, need the confidence that, whatever happens, they will be able to get to their international bases from there. Until recently, Johnson & Johnson, a huge medical company with its worldwide diabetes research base in Inverness, had no easy way of getting to its base in the United States. BA has started serving that route. It is a fantastic connection and the planes are full. It is a perfect example of what we need to be doing in the long term for all parts of the UK.

Q337 Steve Double: Obviously, PSOs play a very important part in assuring that connectivity, but, if the routes supported by the Government are specific to airports, how do you answer the charge that that basically gives Heathrow an unfair advantage over other London airports?

John Holland-Kaye: If the PSO routes are specific to Heathrow?

Steve Double: Yes.

John Holland-Kaye: I am sure that any of those airports would love to be serving other London airports as well, but to give all parts of the UK the confidence that they will have equal access to global markets, it is absolutely right that there should be airport-to-airport PSOs in place. The main benefit of the PSO is that it offers both certainty and a reduction in air passenger duty. That is quite a significant benefit.

We have guaranteed for 20 years the discounts I talked about earlier. We are also planning a £10 million route development fund to help to get new routes up and running. Having worked with RABA and a lot of UK airports, we have developed a support package to make sure that we can get some of those important routes up and running.

Q338 Steve Double: I want to move on to think about the economic case. You have already touched on some of this in previous questions. The Department's latest appraisal shows that there is not much between the three schemes in terms of economic benefit. How confident are you in the latest estimates from the Department, and how robust are they?

John Holland-Kaye: What they show is that the need at Heathrow is now, and it is urgent. You have to run out for another 60 years before Gatwick starts to offer more value. I suspect that most of us will be dead by then, and most of our children will have retired and will not have the benefits of the economic growth that we need to secure for their generation. That is why we need to get on with Heathrow expansion.

When I started to talk about this two or three years ago, there was a list of over 30 airlines that wanted to operate at Heathrow or expand at Heathrow. That list has grown longer over the last few years. There is significant demand to come in and operate, and add connections to China, Asia and the Americas, where Britain will need to trade. As I mentioned earlier, that opens up export growth for UK businesses,



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inbound tourism and foreign direct investment that are not even accounted for in the DFT's latest assessment.

Q339 Steve Double: Part of the case for the northwest runway is that it will deliver economic benefit quicker, but much of that is based on it being up to capacity within two years. That does not line up with your projections and plans for the runway. Can you outline your phasing plan and the timescale over which it will occur?

John Holland-Kaye: I can. It would be pretty remarkable to get from a standing start to full capacity within three years, and that is not part of our plan. To remind you, Heathrow is privately funded; we have to raise all of the money through our shareholders and open markets to fund the investment, and we need to do that in a planned way. We cannot put in all the money up front against uncertain growth, so we have to phase the introduction of new capacity.

We are planning to add new capacity at the airport in blocks of 5 million to 10 million passengers by building on the terminals we have today. That allows us to phase the cost of Heathrow expansion, but it also means that we are phasing our ability to take in new airlines to serve new markets. We will have to finalise the exact speed at which we do that as we develop our plans with the airlines. The new capacity needs to move in sync with demand.

Outside financing, there is a very practical reason for that, which is that to go through that kind of growth, and to get up to full capacity, it means up to another 40,000 jobs at the airport. That is a significant change. We cannot bring on that many people that quickly; airlines cannot hire enough people; they cannot buy enough planes to get to full capacity within only two to three years. It has to be planned and phased, and it is right that it is, because it means that, as the global economy grows and changes, we can make sure that we are adding new capacity to the right markets that the UK needs to serve.

Q340 Steve Double: Many of us understand that the two-year timescale is unrealistic, but would you accept that, if there is to be a phased approach to reaching capacity, it lessens the economic benefit over that time, and it does not achieve the economic benefit as quickly as the projections portray?

John Holland-Kaye: We will deliver the economic benefit as quickly as we can, but the need is urgent and we need to provide new capacity as quickly as we can. If I can just break down capacity into its different parts, a significant part of the change programme will be around clearing the land and building the new runway. Then we have to add the terminal capacity and the public transport connections. Those tend to take a bit longer. The new runway will be in relatively quickly and we will build up the other aspects as we forecast demand coming in.



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The exact phasing we end up with will be planned together with the airlines and the CAA. We will not want to hang around. Equally, we need to be pragmatic. I am sure that you will have seen comments today from our biggest customer concerning price expansion. The more capacity we put in up front, the higher the peak charge will be, so we need to phase our investment to make sure that we can deliver the challenge we have been set, of close to current charges with expansion.

It is a slightly complicated answer. We will be finalising that over the next couple of years, but what is clear is that, if we want to deliver the best economic benefit for the UK, Heathrow expansion is the only thing that will do it.

Q341 Steve Double: You said that one of the reasons for the phased expansion is uncertainty around demand, yet previously I believe you said that the economic benefits of Heathrow were more certain than other schemes. What evidence do you have to support your case that it is more certain than the benefits of other schemes?

John Holland-Kaye: I could point to the over 30 airlines that want to come in and operate newly at Heathrow. Those are airlines such as easyJet, which want to offer competition and choice, and IAG and Virgin, which want to expand. A lot of international airlines would like to operate out of Heathrow and currently cannot do so. Airlines in China would love to be able to fly services from primary and secondary cities in China into Heathrow, but currently cannot do so. I expect there to be an immediate step-up in flights in the very short term and then a steadier stream of growth. We will finalise what that looks like over the next couple of years, as we go through our business planning and funding process, but there is very significant demand from exactly the kind of airlines that we want to see: people who can offer domestic connectivity and the connections to the long-haul markets the UK needs.

Q342 Steve Double: In answer to a previous question, you touched on the fact that the DFT's approach to the economic case does not capture the full range of economic benefits that the northwest runway would bring. Can you go into that a bit more? What are the other benefits that you do not think are being considered?

John Holland-Kaye: There are three main areas. The first is foreign direct investment. There is very good academic evidence to show that, where there is a direct flight between an emerging economy and the UK, we get more foreign direct investment than if there is an indirect flight. In simple terms, if you have to fly through Paris to get to the UK from a major city in China, businesses are more likely to choose Paris as a base, rather than choose to go to Bristol, Glasgow or London; it is just easier to get to. Having that direct connectivity has a significant impact on foreign direct investment. We can see that in the UK in the number of Japanese and Korean companies in the 1970s, 1980s and 1990s that started off with a European base in the Thames Valley and, on the back of that, developed significant manufacturing bases across the UK, creating a



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significant benefit for the UK economy. That is what foreign direct investment looks like in action. We need to make sure that, as the Chinese and south American economies grow, the UK remains the location of choice for their European bases and that we get the investment on the back of it.

I touched on tourism a bit earlier. The same economics apply. The easier it is to get here, the more likely it is that people will come. China is now the biggest outbound tourism market in the world. If you are a Chinese tourist and you have only a week's holiday, you do not want to connect through Paris or Frankfurt to get to the UK; you want to get here as quickly as possible. That is a significant direct opportunity. We can all see the benefits that come from that in all regions of the UK.

Finally, there are exports, which I touched on earlier. The easier we can make it for British exporters to get to their global markets, the cheaper it is, the quicker it is and the more competitive they can be in a competitive global world. All of those come with Heathrow expansion, and they add over £100 billion to the assessment made by the DFT.

Q343 Steve Double: But, if the connectivity benefits are broadly comparable across the different options or schemes, how can the economic benefit to Heathrow be so much greater if connectivity is the same?

John Holland-Kaye: The quality of the connectivity is very different. If you look at the number of additional long-haul flights that come with Gatwick expansion compared with Heathrow expansion, it is very significantly lower. When you think about tourism or foreign direct investment, the opportunity is very much more limited. To give an example, if Stewart Wingate from Gatwick were here, he would tell you that you can fly to Mexico from Gatwick. You can; you can fly to Cancún. It is a fantastic place to go if you want a summer holiday, but it is not the business centre of Mexico, nor is it the place from which you will get Mexican inbound investment or inbound tourism to the UK. That is what we deliver with two daily flights day in, day out throughout the year. That is a very practical example of the difference between the connectivity we can offer and the connectivity they can offer.

I have talked about the difference between exports. The airlines that serve most other UK airports, including Gatwick, are typically low-cost carriers. They do not have a cargo operation; they just want a very quick turnaround. That is one reason why the cargo volume out of Gatwick is so low.

For the network operators flying out of Heathrow it is a very different model. Freight is an important part of their value chain, particularly on thin routes in the early stages of development. Very often, freight is what helps to subsidise lower passenger loads until the route gets well established, so it is an important part of the ecosystem. It is growing fast at Heathrow. There was over 10% growth in cargo last year alone. If you think about the UK's trading routes 100 years ago, they would have been



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ships sailing around the world out of Liverpool and London; today, it is planes leaving Heathrow.

Q344 **Steve Double:** Were not the estimates of the wider economic benefits discredited by the Department? Why do you think that is?

John Holland-Kaye: I do not think they were at all. I think the difference is between the work of the Airports Commission, which showed economic benefits of up to £211 billion, and the more recent work done by the Department for Transport using a more traditional and limited model. The benefits for exports, tourism and foreign direct investment are clear for all of us to see but are not taken account of in the DFT model. The DFT model does show that Heathrow is the right answer, but it understates the benefits that only Heathrow can deliver. The work that Frontier Economics has done recently shows that that gap alone is worth another £110 billion or so on top of the value that came with the DFT's assessment, so it significantly understates the economic value for the UK.

Q345 **Chair:** Can you explain why the DFT was not confident enough to put that into the NPS?

John Holland-Kaye: I am probably not the person best placed to answer that, but I understand that the Secretary of State will be coming here shortly. He might be better placed to explain why the DFT did what it did. The answer remains the same in both cases. Heathrow is the right answer for the UK. I think the text of the national policy statement recognises that there are significant benefits to Heathrow expansion that come from foreign direct investment, tourism and exports.

Q346 **Chair:** But in terms of total connectivity at UK level it is not hugely different from the figures presented in the NPS among the different schemes and with no expansion.

John Holland-Kaye: For domestic connectivity?

Q347 **Chair:** For example, the total number of long-haul destinations served at UK level is not hugely different as between Heathrow expansion and Gatwick or no expansion.

Emma Gilthorpe: Perhaps I may make a couple of comments. First, because it did not look at cargo capability it has not taken that into account. As John said, very often when it comes to creating new routes the thing that makes them economic early on is cargo capability. I reiterate what John said. It is the quality of the routes and what they bring that is really critical. That is where the GDP benefits come from. They are not just point-to-point routes; they are routes that will bring huge economic value, and I think that is the differentiating factor.

Q348 **Chair:** Are you saying they are different at UK level in terms of long-haul destinations served? How am I missing the quality issue around that?

John Holland-Kaye: I cannot account for what might have been included in terms of long-haul connections with Gatwick, but what I can



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say is that with Heathrow expansion we will see more routes to secondary cities in China, Asia and the Americas than we will have without Heathrow expansion and that we would have if Gatwick were to expand and Heathrow were not to expand. That is because, as we discussed earlier, the hub model out of Heathrow helps to support those thin routes that are very difficult to make viable for point-to-point airports such as Gatwick. I think that has been borne out by what we have seen at Heathrow over the past 10 or 20 years and the actions of some of the long-haul airlines.

Chair: We ought to go on to look at scheme costs and airport charges.

Q349 **Graham Stringer:** To go back to one of Steve's questions, I accept that the Department underestimates the economic benefits and impact of the growth at Heathrow, but I was interested in your figure of a £100 billion impact. How did you calculate that figure? That is between 3% and 4% of the UK economy on just one investment in London. That is quite an extraordinary figure.

Emma Giltthorpe: We are very happy to provide you with more details on that, but in effect it is taking the trading benefits you would get from cargo, foreign direct investment and tourism, and looking at that side of the economic equation, as opposed to the simpler view of passengers, business or tourist, or transfer passengers.

Q350 **Graham Stringer:** I accept that. I am just interested in the actual justification of that figure because it is a pretty startling one.

John Holland-Kaye: It is a net present value figure over 50 years; it is not an annual figure, and it is on a comparable basis to the numbers the Department for Transport calculated.

Q351 **Graham Stringer:** David Starkie, who was on the commission—this fits in with what you were saying about phasing—suggested it would be more sensible not to go straight away for a 3,500-metre runway but to start with a 2,500-metre runway, and wait some time for the extra 6% capacity that would be provided by the extra 1,000 metres. Do you think that is sensible?

John Holland-Kaye: No, I do not, for a couple of reasons. One of the biggest issues for local communities is respite from noise. To guarantee respite from noise for local communities, you have to have a new runway that can take any size of plane and that allows you to have full rotation between the three runways. We absolutely need to make sure that we are delivering on our commitment to respite from noise for local communities.

The proposal you describe is not that different from what was proposed back in 2009 and was rejected by the Conservative Government when it came in. It just won't work today. That is not even taking account of the challenges that would come with extending the runway at a later phase. Once the runway is operating and working at quite high usage, it is not



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easy to go back in and add a little bit more, so a full-length runway straight away is the best solution.

Q352 Graham Stringer: That is a very clear answer. Do you think there should be generally more flexibility in the national policy statement?

John Holland-Kaye: Particularly around runway length we have proposed some flexibility. Currently, it requires the runway to be at least 3.5 km long. We would like some flexibility just to validate if that is necessary. We certainly want a runway that will guarantee respite from noise and accommodate any kind of plane that currently operates or can be anticipated to operate. At the same time, we do not want to take any more land than we need to, nor do we want to add any more cost than we need to. We would like to have some flexibility around that, but if the NPS says it should be 3.5 km that is what we will build.

Q353 Graham Stringer: You have launched your consultation on a cost that is £2.5 billion less than the Airport Commission cost of £17.6 billion. What changes and savings have been made to get that £2.5 billion out of the scheme?

John Holland-Kaye: Strangely, I have been criticised today for reducing the costs of our scheme, which is a very strange situation in which to find oneself. Since we first developed our plan for the Airports Commission, which was three or four years ago, we have been working with the airlines to improve passenger service, reduce costs and improve phasing. I should emphasise that we are talking only about options at this stage; we have not finalised a particular plan, and that is what we are consulting on at the moment.

The kind of thing that we think could yield such a significant reduction is not having a new terminal 6 between our current northern runway and the new northwest runway, but instead to expand our existing terminals 5 and 2. From a passenger point of view, that is much easier to navigate because fewer and larger terminals are generally better in passengers' eyes than lots of small terminals. That is one of the big differences between ourselves and an airport such as John F Kennedy in New York, but it also means that you do not have to have the baggage system connectivity and people movers—the trains underground—that get you from one terminal to another, which are very expensive to put in. Therefore, by expanding the existing terminals we can save on the cost of doing that. The net saving from those and the terminal building itself is about £2.5 billion. What we have also done in getting to that net figure is to include the full costs of the changes that we need to make to the M25.

Q354 Graham Stringer: Therefore, the higher and lower costs are in both schemes.

John Holland-Kaye: No. Only half of the costs were in the original scheme that we submitted to the Airports Commission. Since then, based on feedback from the Airports Commission, we have included the full



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costs of changes to the M25. So, the £2.5 billion is a net figure. We have saved £3 billion and added a further £500 million or so of M25 cost.

Q355 Graham Stringer: What about the removal of the Lakeside Energy from Waste plant? Is that in the figures?

John Holland-Kaye: Yes, it is. It is one of seven major commercial uses that we need to displace. It is one we will need to get on with sooner rather than later, and we are working with the owners to make sure that we can provide continuity of use. It is not just important to their business but important for Slough and some of the other local communities that rely on it for their waste clearance, including ourselves. We use it.

Q356 Graham Stringer: The IAG comment this morning about control of costs and its conditional support for the expansion of Heathrow based on cost has been mentioned. Can you make a firm commitment that landing charges will not increase in real terms?

John Holland-Kaye: At this stage I could not. We were given a challenge by the Secretary of State to deliver expansion at close to current charges. We have accepted that challenge. It would be a mistake at this stage to make any guarantee about particular costs. When we think about how much work still needs to happen, we still need to go through the development consent order process and finalise what our master plan will be like based on the consultation we are currently holding. We cannot finalise those costs yet, but we completely get the concern from the airlines. We need to deliver good value for money with expansion; we need to keep prices close to their current levels, and if we can do that, by the way, that would be a remarkable achievement.

If you were to go to Hong Kong airport, which is currently going through a similar expansion from two to three runways, its landing charges will double with expansion. It is spending a similar amount to Heathrow but its landing charges will double. If we can keep ours close to current levels, which I am increasingly confident we can, that will be a remarkable achievement.

I do not know of any major infrastructure project certainly in the UK, or possibly anywhere, where the first cost you come up with comes down by £2.5 billion and you can deliver it without prices going up. That is a remarkable achievement. If we can do that, that is fantastic value for money for passengers. But we should not be concerned just about landing charges; we should also be concerned about the end price passengers pay for their tickets. There is no question that, with more competition and choice on routes into Heathrow, the price of passengers' tickets will come down.

If you want evidence for that, go to Scotland and see what has happened to prices on Edinburgh and Aberdeen that were monopoly routes for BA. Now Flybe has come in to offer competition; prices have come down, not by a pound or two here and there but by tens of pounds. That is the



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value for passengers in the UK from more competition and choice between airlines at Heathrow airport.

Q357 Graham Stringer: Further down the line when the details of the planning application and costs are more certain, would you be willing to make a binding commitment to hold charges?

John Holland-Kaye: There will be a point at which we will be able to do something like that. The reason I am hesitant is that we are not a normal commercial organisation. We are price regulated by the CAA. Every five years the CAA sets our landing charges. Under the latest settlement our landing charges are coming down by 1.5% in real terms, so people are seeing real reductions in the cost of using Heathrow. That is the way regulation works at the moment.

I completely understand that some of our customers are anxious about how that might work and want a longer-term commitment, and I have offered to them—and I offer it again now—that we are very open to having a more commercial arrangement between us, which we are both happy with, without having to go to the CAA. That is something we will all work on over the next year or so.

Q358 Chair: How realistic is it that you will be able to maintain landing charges at broadly the same level? You have just referenced Hong Kong, which is undertaking a similar size scheme and yet its landing charges are doubled. How can you be so confident that you will be able to keep things on track in terms of cost and keep landing charges at a similar level?

John Holland-Kaye: Three things have changed. To give some context, in the original submission we made to the Airports Commission, at that time we were forecasting prices to go up by £3 or £4 a passenger. What we have been working on since then with the airlines is to reduce the overall cost of expansion by £2.5 billion, which I talked about earlier, and improve phasing so that, rather than providing big new terminals where you have to build all or nothing, we phase it in 5 million or 10 million-passenger blocks. We have also become more confident about the growth in demand. A combination of those things allows us to be more confident that we can deliver expansion at close to current charges. It is a much better position than I thought we would be in a year ago, and it shows the benefit of working closely with our customers to make sure we deliver what is right for passengers and the UK.

Q359 Chair: Based on previous expansions, such as terminal 5, how did that go in terms of the final outturn matching the estimated cost at the start?

John Holland-Kaye: Terminal 5 and more recently terminal 2, in which I was involved, were delivered on time and on budget. You might remember that the opening of terminal 5 was a bit messier than we hoped it would be. It gives a sense that these are very complicated things to deliver. For most of the past decade since it opened, terminal 5 has been rated by passengers as the best airport terminal in the world, so it shows that we know what we are doing in building terminals.



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Everything we need to do over the next 10 or 15 years we have already done in the past 10 or 15 years: building new terminals, building a new airfield and taxiways, but also some of the changes to rail links and roadways that we have also done with the terminal 5 expansion. We have a good track record in this. Heathrow is usually used as a benchmark for other major infrastructure projects in the UK.

Q360 Graham Stringer: Gatwick has spent a huge amount of money promoting its second runway. How much money have you spent solely on promoting the third runway?

John Holland-Kaye: Solely on promoting it, the number I have in mind is £30 million.

Emma Gilthorpe: More than that has gone into community engagement, which I would not consider to be promotional. I would consider that just being a good, responsible business.

John Holland-Kaye: All of that has been at our risk; we won't see any of that back.

Chair: I turn now to Huw to ask about scheme delivery and the risks associated with it.

Q361 Huw Merriman: All the evidence we have heard so far shows what a complex infrastructure project this will be. With that in mind, I want to ask how confident you are in managing to withstand a legal challenge, which is bound to arise, with particular reference to the acquisition and relocation of property and infrastructure; the scope and funding of surface access to make your models work; the issues around safety and the complexity of air space design; and air quality compliance and data as well. How confident are you that you will manage to withstand that legal challenge and still deliver by 2026?

John Holland-Kaye: I am very confident that we can deliver Heathrow expansion. We have spent a lot of time working on this. Our plan has improved through consultation with local communities and engagement with UK regions, businesses and unions—the people who will be using the airport—and particularly recently by working with airlines. As I mentioned, we are not seeking to do anything in the next 15 years that we have not already done before, so we have a very good track record in doing this and doing it well.

Will there be legal challenges? I am sure there will be. There has already been talk about that. They should not hold up the overall process, and I think it is important that they should not do so because what we need to do is provide people with certainty. Many people have been living with the possibility of Heathrow expansion for a long time; they need to know where they stand, and we owe it to them to give them certainty as quickly as we can so that they can get on with their lives.



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We also need certainty for the UK economy. Heathrow is by some way our biggest port and is at capacity. We are planning for a world where we will be leaving the European Union and looking to build our economic links all over the world, and the only option for doing that is Heathrow expansion. Businesses that are currently based in the UK, or want to locate themselves there, need to have certainty that this is the right place to back, and there is no better way of showing our confidence as an outward-looking trading nation than by getting on with expanding Heathrow.

Q362 Huw Merriman: I appreciate that that is the business case, but I am interested in the legal case. Obviously, I do not expect you to be detailing your affidavit on that front, but the Committee has taken evidence and heard certain statements, such as no net increase in traffic, which itself is predicated on the delivery of certain transport infrastructure projects. There are also issues around the numbers of people and households who will be affected by air pollution, which again did not seem to stack up when those from the Airports Commission were challenged. Therefore, in a sense it has somewhat unravelled in front of this Committee.

My question is: surely, that will occur as well in court, and ultimately that will be as much a decision maker as Parliament when it comes to approving this scheme.

John Holland-Kaye: I am sorry to hear if that has unravelled in front of this Committee.

Q363 Huw Merriman: That would be my opinion.

John Holland-Kaye: These are big topics in their own right, which I am very happy to go into. If we take one of those, which is no new cars on the road, that is linked to the question of air quality. Air quality is a really important issue not just for Heathrow and London but the whole of the UK. We have to make sure that we are fully compliant with EU air quality standards, which we will do. We have a triple-lock plan that will help to make sure that we can do that and that Heathrow expansion does not delay the UK's compliance with EU air quality standards.

The first of those is to have a strong plan that means that people do not need to get into their cars. We should be clear that the issue of air quality is not about planes but cars on the road. Where there are issues with air quality in the local area, that is to the north of the M4. The vast majority of cars using the M4 are not airport-related traffic. We need to make sure that we are not delaying compliance with air quality standards there. We have a good plan that does that. It does not rely on new infrastructure that is not yet committed, by which I mean western and southern rail access.

If you take the public transport upgrades that are already planned and committed, they represent a significant increase in surface public transport into the airport, not just for passengers but people who work there. This tends to be overlooked. Half the journeys to the airport are by



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people who work there, so a significant proportion of the reduction in cars on the road will be by changing the way in which people who work at the airport come to work, and we have a good plan behind that.

We also have a good plan for public transport for passengers coming to the airport. Of course, that includes things such as the Elizabeth line that is coming in, but also what we are doing with buses and coaches. Currently, we have the biggest bus and coach station in the UK. We will be expanding that to make sure that we can serve more markets around the UK. You will see that just recently we have been adding more routes in from Bristol with Megabus coming in to make sure we can connect all parts of the UK.

Our target is to go from 42% of passengers today coming to the airport by public transport to 50% by 2030. That is very achievable with what is currently in place. As for people who work at the airport, the target is to increase that from 35% up to 50%, which again is very achievable.

The change for people who work at the airport, which will be a growing number, is backed up by the work that we are doing with our Skills and Employment Commission, chaired by David Blunkett, which for the past year has been planning how we prepare kids in local schools to come and be the pilots, engineers and accountants we will need in the future, because kids from local schools can come to work by bus or bike without having to get into a car. So, we have a robust plan. That is lock No. 1.

Q364 **Chair:** Let me stop you there, before I lose the point. Have you just said that even without southern and western rail access, which at the moment are not fully committed expenditure, you will still be able to meet your pledge to have no more vehicles travelling?

John Holland-Kaye: Yes; we are. It sounds like a big claim, but if you look at our history that is exactly what we have delivered. In the last 25 years, Heathrow has pretty much doubled in the number of passengers that we have. We have increased the amount of employment we have, and yet we have had almost no more cars on the road and we have seen a 20% reduction in emissions. We have a good track record of doing this. We have done it before and we will do it again. We know exactly what interventions we need to make and we have a robust plan.

Our second lock is that there are actions that we can take that are not taken into account yet, which would allow us to control the more polluting vehicles coming into the airport. We are consulting at the moment on the introduction of an emissions charging plan. It is not part of our base plan, but we want to hear from local communities and other users what that would mean for them. If we were to introduce that as a way of putting a control on the kind of vehicles coming to the airport, we know what we would need to do.

Finally, our third lock is that we will phase the release of new capacity of the airport if we are in danger of not meeting air quality limits. That



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sounds like a big thing to do, but it is only the law. That is absolutely what we will do.

But I should go back to the start. We are talking about a triple-lock plan with mitigation that we can use. This is in a situation where even based on the forecasts that have been done by the DFT—which themselves are very conservative—there is not an issue with air quality. The changes that are already being planned will allow us to meet air quality amendments. That is the DFT's assessment; it was the Airport Commission's assessment; and it is our assessment. I do not believe that we will need some of those other measures we have proposed, but we have them at our disposal if we need them.

Q365 Huw Merriman: Even in the event that you manage to repel the legal cases that are bound to ensue—given that it is 2018 now and we have the parliamentary process to go through, the legal process and then the Bill—is it really feasible to expect that 2026 will be the time when it will be delivered?

John Holland-Kaye: It is completely achievable, and we need to do it. These are the early years of Brexit and we need to be getting on with it. We have the experience of doing this, and we will get on and make it happen.

Emma Gilthorpe: I would add to that. Part of the reason we are in this process is because when we were building terminal 5 we ended up in quite a prolonged and contentious process. That is when the Planning Act was introduced and the concept of the development consent order came about. With that comes a very rigorous and transparent process that goes through a number of stages. We have just launched our first consultation. There will be two public consultations where people will be able to contribute to, and shape, our plans. There will be three consultations on airspace policy. Then we will have to file a development consent order application, which will have with it a very detailed environmental impact assessment.

What I am trying to say is that the process itself is there to ensure that the evidence backs up the application we are making. We will have to meet certain thresholds along the way. That is a key mechanism for reducing the legal risk.

Q366 Huw Merriman: Can I perhaps touch on the issue of airspace change? We know that the NPS is predicated on this matter. Recent history tells us that airspace change is incredibly difficult to achieve. How concerned are you as to your ability to overcome that challenge?

John Holland-Kaye: It is very important. You are quite right that airspace has not been changed for over 40 years, and that is part of the problem. If you are flying into many airports, particularly in the south-east, very often you will be delayed because of congested airspace. It is something that, if I may say, consecutive Governments have put off



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because it is a big thing to happen. There is now a process by which airspace change happens. It starts with a consultation to understand the principles that we should apply. Should we try to concentrate flights all over the same areas so that as few people as possible are affected? Should we try to have them going over noisy, busy urban areas, or over quieter countryside where fewer people live? Those are important principles and we are consulting on those right now.

For many people who have been concerned about noise, they rightly see this as an opportunity to get airspace right. The airspace that was designed 40 or 50 years ago was for entirely different types of planes. It did not take into account the kind of technology that is currently available. It is very inefficient. The airspace change that we will be introducing will not just be a benefit for Heathrow; it will establish the principles for the whole of the south-east to change its airspace.

The kind of thing that might come out of that could be an opportunity to get rid of the stacking that routinely happens over London and the south-east. That would be a huge benefit for passengers and for people on the ground who are affected by that. This is an opportunity to get things right. We want to get as much certainty on that as possible. Understandably, people want to know how they are personally going to be affected as early as possible as we go through the development consent order process, and we will work to do that as quickly as we can.

Q367 Huw Merriman: Again, would it not be another spoke in the wheel, as it were? We know that at the moment there are 25,000 landings each year that go on the wrong runway alternation. If you have airspace change in the mix as well, it is incredibly difficult for you to evidence that there will not be increased noise pollution when you are already missing those targets by about 5%. Airspace change throws the door open again.

John Holland-Kaye: It is a great opportunity to get it right. Currently, some of the routes that planes have to fly are very difficult to be flown with today's technology. We need to change all that. It is something that, again, we have been putting off for decades, but we need to get on with it. For people who have been concerned about noise in the past, it is an opportunity for them to have their say on how things should be done. That has never happened before.

The consultation process we are going through will be the largest and most open that has ever happened anywhere in the world. This is really pioneering stuff and is an exciting opportunity. Many people who have been concerned about noise for many years welcome the fact that we are now having a proper conversation about how noise should be distributed and how we can minimise the impact of noise on the ground.

Chair: We will return to the issue around surface access.

Q368 Luke Pollard: You mentioned earlier that you can achieve a reduction in the number of people using their cars based on the current schemes that



are committed. What schemes are committed for a two-runway airport as they stand at the moment if there was no expansion? What additional surface access schemes would you be bringing online?

John Holland-Kaye: In terms of rail, which I guess is the focus, Crossrail opens in full next year. That will have a very significant impact on connectivity. If you were coming, say, from Cambridge, it takes over half an hour off the journey time. That is significant. Those kinds of changes make it easy for people to get out of their cars and on to public transport.

HS2 will be coming in around the time that the new runway opens, as will the upgrades to the Piccadilly line. This is more than a doubling of the number of seats on public transport coming into Heathrow. Of course, we want to go further. We want to see western rail coming in.

Q369 **Luke Pollard:** Do you want that for a two-runway or a three-runway airport? What I am trying to understand is, what schemes are required to move from a two-runway to a three-runway airport, and where is the funding for those? What additional ones are required for a three-runway airport?

John Holland-Kaye: Just to be clear, we do not need western rail or southern rail in order to meet our mode share targets in a three-runway world. Do I want to see them in a two-runway world anyway? Absolutely I do. It is vital that we make it as easy as possible for people to get to the UK's hub airport by public transport. At the moment, if you are in London or to the east, you have fantastic connectivity, and it is only going to get better. But why have we not invested in an integrated rail network that connects to the west and south as well? Ideally, of course, HS2 would be going through Heathrow as well. It goes through Old Oak Common. That is pretty good; it will help to connect Manchester and the midlands. We should see this as an opportunity to have a proper integrated transport system, and in two runways or three we should have western and southern.

Q370 **Luke Pollard:** I am pleased you want western rail access. Being a south-west MP, western rail access would be good for our region. There is a lot of scepticism that suggests that you will need all those schemes just to manage a two-runway airport with the expansion you have, let alone a three-runway airport. Can you give some reassurance that the modelling does show that? An awful lot of people are sceptical and simply do not believe the figures around surface access that you are presenting.

John Holland-Kaye: We are managing very well in a two-runway world as we are. Actually, we are growing the public transport mode share. On Heathrow Express alone, we had an 8% increase in people using it. That is because we have been using price to discount to non-business travellers at quieter times. That is absolutely the right thing to do. We will keep on doing that. In fact, if I can advertise, if you are travelling at



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a weekend, you can book in advance for £5.50 on Heathrow Express; it is fantastic value for money.

There is action we are taking now that helps to drive that change in mode share. Western rail access is going through its own process. Its development consent order process starts later this year. That will open the door for it to be included in the next rail funding period CP6.

Q371 Luke Pollard: There are very few people who think western rail access is going to be included in CP6 without a major fight with the Government. Are you confident that is going to be in there?

John Holland-Kaye: I think people will say that about any rail project for CP6. Money is tight and there is a lot to be done. I think anyone in Network Rail would say that it is unlikely that you will get to the top of the list of funding for CP6 without private investment, and that is what they are looking for. Within the costings that we talked about earlier, we have included funding going towards western rail access. We will make a contribution. There is a formula that we follow for that. It is in proportion to the forecast usage by Heathrow passengers and workers. So, that will help move western rail up the agenda.

If the Secretary of State is here, it is a great question to ask him, because, ultimately, it will come down to him in many ways.

Q372 Chair: I just want to come back to something you said about the proportion of people travelling to Heathrow by car. I think you said it had increased, but on the figures I have in front of me in 2007-08 it was around 60% or 62%, and in 2016 it is still 61%. Has it not just been very flat throughout that time and there has not been that improvement in the mode share?

John Holland-Kaye: People travelling to the airport by public transport?

Chair: No; by car.

John Holland-Kaye: I guess it would be the inverse. The significant changes that we have seen in public transport use for passengers have been where we have had new capacity coming in on rail schemes. When Heathrow Express opened, that saw a significant change in mode share. It makes up about 10% of all usage and is increasing at the moment.

Q373 Chair: If people are using rail rather than AN Other form of public transport, that is not really a help if we still have 60% or 61% travelling to Heathrow by car if we are concerned about congestion at the airport.

John Holland-Kaye: Just to be clear, if we look over that period, we have seen an improvement in public transport mode share from rail and the whole range of public transport mode share. People have been getting out of their cars.

Q374 Chair: It is virtually flat in the last 10 years from the information we have.



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John Holland-Kaye: The period I am talking about is over 25 years. That takes into account the introduction of Heathrow Express, which was 15 or 16 years ago. That might be before the period that you are looking at. I can write to the Committee separately to lay out how that has worked.

If you imagine yourself in east London at the moment, it is not particularly easy to get to Heathrow if you want to come here. With Crossrail, Canary Wharf will be a little over 30 minutes, and Stratford not much more than that. That really opens up Heathrow to the whole of east London. That is a benefit not just for passengers but also for people who work at the airport. That is a really significant part of the journeys coming into Heathrow.

Q375 **Luke Pollard:** On surface access visitors, it is interesting that it has stayed flat for 10 years. Picking up on a question from earlier about landing charges, if the figures could be extrapolated against the same 10-year period, it would be interesting to get those figures.

John Holland-Kaye: Sorry, to be clear, what has happened to landing charges over the 25-year period and what has happened to—

Q376 **Luke Pollard:** You mentioned earlier that people have seen reductions in the cost of using Heathrow for landing charges over a 10-year period and a 25-year period. It would be interesting to see the same figures against those.

John Holland-Kaye: We will be happy to do that. That will show that Heathrow landing charges declined before we started investing in terminal 5. If you tried to travel through Heathrow before terminal 5 opened, you would see the impact of that under-investment. It was a terrible experience. They increased as we were investing and then they are coming down again now.

Q377 **Luke Pollard:** I want to ask you briefly about your pledge that there won't be any greater landside airport-related traffic than today. Is that actually doable? If you are looking to double your freight from expanded capacity—so more trucks coming in and out—and you are expecting 40,000 extra car parking spaces to be built, how does the surface access via car fit with that pledge of having no more traffic than you do today?

John Holland-Kaye: Let me pick up on the car parking spaces. We are looking at 40,000 extra car parking spaces. We are looking at re-providing the car parking spaces. In fact, we won't have any more car parking spaces with expansion than we have today. That helps to show that we are doing what we said we would do in terms of no more cars on the road.

If you were to look at both the way that freight and parking works around Heathrow, it says it all in some ways. It is a haphazard development over 70 years, with bits and pieces added in here and there. It is incredibly inefficient. If you were starting from scratch, then you would do things in



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an entirely different way. This is an opportunity to get things right. Rather than having lots of car parks scattered all around the perimeter, let's build two big car parks next to where people need to be. That minimises the amount of driving around the airport and makes it much better for passengers. It is a much more efficient use of space in a world where we are space constrained.

The same applies to cargo. If you look at the journeys that freight is making around the airport, scattered across west London, multiple handling through lots of different organisations, it is an incredibly inefficient way of doing it and is not competitive with the way that exporters now need to work when you compare that with Frankfurt or Amsterdam, who are much more efficient.

Part of the opportunity here is to simplify the way that freight works at the airport. That in itself will take freight vehicles off the road and gives us the space to have more goods coming in without more freight movements. This is not easy to do. None of this is easy to do. We would not be here if it was. It would not have taken so long if it was not, but we have a good plan now. We are working with the freight community. We are planning an entire redevelopment of the Heathrow cargo area to give us the kind of capacity that we need.

Q378 Luke Pollard: Let me return to car parking. In the Airports Commission study, it mentioned that it might be necessary to introduce a charge of around £40 per car for people to access the airport. Is that the kind of quantum that you are thinking about in terms of a road charge for accessing Heathrow?

John Holland-Kaye: No, it is not. We do not have a preconceived view. That was their number. As I tried to explain earlier with our triple lock, this would be the second level. If we are in a world where we are trying to constrain high emission vehicles from coming into the airport, that is something we might look at and it is something on which we are consulting at the moment.

Q379 Luke Pollard: With regard to the costs of this work, we heard in previous evidence with which I am sure you are familiar that the costs for surface access could be £5 billion or between £10 billion and £15 billion. That seems like an awfully large range. What is your estimate of what surface access improvements will cost?

John Holland-Kaye: I can understand why it might seem strange to have such large numbers being bandied around.

Emma Gilthorpe: I think the £10 billion to £15 billion was a number that came from TfL. It related to all of west London's transport needs. I think we can all agree that that is not Heathrow's responsibility. It is clearly something that TfL is planning at the moment. I could not comment on whether those numbers are right or wrong, but they are numbers I have heard them use before.



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A significant chunk of the £5 billion that was referred to by the Airports Commission was to do with the M4 widening. We disagreed with the Airports Commission on this point because we felt that a widening of the key part of an arterial road that already had some air quality issues was not the right answer. That is how we differ from them.

From our point of view, at the moment we have about £2 billion in our costings for various aspects of surface access, which includes roads as well as an estimate for rail. We do not yet know, though, what the costs of these rail schemes are going to be, so it comes with a healthy dose of risk attached to it. When we have the final business case for western rail, which we hope to get when it files its planning application early next year in 2019, then we will have a clear idea of the final cost, and of course the final benefit-cost ratio, which for western rail at the moment is incredibly positive. It is one of the most positive that has ever been seen by Network Rail. We will have all the information then and we will be able to start working with the CAA on that methodology to which John referred, to understand what our contribution is.

Q380 Luke Pollard: The evidence the Committee has heard on surface access is quite contradictory at times. It seems that the world has changed considerably since the Airports Commission first came out around air quality and surface access and the requirements. The national policy statement does not seem to give a lot of comfort that the surface access improvements that Heathrow needs, for both a two-runway and three-runway world, match the aspirations that you have about 50% of people arriving by 2030 and 55% by 2040. It does not seem to work, and it relies on a lot of hope and faith. Is there anything you can say to give more reassurance on that?

John Holland-Kaye: At the moment, if you are coming from large parts of London, or if you are coming from the midlands and the north, you either have a complicated rail journey or you get into a car. HS2, Crossrail and the Piccadilly line upgrade will all change that situation for a large number of passengers coming in. We should not underestimate the significant impact that will come in. Part of the purpose of making those investments in the first place is that people are going to use them. That will include people coming to Heathrow.

We do not rely on western and southern rail access to hit our targets. Everything we have seen says there is a good business case and we will contribute towards that.

Q381 Luke Pollard: You are expecting to contribute around £1 billion to surface access upgrades at the moment.

John Holland-Kaye: In total, we have £2 billion budgeted for surface access changes. That includes re-providing existing roads and the additional allowance for the M25, which I think was included in the £5 billion that the Airports Commission identified, so we have absorbed part of that, and the contribution towards rail.



Q382 Luke Pollard: As you have mentioned the M25—I realise I am taking lots of time here—there has been very little evidence of costings to do with the M25 that we have been able to see as part of this inquiry. Do you have robust figures about how much building over the M25 is going to be? That seems to be flashing a big red warning light, for myself in particular, about how much that is going to cost. It seems an enormous piece of work, and the amount of money you are talking about does not quite seem sufficient for it. Are you comfortable that that is a robust figure?

John Holland-Kaye: Yes, we are. We have been doing a lot of work with Highways England around the scheme design. We and they have quite a lot of experience with this. I should not say that all costings are pinned down, but they are at the right level of maturity at this stage of the process. There is a lot more work that we need to do. The first thing to do will be to finalise what the plan is. We will only be able to do that once we have completed the first consultation and come down to an individual scheme. Then we will be able to do a far more detailed costing.

What we are proposing to do with the M25 is not anything that has not been done a thousand times before and has not been done at many other airports before. Charles de Gaulle has done something similar, as have plenty of airports in the States. This is not an unusual way of dealing with these things, but we need to mature our costs forecast over the next couple of years.

Emma Gilthorpe: It is very normal at this stage in a major piece of infrastructure to be at what is called P80 costing. You have an 80% probability of being within the range of what your costs are. We need to go through the consultation. That is key, because we need to get more views on how this scheme is going to shape up. By the time we get to a development consent order application, we will be closer to a P50 costing. At that stage, you will have more clarity and the complete business case. Obviously, that still allows for some risk. You will have more risk associated with the more risky aspects of infrastructure—potentially, the M25—depending on how mature your plan is by then. You will have less risk associated with things that we are very well experienced at building, such as additional terminal capacity.

Q383 Luke Pollard: One final question from me. I am still a bit sceptical as to surface access and what a three-runway world looks like. I think you need all those schemes and potentially some more. If you are giving us reassurance that you can deliver that surface access type of movement from 60% arriving by car to 50%, would you be comfortable with that being a condition of releasing additional capacity similar to one of those locks around air quality that you spoke about earlier? The surface access transfer seems to be an absolutely critical part of delivering air quality improvements and reassurance that you are on track with your plan. Would that be something you would consider?



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John Holland-Kaye: You are right to tie this back to air quality. That is the issue we are trying to solve here. I go back to the starting point. The conservative forecasting base that the DFT has used shows that there is not an issue on air quality anyway. The actions that we are planning to take will take us beyond what has currently been built in. I would say that the triple lock on air quality is the important lock here.

Q384 **Luke Pollard:** But it is air quality and also congestion. It is about how many vehicles are physically on the roads and how much capacity there is in the road network, not just air quality.

John Holland-Kaye: But it is particularly around air quality. I would encourage the Committee not to overcomplicate what we are trying to achieve. We have a good plan. We have developed it over a period of time. If there are things that you would like more clarity on, we will very happily give those to you. We are going to be going through a full development consent order process. That and the national policy statement will provide us with legal commitments that we are signing up to around this. This may well be one of those areas. If we do not have the right clarity by the time we get there, which will be after we have the single plan, and we have the detailed workings on the M25, by which time we will also know more about western rail access, which is your concern, I would suggest that, if there are legal commitments that we need to make, that is the time to make those.

Q385 **Chair:** Let me push you a little further on that very point. You made a very specific pledge that there would not be an increase in landside airport-related traffic. Are you saying at this point you would not be happy for that to be a binding commitment in the NPS? Although air quality and congestion are linked, for a lot of residents in the surrounding area it is congestion about which they are anxious and they want to see that mode share change in line with what you have pledged.

John Holland-Kaye: Perhaps I can be clearer on that. The NPS already includes mode share commitments at 2030 and 2040. It is already baked into the NPS.

Q386 **Chair:** But is it a binding commitment in terms of whether you would release capacity if those targets were not met?

Emma Gilthorpe: I would have to check how it is codified. My understanding was that the mode share targets are codified, which means that you have to meet them, and it is the air quality targets that are linked to the release of capacity. That is the logical way round of doing it, because congestion might not just be a function of Heathrow. It would be quite hard to ascribe that entirely to Heathrow, whereas you are perfectly able to ascribe Heathrow's compliance with air quality targets. I think that is the right way round. They are very tightly linked.

Q387 **Chair:** We are not talking about traffic on the roads generally. We are talking about how passengers, freight and workers arrive at the airport. If you are saying that you think you can achieve 50% or better, then it is



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not unreasonable to say if you are confident enough for that to be binding in relation to release of capacity, is it?

Emma Gilthorpe: I think I would want to see what the planning regime was and precisely what the infrastructure was. The commitments we have made are based on our plan. The plan can change between now and then. It is absolutely appropriate to have commitments, but they would come at the stage of the DCO rather than in the planning policy, which is the NPS that we are talking about today.

Q388 **Iain Stewart:** I would like to ask one supplementary question on the mode share target. When we heard from TfL at a previous evidence session, it said that a public transport mode share of 69% is required to meet your “no net increase in car traffic” pledge.

Your supplementary written evidence says that this is based on a forecast of 148 million passengers per annum. You say that your modelling suggests that we are not going to reach that level until 2040. Could you give us more detail about how you have arrived at that conclusion so that we can make an objective decision or judgment on whether you or TfL are right?

John Holland-Kaye: Yes. This might be something on which we can write separately to the Committee on in terms of forecasts. I think the TfL forecast for us to effectively get to 148 million by—

Emma Gilthorpe: I thought it was 2050 rather than 2040, but I may be misremembering that.

John Holland-Kaye: But in terms of the TfL forecast I thought it was within three years.

Emma Gilthorpe: I don’t remember.

Q389 **Iain Stewart:** It is paragraph 2.5 of your written evidence, if you want to check.

Emma Gilthorpe: Sorry; I am getting confused here. The TfL forecasted projection was 148 million. That was an unconstrained forecast. We talked earlier in the session about our views on when the traffic would come. Our view is that there will be constraints on how that traffic arrives—whether it is about route viability or capacity being available, the level of actual demand versus the supply of capacity. We are questioning the TfL 148 million at the year it suggested it. There is another issue, which is the 69% mode share it talked about. It has conflated, in effect, staff mode share and passenger mode share. If you take our two targets, then we deliver the mode share targets across both of those.

Q390 **Iain Stewart:** If I may, I have one further question. TFL also said that the public transport upgrades, the Piccadilly line, Crossrail and so on, are to meet general demand in the west London area, and are not specifically for Heathrow, and that additional capacity will be required.



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John Holland-Kaye: I am sure they are not specifically for Heathrow, but, when you think about the growth that we are going to see in London, we would have the same objective as the Mayor, which is to make sure that we keep London as a world city. Where is that growth coming from? Business people coming to London and tourists coming to London. That is exactly the kind of traffic that an expanded Heathrow will deliver, helping to meet the kind of commercial growth that London will see. It should be entirely consistent with an underlying growth plan for London.

Q391 **Huw Merriman:** It was not entirely clear to me what you were proposing to do with the M25. Is it tunnelling, routeing it further west or a shorter runway that does not go to the M25?

John Holland-Kaye: It is the first two of those.

Emma Gilthorpe: The tunnelling and the bridging are the two options that we think are the most logical when it comes to balancing cost disruption and deliverability. We are consulting at the moment to ask people's views on those two things. Tunnelling has some marginal benefits if you build it offline and then connect it back to the M25. Our early analysis with Highways England is that it is the least disruptive approach, but we want to hear other people's views.

Q392 **Huw Merriman:** I come back to the legal point I was making. Doesn't that decision have an impact on some of your other deliverables, such as car emissions or costs? If you have not made that decision yet, does that not impact on some of the other decisions that you have made, on cost fixings, for example?

Emma Gilthorpe: There is very little difference in costs with those two schemes, so no. From an emissions point of view, it would not make any difference. I cannot think of a reason why it would make any difference.

Q393 **Huw Merriman:** One would be nearer the airport, would it not, and another further would be much further away? Potentially, if it was further west, it would not have as much impact as other emissions. Would that not be the case?

John Holland-Kaye: Can we go back to the earlier question around emissions? The only area close to Heathrow that has any emissions issues at the moment is to the north of the M4, not the M25. The modelling that the DFT has done on air quality shows that, even with expansion, there would not be an impact on meeting air quality standards. The closest point where there might be a concern in London is the Westway, which I think is 17 km from the airport.

Q394 **Huw Merriman:** Effectively, it would not make any difference whatsoever to the environmental issues, in terms of emissions, which option you end up going for. Therefore, it does not really matter.

Emma Gilthorpe: The location would not, no; the location would not affect that.



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John Holland-Kaye: As part of the development consent order process, we will be going through a full environmental impact assessment. That detailed work, which will need to be done, will all be part of that, and will be assessed by the planning inspectorate as part of the DCO.

Q395 **Huw Merriman:** What is the cost differential between the two schemes that we have discussed—tunnelling versus moving further away?

Emma Gilthorpe: It is not very large. I will have to check. I will write to the Committee and let you know.

Q396 **Chair:** On that specific point, will tunnelling or bridging the M25 be part of the DCO process for an expanded runway or is there another process?

John Holland-Kaye: It would be part of the DCO process.

Q397 **Chair:** I have another question arising from the previous set of discussions. Emma, in relation to questions around surface access, you were talking about the phased release of capacity. In fact, it seems always to have been Heathrow's position that you would have to build up the use of that capacity. You talked about it in relation to certainty around costs. Doesn't the phased release of capacity change the economic case that is presented in NPS, given that the numbers on net present value are based on capacity being used within the first two years of the new runway being complete? How does it impact the economic case?

John Holland-Kaye: I do not think it materially impacts the economic case. We are talking about the phasing over the first 10 to 15 years and how quickly that builds up. What is clear is that the kind of connections that the UK will need—long-haul connections, more domestic growth, which we will be delivering during that time—are something that only Heathrow expansion will deliver. If one were to go down the other route, expanding Gatwick, we would not get any of the economic benefit of domestic routes connecting to long haul during that period of time.

Q398 **Chair:** Leaving aside the comparison issue, and looking at the economic case for Heathrow northwest runway, surely if the economic case presented in the NPS is based on release of capacity and the benefits that flow from it, whether they are passenger or economic, and you are saying that the release of that capacity will be longer, over a 10 to 15-year period, as you have just described, it will inevitably change the numbers in the economic case, won't it?

Emma Gilthorpe: The demand forecast shows a range: a low case, a medium case and a high case. It shows that from a passenger point of view, not from a trade point of view. We are talking about releasing in quite small increments, in quite quick succession. Our view is that there is not a material difference in what we are proposing. Rather than building something and then waiting for the demand to come, we are proposing to make sure that we do this in a way that lines up with passenger demand, which is a much more responsible way of developing



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the airport. That allows us to keep our costs as low as possible while making sure that we maintain a great passenger experience and deliver on our public commitments, but not foreshortening or delaying the significant benefits that will accrue to the UK from having the best connective hub in the world.

Q399 **Chair:** That all sounds very sensible from the perspective of the airport. I am not convinced that is how the Government have made the economic case in the NPS, because it seems to rely on a very rapid uptake of capacity. Surely that will change the numbers, won't it?

John Holland-Kaye: That may be a question more for the Secretary of State than for us.

Chair: Perhaps it is.

John Holland-Kaye: I cannot speak on behalf of the DFT.

Chair: Thank you. We come to Daniel's questions on air quality.

Q400 **Daniel Zeichner:** Yes. We have already touched a bit on air quality, but I want to press you on one or two things. The figures I have before me, from the DFT's most recent appraisal report in October, show that there are 47,000 properties where NO₂ concentrations will be higher, with 121,000 people affected. Do you recognise those figures?

Emma Gilthorpe: I am sorry, but the door shut at the point you were asking, so 47,000?

Q401 **Daniel Zeichner:** There are 47,000 properties where NO₂ concentrations are predicted to be higher, and 121,000 people will be affected within 2 km of the perimeter of the airport. Is that your understanding?

Emma Gilthorpe: The air quality assessment that we have done to date said that we are compliant with all our air quality obligations when it comes to expansion, so we can expand Heathrow and do so within the air quality obligations that the Government have. By 2024, all the local roads around Heathrow will be compliant. John mentioned the two nodes that are at the M4 spur to the north of the airport. From our point of view, we can meet the air quality standards that we need to.

Q402 **Daniel Zeichner:** I understand that, but the point I am making is that there are impacts close to the airport, and I think it is widely believed that there will be impacts across London as well. Of course, as Luke was suggesting earlier, with the growing interest in air quality and with more research being done, views are moving on this, and we have seen the Government run into a whole series of problems with their air quality plans. I understand your problem; you are working within the constraints that the Government set, so you are right to say that you think you can be compliant with them, but there is every possibility that, as people work harder on trying to improve air quality, those boundaries and parameters are going to change. Given the questions we are raising around surface access, what would you be able to do to improve the



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requirements for air quality if the standards need to be raised?

John Holland-Kaye: Is this a hypothetical situation where air quality standards are reduced further and how would we be able to meet them?

Q403 **Daniel Zeichner:** It is not terribly hypothetical when the Government keep getting knocked back in court on an annual basis. People are becoming more concerned about air quality, particularly in London. The Mayor is having to do some quite dramatic things to address those issues and, at the same time, you are basically saying that you can probably just about come in with the current standards—not your words, but mine. What if we push for higher standards over the next few years? What will you then be able to do, given that we already have concerns over being able to reach the current target?

John Holland-Kaye: I am quite optimistic, based on the focus that has been put behind air quality. It is an issue that has been there for a long time and one we have always taken seriously. We have taken actions, as an airport, to reduce the emissions from the airport and the emissions of people using the airport, and I can expand on those if you would like.

The great thing about the focus that has come in recently is that it is really getting people to do something about it now. The Government have set a target for no more diesel vehicles being sold. Barely a day goes by without another major auto manufacturer announcing that they will be switching over to alternative-fuel vehicles. I suspect that many people, when they are buying their next car, will be thinking about an alternative-fuel vehicle or a hybrid before they think about a diesel car. That is certainly what is coming through in some of the statistics from car sales.

Things are changing more quickly than we would have expected a couple of years ago. I now drive an electric car. At Heathrow, we have been converting all our airside vehicles to electric, not just cars; we have been trialling electric HGVs and buses. Things that we would not have thought possible a couple of years ago are now happening.

With the focus that is now coming on air quality, I am optimistic that we will see a significant shift in the kind of fleet we have. We at Heathrow will take a lead on this. We have a good track record of doing so. The kind of actions that we can take on airport include making Heathrow airside an ultra-low emission zone by 2025. We are getting airlines to convert from using their engines and burning diesel fuel to keep their cabins temperature controlled and to provide power, and move to electrical alternatives. We are investing to allow them to do that.

We are not only working on the airside. We are also working around the perimeter. We have just installed new charging points for London taxis in our taxi feeder park. We installed the first hydrogen fuel station in the UK at Heathrow. There is a lot that we can do. We will take a lead in this space. It is important that we do. The great benefit we have is that



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Heathrow is the size of a city, and yet we have more control and influence over how that city works than most normal cities. It is absolutely right that we should do first what other cities will do later. I am quite excited about the prospects for us taking a lead on improving air quality for the UK.

Q404 Daniel Zeichner: I want to go back to an earlier point about when you would be prepared to see this hardwired and make a binding condition. We were talking about the period between 2026 and 2030 when you are going to release capacity in chunks. You were prepared to suggest that some of it should be tied into the NPS; you thought it should be in the planning process. Are you prepared to make the binding commitment that you will only release it if the air quality issues are met in one way or another?

John Holland-Kaye: Yes, we are. That is our triple lock. The development consent order process is the right place to do that when plans are more detailed, and when we are making binding legal commitments about the way that we will operate the expanded airport. It is right that we should do that.

Q405 Daniel Zeichner: I am afraid I am probably going back to the same point the Chair raised just now. There seem to be three interlocked things alongside your triple lock: air quality, surface access and economics. Unless all those three come together, there is a problem at that point, isn't there?

John Holland-Kaye: We are trying to balance a lot of things. We need to deliver for the UK economy, for passengers and airlines, for local communities and for the investors who are putting the money up. We have a good plan that does all those things. As we go through the planning consent process, we will lock that plan down; we will have a single plan, detailed costings, and an environmental impact assessment. We will know exactly what commitments we should be making and that we are comfortable to be locked into.

The great thing about the development consent order process is that it is a steady flow of getting more information, challenging a plan, building consensus and coming down to a single plan that works for everyone. Air quality is one of the big issues we need to solve, and that is why we have been up front in proposing the triple lock of binding commitments around air quality. As I say, I am optimistic about air quality. As a country, we are getting our act together on it, and Heathrow will take a lead.

Q406 Daniel Zeichner: You probably have more charging points than a lot of other places, I guess.

John Holland-Kaye: We probably do. I went to charge my electric car the other day and all the charging points were being used. I would not have thought that possible six months ago, but it is a sign of how things are changing.



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Chair: We are going to move on to the next vexed issue, which is noise.

Q407 **Ronnie Cowan:** I have one supplementary, for clarification. You are talking about increasing the capacity of the airport by over 50%, but you are going to bring down air pollution. Is that because you are offsetting the extra air pollution from aircraft against improved car vehicles that are going to become hybrids?

John Holland-Kaye: No. Just to be clear, the issue with air quality is not the planes; it is cars on the road. There are two points. Heathrow itself currently complies with all air quality standards. There are two points to the north of the M4 a couple of miles away from the airport that do not do so currently. They are forecast to by the DFT, based on changes that are happening by 2024. Cars on the road are the issue, and they are not Heathrow-related cars; they are through traffic.

Q408 **Ronnie Cowan:** I get that, but you are going for 50% more flights and you are not going to increase the pollution from aircraft.

John Holland-Kaye: Yes. The air quality measure will not be affected by the growth in aircraft. Currently, aircraft are not a significant contributor to air quality. The emissions disperse very quickly and a lot of them are at a high level. I am happy to send you the analysis on that.

Ronnie Cowan: I would like to see that.

John Holland-Kaye: The issue on air quality is cars on the road. Where there is an issue in our local communities, it is through cars on the M4, not cars servicing Heathrow.

Q409 **Ronnie Cowan:** I would like to see the figures about aircraft pollution. I cannot believe it is nothing. I do not think we have quite got there yet, have we?

John Holland-Kaye: It is not nothing, but it is not a significant contributor to air quality.

Q410 **Ronnie Cowan:** But you are doubling the number of flights, so I cannot see why you are not doubling the amount of air pollution from aircraft.

John Holland-Kaye: As I say, it is not a material contributor to local air quality. We will happily share the analysis with you.

Q411 **Ronnie Cowan:** What about noise? The appraisal of sustainability says that over 92,000 more people will be affected by severe noise. How do you cope with that?

Emma Gilthorpe: The appraisal of sustainability assumed that we do not continue to make the improvements that we have been making over the last 20 years. Our analysis is that 200,000 people will be taken out of the equivalent noise footprint.

Q412 **Ronnie Cowan:** How have you done that?



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Emma Gilthorpe: Basically, we produced some prototype routes when we put our Airports Commission submission together. We looked at the different noise footprints—60 dB, 55 Lden—and applied that to the area around the airport, and then applied the mitigations we are making, such as how the fleet changes over time with technology and how the operating procedures change, with steeper approaches and displaced thresholds on the runway to keep the planes higher for longer. That is how we do the calculation.

Q413 **Ronnie Cowan:** But you do not know what the routes are going to be yet, do you?

Emma Gilthorpe: For the Airports Commission, we produced prototype routes. We are currently looking at those prototype routes and consulting on whether they are appropriate. It is a completely different—

Q414 **Ronnie Cowan:** Are your prototype routes the best-case scenario to fit your argument?

Emma Gilthorpe: No, not at all. As you would expect, in the submission to the Airports Commission, they wanted an idea of the noise footprint; and the way you do that is to look at the runways, make some assumptions about how you use those runways and create some prototype flightpaths. That creates what is called a noise envelope. This is a process that the planning inspectorate will go through when we submit our master plan, with our environmental impact assessment. That will come with both detailed air quality and, of course, noise impacts and mitigations, but we will have done the public consultation on airspace at that point. By the time we make that filing, we will have a pretty clear view of where the flightpaths are.

Q415 **Ronnie Cowan:** Would that be a binding commitment in the NPS?

John Holland-Kaye: We will have a binding commitment around the noise envelope. That is something we are very comfortable with. We had exactly the same condition around terminal 5 planning, and we met that obligation.

Q416 **Ronnie Cowan:** Will capacity be released based on hitting those targets?

John Holland-Kaye: It is yet to be determined how the noise envelope will work. That is part of the development consent order process. It is part of the planning application.

Q417 **Ronnie Cowan:** What bothers me is that that is still to be defined. Maybe I am coming from a naive point of view, but I would have thought those sorts of things would have been sorted out up front if you want to expand an airport by 50% with a lot of people living in that area. If I lived under that runway or close to Heathrow airport, I would want to know what the air and noise pollution are going to be and how many cars are going to come into my area before you start telling me all the economic benefits around it. You have led with the economic benefits and



now we seem to be—

John Holland-Kaye: Absolutely not. We have spent the last four years going through quite high-level planning and then progressively getting more detailed. We have been through significant local consultations already. They have helped us to improve our plans. They have helped us to understand what really matters to local communities. We talked about respite from noise earlier—guaranteed times when you are not overflown. That comes out as one of the most important things for local communities. We have built our plans around that. We have a good plan that is at the right level of maturity at this stage. The development consent order process itself is a way of making sure that, as plans mature, the right questions are asked and answered, and we come down to a consensus view.

Q418 **Ronnie Cowan:** You talked about respite. The figures I have are that people living under the flightpath will have their respite reduced from half to one third of a day.

John Holland-Kaye: No, that is not the case.

Q419 **Ronnie Cowan:** You do not recognise that figure.

John Holland-Kaye: I do not recognise those numbers.

Q420 **Ronnie Cowan:** What do you think it would be then?

Emma Gilthorpe: We are consulting at the moment. Part of the consultation on airspace principles is how people would like to receive their respite. We want respite to be maximised. There are a number of different ways you could do that. You could have a consistent day of the week; you could have a consistent time of day. There are lots of options around how you can deliver it. Part of having a high-quality, transparent consultation is about asking our local communities, for whom this is a significant issue, what they think. It is absolutely appropriate that the infrastructure process and the airspace process happen in parallel. This is a really complicated thing that we are creating. I do not think it would be right at all to rush to a conclusion, to what the answer is, without going through that detailed consultation process.

Q421 **Ronnie Cowan:** I love that phrase—"How people receive their respite." People are trying to live underneath and close to airports. Surely they have the same right to respite of the same quantity and quality as anybody else. We seem to be squeezing these people and saying, "Here is one good thing, but, you guys, there will be a price you have to pay."

Emma Gilthorpe: With three runways, we can give guaranteed predictable respite. We cannot do that at the moment with two runways.

Q422 **Ronnie Cowan:** What is that guarantee?

Emma Gilthorpe: The guarantee is that you will get predictable respite. I cannot predict that if I do not know where the infrastructure is going to be precisely, how I am going to use the infrastructure and what my



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alternation strategy is. All of that is part of the consultation. I think you believe that we are further through the process than we are.

Q423 **Ronnie Cowan:** When will you be able to predict that?

Emma Gilthorpe: When we file our DCO planning application in late 2020/early 2021. That is the consenting process. The NPS is about the policy framework. The planning consent will be filed late 2020/early 2021 and we will know where the flightpaths are at that point.

Q424 **Ronnie Cowan:** The NPS specified a night-flight ban of six and a half hours for nearby communities.

Emma Gilthorpe: We have made a commitment to a six-and-a-half-hour night-flight ban as part of this process.

Q425 **Ronnie Cowan:** For somebody who does not live that close to an airport, what is that? Eleven 11 o'clock at night to half-past 5 in the morning or 12 to half 6?

John Holland-Kaye: The time at night without scheduled flights is between 11.30 pm and 4.30 in the morning, so it is currently five hours. We are proposing to go to six and a half hours, between 11 pm and 5.30 in the morning. That is something we are proposing and it is being consulted on. That is a significant increase.

As Emma mentioned earlier, it is absolutely right that we should consult on how airspace should work. That is part of the process. We have designed our plan so that planes are flying higher before they come into land. That reduces noise. We are doing everything we can to minimise the impact of noise on local communities. We are proposing a very significant noise insulation programme for homes and schools in the flightpath, which would apply not only to the new flightpath but to existing flightpaths. Up to 160,000 buildings will be insulated, which is a very significant programme and a world-leading level.

Q426 **Ronnie Cowan:** Are you talking about £3,000 per resident?

John Holland-Kaye: It is £3,000 per resident in the outer zones. In the inner zones, we will pay the full costs of noise insulation. It is a scheme that we have trialled.

Q427 **Ronnie Cowan:** You just seem to be saying to people, "It is getting noisier out there, so we will give you better double glazing. Stay in your houses. Don't go in your gardens."

John Holland-Kaye: It goes much further than that. You raised the question of quieter nights. We are taking action to deliver that. The noise insulation is a significant benefit for people currently in the flightpaths, as well as the new flightpaths. That helps to deliver quieter nights. The extension of the time without scheduled flights from five to six and a half hours is a very significant change, and one that I think is unlikely to happen without expansion.



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Q428 **Ronnie Cowan:** You said £3,000 for existing flightpaths.

John Holland-Kaye: No, let me clarify.

Q429 **Ronnie Cowan:** You said £3,000 for people within the 57-dB noise contour.

Emma Gilthorpe: That is right. The noise-insulation scheme—

Q430 **Ronnie Cowan:** If you do not know the flightpaths, how do you know that?

Emma Gilthorpe: The noise-insulation scheme that we are proposing will be free to those closest to the airport—60 dB. At the outer limit, 57 dB, we will be contributing £3,000 to noise insulation for homes in that area. In total, that is 160,000 homes surrounding the airport. Those noise envelopes will potentially flex depending on the precise nature of the infrastructure and the alternation strategy that is pursued once we have been through the airspace consultation. The density of population around there is very similar, so it may move slightly east or west, north or south, but you can, with some confidence, predict how many homes will be affected.

I live under the flightpath, so I know what it is like to live in that local area. I can assure you that guaranteed respite is an absolutely crucial thing for those people, and getting six and a half hours predictably clear of flights is an important issue, but so is noise insulation. The package we have put together is as a result of consultation with members of the local community, so that we are prioritising and investing in the very things that matter most to them.

Q431 **Chair:** Can I jump in for a second? I want to come back to the issue about the respite period. It is very clear in the NPS; at the moment, people have a respite period of half the flying day, resulting from the switch in runway use, and this will reduce to one third of the day with the northwest runway. Can you confirm that that is accurate? That is what it says in the NPS and you seemed to say something different a few moments ago.

Emma Gilthorpe: It depends on whether or not the respite is given as parts of the day or in another way, which could be days of the week. It depends on how the respite is designed. We have done a piece of research with the Community Noise Forum. It is the first time anybody has done a serious piece of work on the type of respite that you can deliver, and, after the consultation we are going through at the moment, we will be able to give you an answer. Right now, I could not be sure that that is the outcome.

Q432 **Chair:** The suggestion from the NPS work, if they are saying it reduces from half the day to a third of the day, however you split it up, seems to be that there is less time when you enjoy respite from planes overhead.



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Emma Gilthorpe: It depends where you are around the airport. It is a little more complicated than that. It also depends on how we use the runways. It is premature to suggest a specific amount of time. With three runways, we can guarantee predictable respite, which we cannot do at the moment because of the way the two runways operate. Fewer people will be in the noise footprint overall, and we will be able to guarantee respite for those who are in the noise footprint.

Q433 **Chair:** If the airspace changes as you anticipate, which we do not yet know.

John Holland-Kaye: Airspace needs to change across the whole of the south-east, not just for Heathrow expansion. We mentioned earlier that it is a can that has been continually kicked down the road. Heathrow expansion creates an impetus to solve it now and get on with the change that we all need. Without it, the skies over the south-east are increasingly going to become gridlocked. It is something that needs sorting out. I think we will be the catalyst for making sure that gets done.

Q434 **Chair:** But, potentially, it could get kicked down the road again. As part of this process, we are trying to make decisions, and we are looking at the monetised costs of people who are affected by noise. At the moment, at this point in the process, it feels as though we do not have clarity about noise and respite. Is that not right?

John Holland-Kaye: Airspace change is something that has to go through a full consultation. It is happening in parallel with our DCO consultation. That process has started. It will ultimately be under the control of the CAA. That is now happening.

Q435 **Chair:** Can we be confident that decisions will be made this time, rather than being further delayed?

John Holland-Kaye: We can, because Heathrow expansion is so important from a national point of view. If it becomes Government policy through the national policy statement, airspace change will need to happen, so there will be urgency to do it. We will need certainty on that. If we do not have the space in the sky to service the additional flights, we are not going to have a business case to make this work. We cannot start building. Our investors could not take on that risk. We need to sort all this out.

Q436 **Chair:** Does it not rely on other airports also playing ball in terms of redesigning the airspace across the south-east?

John Holland-Kaye: That needs to happen anyway. That collaboration is taking place. The Secretary of State has initiated a process—again, he will be able to say more—where the chief executive of NATS has been asked to look at airspace across the whole of the south of England, the forecast growth plans for all the airports and how those can be accommodated. I understand that he will be reporting back initially in



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May. That process has started and it will be a vital part of the overall process.

Q437 **Chair:** From your perspective, should the Government be doing more to provide some assurance that this is going to happen?

John Holland-Kaye: The pressure needs to remain to make sure that the Government deliver on this and that it does not get kicked down the road. Whichever airport is expanded, this will need to happen. It will be needed outwith expansion just to cope with growth in demand. This is an opportunity to bring it forward. Yes, it is something we worry about, but everything we are seeing so far from the Government, from the CAA and from our own work suggests that we will be able to get the certainty we need at the time we need it.

Chair: Ronnie, I am sorry that I interrupted.

Q438 **Ronnie Cowan:** That is okay. To go back to the levels, I have one very quick question. You talked about 60 dB getting a free package for home noise insulation and windows, and three grand for 57 dB. What about 54 dB? At what point do you slide off the scale?

Emma Gilthorpe: At the moment, the package we are consulting on just has those two layers, but clearly we will be waiting to hear from the public as to whether or not they think we need to do more than that.

Q439 **Ronnie Cowan:** I will play devil's advocate. You are telling me that the air quality will be fine, the noise quality will be fine and road infrastructure will be fine, but you are committed to a community compensation package of £2.6 billion. Why are you paying compensation?

John Holland-Kaye: The compensation package that I think the Government announced includes a lot of those measures. Included within that is an allowance of £700 million for homes and schools' insulation. It also includes compensation to local residents and businesses.

Q440 **Ronnie Cowan:** Is that compensation for sound insulation to homes and businesses?

John Holland-Kaye: This is for loss of property.

Emma Gilthorpe: CPO.

John Holland-Kaye: There is £550 million built into that. It is an accumulation of those. It is part of a package that, to some extent, we have been negotiating as we have gone along; the Airports Commission process, hearing back from consultation and being held to account by the Airports Commission has led to that very significant sum of money. It is an order of magnitude larger than was considered 10 years ago when the original shorter runway was being considered at Heathrow. It is a world-leading compensation package. It bears comparison with any other major airport.



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Q441 **Ronnie Cowan:** You are the experts. Where does this all end?

John Holland-Kaye: We are going to get this done.

Q442 **Ronnie Cowan:** But once we expand Heathrow, do we then expand Gatwick, Stansted, Luton, Glasgow and Edinburgh?

John Holland-Kaye: That sounds more like a question for the Secretary of State than for us, but to deliver what the UK needs, which is domestic connectivity, global markets and capacity at the biggest ports, we need to get on with Heathrow expansion as quickly as we can, and do it in the right way.

Q443 **Chair:** Can I come back to the £2.6 billion package? If the noise insulation is based on estimated noise contours at the moment, because not everything is certain, do you have some headroom built in? It seems to me that you cannot have a fixed amount of money when you do not know flightpaths, how many people will be overflowed and by what level of noise they are going to be impacted.

John Holland-Kaye: Based on our working assumptions, which we talked about earlier, we have made some conservative assumptions about the number of homes and schools that would need some form of insulation, and we came up with a budgeted figure based on that. As we go through the process, we will be able to refine that. In some cases, we will need to know exactly what the flightpaths are before we can absolutely finalise it. We are not going to be sharing out a fixed pot of money; it will be linked to the number of homes and schools that we need to insulate.

Emma Gilthorpe: We offer a noise insulation product today, so it is something we are quite familiar with. We are quite familiar with dealing with the noise contours and what the implications are. It is an extension of our existing practices.

Q444 **Chair:** If, as a result of the flightpaths that emerge, there are more people impacted, that figure could go up.

John Holland-Kaye: It could.

Emma Gilthorpe: It could.

John Holland-Kaye: It is important that we treat people right. Noise is an important issue. Planes have been getting quieter, but it is quite hard to assess the impact of some of those changes and the impact of insulation at different locations around the airport. We have worked with Arup, who did similar work for HS2, to model the impact of noise at different points, with different forms of mitigation and with different planes, and we are using that as part of our consultation process.

If the Committee has time, we would be very happy to share that with you, so that you can hear just how much quieter the planes are getting and the different quality of noise, and the impact that some of these



mitigations can have. It is quite a material difference. Everyone hears noise differently, but my experience was that there was a very significant reduction with new planes and a very significant impact from the kind of insulation that we have been talking about. The insulation is something we have been trialling in Hounslow and some of the other communities around the airport, and it is very effective.

Q445 Chair: It is right that noise is very subjective, but we know that the level at which significant noise annoyance is considered to take place has been reduced from 57 dB to 54 dB, so should people within the 54-dB noise contour be offered that compensation?

John Holland-Kaye: That is something we want to learn from the consultation we are going through. We based our plans on the consultation that we did as part of the Airports Commission process. It was a very open and thorough consultation with lots of public meetings. We are currently holding 40 public events all around our local area and across London and the south-east, and we want to hear from people about what they want. We have to have a plan that works for everyone. None of this is easy, but our job is to make sure that we bring all these things together so that we can deliver the expansion that is right for the UK as quickly as possible.

Q446 Chair: Based on the sort of noise contours you are looking at now, if you did offer compensation to those who were in the area affected by 54 dB rather than just 57, do you know how many more people would be eligible, or how much it would cost?

Emma Gilthorpe: I can easily get back to you quickly, but I cannot answer that today.

Chair: I would appreciate it if you could forward that to us. Paul wants to come in.

Q447 Paul Girvan: It is about 3 dB at the range that we are talking about—the 60 dB to 57. It is a logarithmic scale, and on that calculation there is quite a difference between 54 and 57. If you were to play something at 57 dB, people in this room could definitely tell the difference between that and 54. Instead of accepting the standard, we should be going beyond it to try to minimise the impact on the environment. Why would you not be willing to accept looking at those within the 54-dB parameter?

John Holland-Kaye: I absolutely agree that we should be doing everything we can to minimise noise on the ground. In terms of the measures, as you may know if you have looked into this, there are lots of different ways in which noise can be assessed. The CAA used one standard and the Mayor of London proposed a different and lower standard. We accepted the Mayor of London's standard for noise annoyance. We have absolutely taken your challenge. We moved to a much more challenging target when we developed the compensation plan. We have gone beyond what was required of us in developing that package.



Q448 Paul Girvan: I am interested in the amenity space that people have and climate. People want to use their garden in the summertime and be out. I appreciate that we have heard the indication that planes will be taking off, getting up to height, and coming down quicker. I talk from experience of flying from and landing at Belfast City airport, where they have to do exactly that, and it is a drop out of the sky and a fairly hard landing on every occasion, whereas at the international airport you come in at an easy glide over wide open fields for miles as opposed to over a city. That is the difference, and, having experienced it many times, I can only say that it does not always lead to a great passenger experience on landing. How are you going to ensure that whenever planes take off or come into land they do not cause danger when hitting the runway at a fairly steep angle?

John Holland-Kaye: Safety is the starting point for any airport or airline operation. That is never negotiable. I am not familiar with the angles of descent at Belfast City. The global standard is 3%. We have been running trials with British Airways and other airlines at 3.2%, potentially up to 3.5%. From a passenger experience point of view, that is perfectly good, but it keeps planes flying higher over London. We are looking at the moment at whether that becomes the norm and we require all airlines to do that. We have to get the right balance between safety and passenger service, and we will.

We absolutely need to do everything we can to minimise the impact of noise on the ground, both with expansion and in our normal operation. One of the significant things that people in the local community raise with me is late-running flights at night, after the curfew, if there is a late departure. We have taken that feedback; we have been working with the airlines and agreed a target to halve the number of late-running flights a night over the next five years. In the first year, we reduced it by 30%, which is very significant. We were helped by the weather, but it also took a lot of action by us and the airlines to deliver something that is understandably important for local communities where we can make a real difference. Part of my job is to make sure that, where there are things that we can reasonably do to reduce the impact of the airport on local communities, we should be doing them.

Q449 Paul Girvan: What mechanism do you have in place to ensure that you abide by the parameters that have been set down in relation to the planning restriction on late flights? From your perspective, that is a job you have to police. How are you going to ensure that you meet those guidelines? Within the last week, there was an announcement about one airport that over the last number of years had several thousand breaches of their restriction.

John Holland-Kaye: The reduction in late-running flights is a voluntary measure. I wanted it to be a voluntary measure to show that we do not have to be forced to do the right thing. If we can reasonably do something important, we should get on and make it happen. That is exactly what we have been doing. I am grateful for support from British



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Airways, Virgin and other airlines in delivering against that important 30% reduction in late-running flights in the last year alone.

Q450 **Paul Girvan:** Would you be happy to accept a mandatory rather than a voluntary agreement on that?

John Holland-Kaye: I would not and the reason why, which I have shared with our local community groups, is that, in my view, we need the flexibility for late-running operations when we have significant disruption. If there is bad weather, snow, fog or thunderstorms, we need a way of getting flights away, but that should be a privilege and not a right. We need to do everything we can to minimise the number of times when planes leave late. A 30% reduction in one year is very significant.

Just to give you some context, on average, in the previous year there were about 350, so that is almost one a night. We have seen a significant reduction in that. That has been recognised by our local community and by community noise groups. All I want is to be able to say what we will do and do what we say, and build up the trust that we can deliver an airport that works for the local community and for the country as a whole.

Chair: Thank you very much for answering our questions this afternoon. That concludes our session.