

Transport Committee

Oral evidence: Airports National Policy Statement, HC 548

Wednesday 7 February 2018

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Members present: Lilian Greenwood (Chair); Steve Double; Huw Merriman; Grahame Morris; Luke Pollard; Iain Stewart; Graham Stringer; Daniel Zeichner.

Questions 453 - 575

Witnesses

I: Rt Hon Chris Grayling MP, Secretary of State, Department for Transport; Lucy Chadwick, Director General of International Security & Environment, Department for Transport; and Caroline Low, Director of Airport Expansion and Aviation and Maritime Analysis, Department for Transport.

Examination of witnesses

Witnesses: Chris Grayling, Lucy Chadwick and Caroline Low.

Q453 **Chair:** Welcome, and thank you very much for coming along this afternoon. For the record of our proceedings, please would you introduce yourselves.

Chris Grayling: I am Chris Grayling, Secretary of State for Transport.

Lucy Chadwick: I am Lucy Chadwick. I am the director general for international security and the environment in DFT.

Caroline Low: I am Caroline Low, the director responsible for airport expansion.

Q454 **Chair:** This is a really important session for us. It has been quite a long inquiry. A number of points have been made to us regarding the NPS, and we see this as an important opportunity for you to rebut things people have said, which perhaps you do not agree with, and provide us with further information, and explain the safeguards that other witnesses have been calling for. We hope it is going to be a really useful session.

Chris Grayling: Chair, would you mind if I made some short opening remarks, apart from just expressing thanks to the Committee? This is probably a report unlike most others, in that it is part of the statutory process that takes us up to the vote in due course.

Consultation on the revised draft airports national policy statement closed on 19 December. We have received and are considering over 80,000 responses to both the February and October consultations. I want to make it clear that the information provided throughout our consultations is being considered carefully. The same will be true of your report when it is published. The Government have not yet reached a final view. We have stated our preference for the Heathrow northwest runway scheme, but we are going to consider all the evidence before the final decision is taken on how to proceed. For the purposes of the record today, I would like to make it clear that my answers to your questions are necessarily qualified by those facts.

Q455 **Chair:** Thank you. We are glad that you will be taking account of our report before a final decision is put to Parliament. To begin with the strategic case, which seems to us very important in the Department's thinking on the NPS, the northwest runway option at Heathrow was chosen primarily to maintain the UK's hub capacity. It would be helpful if you could set out why you believe hub airports are the best way to maintain connectivity.

Chris Grayling: The key way to explain it is that the role a hub airport plays is effectively to assemble flightloads of passengers for strategic routes. If you have a point-to-point system of aviation, where there are important international connections to emerging markets, for example



new city routes in China, bringing together passengers from a number of different destinations around the United Kingdom, or western Europe, in one place and loading them on to a plane that goes to that city in China is what makes a new strategic route economically viable. There are probably not enough people in one individual location always to justify the launch of a new route. Being able to bring people together through a hub structure creates connectivity you would not otherwise have.

Particularly in the post-Brexit world, although it is not just about Brexit, and in a world where economic growth is happening in places where it has not happened previously, with emerging markets and fast-growing opportunities for the United Kingdom, we need those better connections. The point about the hub model is that it enables you to open strategically important routes in a way that is much more difficult without the hub structure.

Q456 Chair: We want to explore that a little further. Do you think the UK would be able to maintain the same level of connectivity without hub capacity? I am guessing from what you have just said that the answer would be no.

Chris Grayling: We think not. It is worth saying that Gatwick as the principal non-Heathrow alternative has done a first-rate job in building more long-haul connections. They tend to be less frequent than the ones coming out of Heathrow, but in anything I say I do not want to downplay the achievements of Gatwick in, frankly, exceeding the expectations of the Airports Commission. We believe, and all the evidence is, that we will see faster take-up of long-haul connections of the kind that are strategically important to the UK and to UK business travellers through the expansion of a hub airport at Heathrow.

Q457 Chair: Based on the work you have done, what would stop Gatwick expanding its long-haul connectivity and setting up transfer capabilities as Heathrow has done?

Chris Grayling: It is the fact that around the world cities tend to have a single hub airport, although they may have more than one airport. The demand from international airlines for new routes is predominantly at Heathrow. Just look at the comparison of slot prices, for example. A pair of slots at Heathrow sells for tens of millions of pounds a time. At Gatwick, the price is lower. I do not want in anything I say to downplay Gatwick. Gatwick is doing a fantastic job for the country; it is an airport that is opening up new links and new opportunities, but what airlines, regional airports and regional business organisations around the country say is that the links they want are to Heathrow.

Lucy Chadwick: It is also worth bearing in mind the sort of market we operate in. The question we posed to the Airports Commission was whether the UK could maintain its status in the European market. There are other European hubs that anybody would be competing with. It tends to be large alliances that locate themselves in those. We are fortunate to have a number of those alliances at Heathrow. Were they to want to



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move, what is interesting is whether they would move to one of the other European hubs over and above moving within the UK. We have to understand that broader context, and certainly our modelling has tried to understand that broader competitive market, as did the Airports Commission's.

Q458 **Chair:** Have you done any specific modelling about how the London aviation market and airlines would respond if there were a second runway at Gatwick?

Lucy Chadwick: Do you mean a further runway over and above Heathrow's expansion?

Q459 **Chair:** No; as an alternative, if you went ahead with a second runway at Gatwick.

Lucy Chadwick: We have comparative analysis of an additional runway at Heathrow and an additional runway at Gatwick. I may be answering your question incorrectly, but all of that understands that network and what it establishes in terms of a mix of domestic, long-haul and short-haul flights and of connectivity. What is quite clear is that Heathrow's is far more extensive.

Q460 **Chair:** You believe that the northwest runway would provide the biggest boost to long-haul connectivity. The forecasts show that Heathrow would offer nine more daily long-haul routes than an expanded Gatwick and one more than the extended northern runway option, and virtually the same number of routes overall. Do you think that equates to the "substantial advantage" advertised in the NPS?

Chris Grayling: Of course, the market will decide at the time which routes are going to be the most economically desirable, and where the opportunities are. Our expectation has been that Heathrow will exceed the number of long-haul routes that Gatwick could offer to places of strategic importance to the United Kingdom. Sometimes that is greater intensity of use of existing routes. I expect us to see, for example, more intensity on routes to China in the future. We are seeing growth in long haul at both, but it is quite clear that there is uncapped potential at Heathrow, given the number of airlines that want to go there and are very clear about wanting to go there. I talk to airlines quite regularly. Heathrow is the one they are always seeking to get to.

Caroline Low: It is important to look at the number of additional flights as well as the number of additional destinations. The nine you quote are in 2050. If you come back to 2040, it is 13 additional destinations because it starts to shrink again as Heathrow fills up. In 2040, there are 113,000 additional flights at UK level if you build at Heathrow versus 15,000 at Gatwick. Connectivity is very importantly about frequency as well as number of destinations, and at a UK level you get many more flights, as well as destinations, if you build at Heathrow.

Q461 **Chair:** But when we had Heathrow in front of us on Monday one of the



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issues they raised was not so much the quantity of connections as their quality. Is there any evidence that the new long-haul destinations from an expanded Heathrow would be to Chinese cities, as you suggest, rather than tourist destinations, as Heathrow suggested? Is there any evidence that backs that up?

Lucy Chadwick: You can see some of the evidence in terms of what Heathrow attracts today. You can say that it is at capacity, but in terms of choice, people putting on long-haul routes will want to go to the kind of airport where there are higher volumes of that hubbing kind of capacity. That is what the model, and all our analysis, demonstrates, whether you look at it domestically or internationally. By comparison, at Gatwick, it was more likely to be short haul that would take it up and pick up. The frequency of the flights provides the economic advantage. Whether you are trying to operate either a just-in-time supply chain or sending people out, you want to be confident that they can return at any point and you can get your goods out at any point, so frequency is critical in providing strength and depth.

Chris Grayling: I suspect we will come back to this in different ways, but one other point well worth making now is that what also makes the economics of Heathrow attractive is that it is the UK's No. 1 freight port by value. What comes in in the bellyhold of a long-haul aircraft from key strategic locations around the world is a significant part of the economics of the airlines that come into Heathrow. Freight is a real differentiator. It is not properly quantified in all the analyses because it is difficult to do so, but projections of the potential freight impacts at Heathrow are a multiple greater than at Gatwick.

Q462 **Chair:** One of the other parts of the analysis that we found counterintuitive is that it assumes Gatwick will lose long-haul routes with an extra runway. It seems counterintuitive that if you provide a second runway you will have less long-haul connectivity. What was the basis for the Department's reaching that conclusion?

Lucy Chadwick: Some of this is about the concentration of long haul at Heathrow. If it becomes so scarce and important, that is where it concentrates.

Caroline Low: The modelling we do does not decide what the routes are; it looks at who wants to travel and their generalised cost of travel and allocates them to the right airport. It does not take account of what airlines might do on the ground to try to promote different routes, but, as Lucy said, we found some of those long-haul routes, if you had a second runway at Gatwick, concentrating back at Heathrow.

Q463 **Chair:** The assumption is that, if there were a second runway at Gatwick, long-haul routes would move to Heathrow rather than use the extra capacity that would be made available.

Caroline Low: That is what the modelling showed; it was how people would pay to continue to use scarce capacity at Heathrow and, therefore,



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what kinds of flights and passengers would be going to Heathrow as opposed to Gatwick.

Lucy Chadwick: It crowds out domestic and some of the other short haul; it gets denser and more intensive in terms of the routes it operates. The number of additional long-haul routes that open up is smaller on that model, because it concentrates into the highest value, where London and the south-east as dominant origin and destination are served, rather than necessarily the whole of the UK. It crowds it out. It sounds counterintuitive, but, when you think about it a little longer, it becomes increasingly more sensible. What happens is that short haul and anything that can operate as point to point shifts to Gatwick if it can, because the price and scarcity value at Heathrow continues to increase. As the Secretary of State explained, we are already seeing slots trading at 60 million or 70 million. That will only continue to increase.

Q464 **Chair:** Why has the northwest runway scheme been endorsed based on the connectivity benefits to business passengers, when under all the expansion scenarios, including no expansion, demand for business travel is virtually the same? I think it is around 93 million passengers per annum.

Caroline Low: The demand for business travel is what the demand is. What the economic analysis does is understand what the benefits to business travellers of the different options are. With Heathrow, you get greater benefits through greater frequency, shorter journey times for people to get to Heathrow and then on to their destinations, and reduced delay. You are absolutely right. The number of people travelling is not dissimilar, because in any scenario business passengers will pay to travel, but the benefits to them of Heathrow are much greater than at Gatwick. The linked point is that benefits to freight—packages as opposed to people—are much greater if you build at Heathrow.

Q465 **Chair:** Obviously, one of the problems at Heathrow at the moment is that, because it is so capacity constrained, there are resilience issues and delays. When you made that statement, was it putting a value on easing that through extra capacity?

Caroline Low: The benefits we monetise are reduced delays, increased frequency and reduced fares, because creating new capacity increases the opportunity for competition between airlines, which drives down fares for the end passenger, business or leisure.

Chris Grayling: If you look at the practical reality, at any airport the majority of passengers leaving are there for personal reasons. If a 747 is going to the far east or across the Atlantic, the majority of people sitting at the back of the plane tend to be leisure travellers. The people sitting nearer the front of the plane, the business travellers, are not only a pretty important part of the revenues of the aircraft; they are the people who are taking advantage of the strategic connections that we have. It is about making sure that those people have the opportunity to get to



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different markets, and that there is enough of a plane full to justify going to a city in China or India, for example, to make the route economically viable. The combination of leisure travellers, business travellers and freight, assembled through a number of different feeder routes, is what makes that route economically viable.

Q466 Chair: It makes complete sense that you would be serving new destinations as a result of pulling together those people, but, if you were serving new destinations, wouldn't you anticipate an increase in business travellers? I appreciate that not everyone who is travelling to those new destinations will be doing so for business. As you said, there will be a mixture of leisure, people visiting relatives and business passengers, but wouldn't you expect there to be an overall increase in business travel?

Chris Grayling: It is worth saying that the modelling is quite conservative in many places. It is probably better that way round than the other way round, but I share your intuition on this.

Lucy Chadwick: In terms of some of the wider economic benefits we considered, you heard from Heathrow earlier this week. As the Secretary of State described, some of the people towards the back of the plane are bringing their tourist pounds into the UK as much as coming to do a variety of activity, so both ways there are potential economic benefits, some of which we have not been able to model totally. While you can see the business traveller in there, we try to do a proxy around freight and other benefits, but there are some genuinely wider economic benefits that are much disputed and debated in the analysis of the Airports Commission and Heathrow. The consensus is that there is more of that through the kind of connectivity that Heathrow offers than there is through Gatwick.

Chris Grayling: As we go through this, you will see that the whole process was, "Let's ask the Airports Commission to make a recommendation to us based on extensive evidence." We based a lot of the work we put into this on the methodology of the Airports Commission. In some cases, we have upgraded and improved it because there has been good reason for doing so, but in some cases we accepted the Airports Commission approach, even though one could make a stronger case than they did for a particular situation.

Q467 Chair: That is quite an important question, because our scrutiny is of the NPS itself. I wonder whether you think that on the business travel issue either the benefits are overstated or perhaps you have not made the case clearly enough in the NPS about the way the benefits to business travellers accrue.

Chris Grayling: That may be a fair point, but I would rather we took a conservative approach to make the case than an over-optimistic one, and I think we plan to do that.



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Caroline Low: I think so. Some of these things cannot be monetised, so they are set out in a narrative in the NPS, but the connectivity benefits of plugging UK businesses into those global supply chains are huge; they are just not ones we feel able to put a number on.

Q468 **Chair:** Ms Low, earlier you talked about having fewer delays. Have those been monetised and incorporated in the economic case?

Caroline Low: Yes. They are incorporated in the economic analysis.

Q469 **Chair:** The northwest runway is estimated to generate an additional 16 million international transfer passengers per year. What benefit will those passengers, who may get off the plane but do not set foot in the UK and spend money in the UK, bring to the UK economy?

Chris Grayling: They are the people who make a lot of these routes possible. If you are launching a new route from London to a city of 20 million people in China, which may not be one of China's biggest locations, being able to assemble the market for the flight through transfer passengers from within and outside the UK makes that flight economically viable. That is the key benefit of a hub airport. If you think of the strategic connections we need around the world, by definition the ability of the hub airport to assemble a market makes it possible to serve that market.

Q470 **Chair:** I am talking only about international transfer passengers.

Chris Grayling: Indeed. If somebody wants to go to a second-tier city in China, of 10 million or 20 million people, and there is a flight from London, they may fly from Paris to London to China, in the same way as they fly from Newcastle to Schiphol to South Korea, or whatever. The role of the hub airport is to assemble the market, in order to serve the market it is trying to get to.

Lucy Chadwick: It is a larger plane with a larger bellyhold, so, in terms of what you can move around, there are freight benefits that sit alongside.

Q471 **Chair:** Why are the benefits of international transfer passengers not reflected in the connectivity numbers? Wouldn't you expect the increased connectivity to be higher if those 16 million international transfer passengers are there?

Caroline Low: It goes back to the number of additional flights as well as the number of additional destinations, because what those transfer passengers are giving you, as well as new destinations, is greater frequency. It is incredibly important to business and to freight to have frequency as well as reach of destination.

Q472 **Chair:** Is there any evidence that specifically shows where that extra frequency is going? If it was into more flights to New York, you might think, "Aren't we already well served to places like New York, Frankfurt and Schiphol?"



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Caroline Low: Our modelling puts the flights where the demand is, rather than picking the flights and then seeing what happens. It comes the other way round. Of course, over the period to 2050 life will change; markets that we are serving will change. A new runway gives us scope to take advantage of that, and the ability for airlines to flex and respond to the market and the demands it is making, rather than being constrained, as they are at the moment, and therefore operating only the most profitable routes.

Chris Grayling: As you can imagine, if we conclude a free trade deal with the United States, there will be an increase in transatlantic activity and more demand for flights. There will be emerging markets in the far east and greater frequency to Beijing, Hong Kong, Tokyo or Seoul. That is where you can see the market developing as business ties strengthen.

Q473 **Chair:** Against a scenario of no expansion, the forecasts indicate that a northwest runway scheme would result in a net increase of 10 million terminating passengers per annum in 2050, but almost all of that growth is accounted for by leisure passengers. Is it right that Heathrow is being expanded primarily for the benefit of leisure passengers, most of whom will be outbound tourists spending their money overseas?

Chris Grayling: And inbound. Interestingly, Heathrow is an airport that does much better on inbound passengers than most others. The majority of tourist traffic at other UK airports tends to be outbound; Heathrow has a decent flow of people inbound. The point is that the numbers on a plane will inevitably be such that 70% or 80% of passengers going in and out of Heathrow are probably doing so for leisure reasons; it is the 20% to 30% who are taking advantage of the strategic connections for business. It will always be the case at every single airport and on every single plane; you will not find very many that have anything like a majority of business travellers. They are a part of the market, but they are a really important part and they need better connectivity around the world.

Q474 **Chair:** In your analysis, have you done any sensitivity modelling of what different market splits or scenarios might be?

Caroline Low: We have set out the different types of passengers. That is all set out in the analysis. I am not sure I fully understand the question.

Q475 **Chair:** I am looking at how that new capacity might be used, and which market segments it serves.

Lucy Chadwick: The Airports Commission took a range of different scenarios in terms of what could happen broadly in the global economy, as much as the European economy, and what it could imply. There was consensus around the central case. That was discussed with the International Transport Forum in terms of what we could most expect. We have tended to centre our ongoing analysis and its updating on that.

The Airports Commission looked at a range of possible futures. I think it looked at five different scenarios. In which of these was Heathrow or



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Gatwick the more predominant in terms of servicing? It was clear that on more occasions Heathrow was the right answer. That was a compelling part of why it made its recommendation to Government, and it is certainly in the back of our minds as we consider what we are doing. We have done further sensitivities, but not of the kind you are describing about what the future economy will look like. We have relied on the Airports Commission analysis for that.

Q476 Chair: One of the things that is quite hard to understand is why, when there are more flights going out of Heathrow and more frequent flights to important business destinations, business travel is going down at Heathrow.

Lucy Chadwick: That is based on current GDP forecasts, which project much of that. If you look at the link with particular business travel, it pretty much tracks where we are as an economy. Were that to change, that relationship would alter, but we have seen a steady increase. You can see it growing, but there are other factors and features in terms of inward investment, one of which is the freight benefits, that you do not see in business travel, but which are just as important to the wider economic and strategic case we are making.

Caroline Low: To go back to the Secretary of State's point, in our modelling, we look at demand and allocate it to airports. What we do not do, because we model in a conservative way, is take account of how an upgraded Heathrow might encourage and generate more travel and business. Of course, in parallel to our base assumption, particularly in a post-Brexit world, we expect businesses and airlines to capitalise on that facility.

Q477 Chair: I think it is about the quality of the evidence that demonstrates that, because a lot of people will face changes to the environment and noise; some will lose their homes. It is about being confident that that is a price worth paying.

Chris Grayling: That is why taking a very cautious approach and still demonstrating significant economic benefits is the right way to deal with it.

Lucy Chadwick: I go back to the scenarios that the Airports Commission looked at. Heathrow was dominantly the right answer. There was only one scenario where Gatwick got close, and, indeed, it actually exceeded it. I think it did that scenario analysis and we should feel confident that that is the kind of testing that has gone on through the analysis, which means we can have a degree of confidence in the central case we are looking at.

Caroline Low: It may be worth going back to some of the analysis the commission did on the need for a runway at all, because in some ways your question goes to whether we should be providing that capacity rather than where it should be. It did an analysis to show the impact on



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the economy of not expanding, which I think was around a £30 billion disbenefit. Therefore, those numbers are worth looking at in the context of why we should do this, even if business passengers in our analysis are not taking off the way you might expect.

Chair: We want to look at some of the issues around domestic connectivity.

Q478 **Steve Double:** A significant amount of support for Heathrow has come from the expectation that it will create great opportunities for domestic connectivity. How many new domestic routes will an expanded Heathrow offer?

Chris Grayling: It is difficult to give you an exact answer on routes, because that is to a significant degree dictated by the market. Clearly, there are some routes that are supported by the public purse because they are of strategic importance. Let me focus here on slot allocation rather than route numbers.

Our view is that we would expect to reserve up to about 15% of slots on the new runway for domestic connections. They are a really essential part of the case for this. I have been very clear that there has to be capacity that is available only for domestic connections, and that that capacity has to be spread across the day; it cannot be loads of slots at 11 o'clock at night. We will make provision, through the process of the NPS and the DCO process that follows it, to ensure that there is specific reserved capacity for regional connections within the United Kingdom.

Beyond that, it is for the market to decide which routes to pursue, subject to the fact that we will continue, as we do today, to support some routes that are of strategic importance to the country. I suspect, however, that a good connection from Newquay to Heathrow will not need much support from the public purse.

Q479 **Steve Double:** Let's hope not. You have alluded to the fact that some of these new routes are not likely to be commercially viable, so you see very much a role for the Government with PSO supporting those routes.

Chris Grayling: I think there will be. Heathrow itself has identified a number of airports to which it expects to have connections. I expect that most, if not all, of those will be commercially viable. The fact is that the demand for air travel has grown significantly. There is a need for better connections around the UK. People are flying to Amsterdam rather than being able to transfer within the United Kingdom.

I am not pessimistic about this at all. I think we will see a rapid move into domestic connections and more competition as well. At the moment, the slots are concentrated very much in a small number of carriers. There are substantial UK carriers—for example, easyJet—that currently do not go into Heathrow but would be very likely to do so, and, when doing so, would open new regional connections themselves.



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I see a competition benefit and, as a result, a fall in fares into Heathrow from regional airports, and I see a wide spread of routes emerging as a result of this. Obviously, we would consider support for a destination that was strategically important, but I do not think this will be an issue. The demand to get into Heathrow is enormous.

Q480 Steve Double: Moving on to the economic case, the Airports Commission has always shown that there is very little separating the three schemes on an economic basis. That is still the case with the updated appraisal work by the Department. Is it accurate for the NPS to say that the northwest runway scheme will offer the greatest net benefit to the UK?

Chris Grayling: We believe that is correct. As I have said before, this is a difficult decision. The Gatwick proposal is a very good one. I have to say that the extended runway proposal is a very innovative one. At the end of the day, as I have said before, I think the biggest issue for us was that the promoters of that scheme could not secure from Heathrow a written guarantee that if we picked it they would do it. That seemed to be a fairly fundamental problem for us. There were a number of other issues related to it; that was not the only one, but there was no guarantee that that would be something the owners of Heathrow would be willing to pursue. No guarantee could be secured on that front.

The Gatwick proposal is very good; the Gatwick success story at the moment is very good. Gatwick is doing a great job for the United Kingdom. It was not an easy decision. The summer before last I spent time with all three projects looking quite carefully at the strengths and weaknesses. A couple of things about the situation between Gatwick and Heathrow necessarily come out in the economic statistics that I think are very important.

The first is that the assumptions around Gatwick and economic benefits assume no respite. Gatwick itself is saying there would be respite, but the modelling is working on the assumption of full mixed mode use of both runways. Clearly, that would be a very significant issue for the surrounding communities. Gatwick has itself said that it would want respite. That would affect the economic case, and it was not something the Airports Commission took into account.

The other point is freight. Gatwick is a fantastic passenger airport, but it really does not have a freight infrastructure. There is nothing in the local plans for that area to provide for what would be a very substantial expansion of freight capacity in a rural area. There are issues about the transport connections to a major freight hub and about just the geography. Heathrow's location on the M25 and M4 means it is better located for freight connections into the United Kingdom, and that is one reason it has succeeded in the way it has.

For various reasons—Caroline can explain the statistical ones—freight is not factored into the economic benefit assessment of the airports. I think it is a pretty material factor. It is a £133 billion freight centre; it is our



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biggest freight port by value. The Government's view has been that this is not by any means the only factor but a significant factor in our decision making. Caroline, do you want to say a bit about methodologies?

Caroline Low: I think we went into this last time to an extent. We have set out in our updated appraisal report some numbers relating to freight benefits, which on one methodology are assessed at £130 billion at Heathrow versus about £50 billion at Gatwick. Because we do not do a lot of analysis of new runways—we have not had one for 50 years—our methodologies are just not so well tried and tested as they are for railway business cases. So, we have not felt comfortable putting those numbers in the economic case, but we have set them out to try to give a sense of the scale of difference that we think exists between Gatwick and Heathrow.

Chair: Before Steve continues with questions on the economic case, can we come back quickly to domestic connectivity? First, I think Grahame has a question to ask.

Q481 **Grahame Morris:** Domestic connectivity for regional airports is an important issue. You mentioned Newquay. It is very important for Newcastle too.

Chris Grayling: Absolutely.

Q482 **Grahame Morris:** Secretary of State, you mentioned the figure of 15% as the guarantees. Can I press you a little further about the nature of those guarantees? How long will they be in place? Given the nature of commercial pressures from other airports and the international aviation industry, how long can we expect those guarantees to remain in place?

Chris Grayling: This is a long-term commitment and is part of the rationale for the expansion of Heathrow. I want to see business taken through Heathrow rather than Schiphol, Frankfurt or Charles de Gaulle. I think we will benefit from greater domestic competition going into Heathrow. This is not something we envisage doing for an initial 12-month period; this is part of the long-term consents for the runway. I absolutely share your view about Newcastle. You will know that on the day we announced the Government's view that my first port of call was Newcastle, and the enthusiasm both at the airport and the local business community for greater connection to Heathrow is really strong.

Lucy Chadwick: This is an important and rare opportunity. We have not been able to have this debate given how capacity in the London and south-east aviation sector has been constrained. Through the aviation strategy we set out in the NPS an illustrative set of connectivity options that HAL itself has put forward. The Secretary of State has referred to financial support, in particular around PSOs. We want to use the aviation strategy to have a very serious discussion and consultation around how to use that opportunity. We have not had it before; we have tended to think about cities.



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I think that earlier in the week you heard Heathrow talking about whether this needed to be airport to airport to maximise the opportunity of linking into a hub rather than necessarily linking into what is London. We want to make sure we exploit those kinds of questions and issues but, as the Secretary of State says, preserving what is a set amount of capacity here for precisely those purposes and making sure it really works for the whole of the UK.

Q483 Chair: Does that fit with what the Secretary of State said a few moments ago about a proportion of slots being secure? Is there a cost issue in that? You also said that demand to get into Heathrow is enormous, and these are commercial decisions. How would you secure the slots?

Lucy Chadwick: We can secure these slots through a combination of PSOs as much as commercial commitments from the airport itself. Both of those mechanisms will enable us to do that.

Chair: Grahame, did you want to come back?

Q484 Grahame Morris: I hope it is related to the economic arguments that Steve mentioned. You mentioned expansion at Gatwick; you mentioned competition. Have the Government made any assessment of the need to introduce fiscal measures to manage demand for air travel and aviation growth? I am sure you are aware from Newcastle about the importance of variable airport duties, in terms of varying the rates, to provide a financial incentive. Have you given any thought to that?

Chris Grayling: This is a matter of which we are well aware and about which we have a number of representations from regional airports. Decisions about air passenger duty and how it operates sit within the Treasury. We regularly communicate to the Treasury the views that are put to us, but I am afraid the final decision sits within the budget process, so it is a matter for the Chancellor to decide what to do. However, the Government are not unaware of the competition issues, for example between Newcastle and Edinburgh, although I know that the Administration in Scotland have not yet done the things they said they were going to do.

Graham Stringer: That's a surprise.

Q485 Chair: Before Steve resumes his line of questioning, I want to ask about freight. If we look at the NPS, across the three different scenarios the overall level of long-haul connectivity is not massively different. If the connectivity benefits are not much different, would not the freight benefits be the same? Are you saying that freight would not use the extra connectivity and capacity created if there was an extra runway at Gatwick rather than Heathrow?

Chris Grayling: The point is that the infrastructure is not there to do it. The plans are not there for the infrastructure. There is no local plan that factors in a massive investment in freight facilities. If you look around Heathrow airport, there is a huge number of freight facilities and a huge



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amount of investment has taken place there already, with facilities that can take more capacity. Transplanting that or creating an alternative version at Gatwick simply does not exist in any of the plans.

We have not seen the evidence that a Gatwick option, taking account of geography as well, could deliver anything like the potential incremental growth in freight that expanding Heathrow would deliver, given the fact that it is arriving in the bellyhold of planes and going to local transfer facilities. Some of the big international operators have major facilities by Heathrow. We have not seen any evidence in the planning that that would happen. All the evidence we have seen is that on the analysis, as Caroline has said, the freight benefits at Heathrow are very substantially greater. I am not saying nothing would happen at Gatwick, but they are very much more substantial and important at Heathrow.

Q486 **Chair:** Have you done specific freight forecasts?

Caroline Low: No; we are not able to do that. What we have done is economic modelling that looks at the link between freight and increased seat capacity.

To return to your point about connectivity, the destinations are important, but the number of incremental seats and flights is significantly greater if you build at Heathrow as opposed to Gatwick. We see a strong connectivity benefit at Heathrow that has a knock-on impact on freight. People have shone a lot of light on the destination numbers, but the frequency is really important for freight.

Q487 **Steve Double:** I take you back to the earlier question about the economic case. In light of what you said about the Gatwick bid being very strong and it was a difficult decision, can you explain how the Government arrived at the conclusion when it made the statement that there are no true alternatives to the northwest runway scheme, particularly in light of the fact we are aware that that scheme also contains the greatest risks in being able to deliver it?

Chris Grayling: If you look across the mix, we believe that the Heathrow scheme delivers the greatest economic benefit. It is worth placing on record that the most recent analysis shows that in terms of lifetime benefit Gatwick can overtake Heathrow after the year 2070, although that does not take into account the freight benefits and any limitations on extended capacity at Gatwick coming from respite, so it is important to add those caveats. The economic benefits from expansion at Heathrow are much greater, much quicker, than they are for Gatwick.

I explained why we had taken the view on the extended northern runway scheme. It did not deliver as much capacity, and it also had the simple complication that we did not have certainty that we could do it because Heathrow would not sign up to it.

We formed the view that for a whole variety of strategic reasons—the creation of a stronger hub airport, the freight issue and the speed of



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economic benefits—this was the right scheme to do. What I am saying is that, effectively, this was not a 5-0 result. I think the Gatwick proposal was very good, but when we looked at all the pros and cons we came to a clear view that the Heathrow one was better.

Q488 Steve Double: You have talked about the speed of delivering the economic benefits. The report is based on capacity being reached on the new runway within two years, yet that does not actually match Heathrow's projections for when capacity will be reached. Can you explain how you based your projections on that assumption?

Lucy Chadwick: It is worth saying that the presumption was that just for modelling purposes both airports could achieve the level on day one, as opposed to presuming either had any phasing plans. That is just to do the economic analysis. Clearly, what you heard from Heathrow is that there is a degree of phasing, but it is quite accelerated. It is just making sure that we have like-by-like comparisons. That is quite important in this context.

Chris Grayling: We adopted the same approach as the Airports Commission. We have tried to make sure that this process is done as carefully as possible. Having established the Airports Commission, we used the analysis that they did; we used the approach they took. In some cases, we updated it where there was very good reason to do so, but typically we have not diverged from some of their core methodologies.

Caroline Low: What we have done is run sensitivities on some of the assumptions the Airports Commission made that, following further conversations with the airports, may not be the case. Set out in the updated appraisal report is a sensitivity showing a very conservative phasing, over 10 years, which takes only half a billion off the benefit. The Secretary of State was talking about the assumption of mixed mode on both runways at Gatwick. If you make some assumptions about needing periods of respite at Gatwick, that could take about £7 billion off the economic benefit. It is important to consider those sensitivities alongside the central case.

Q489 Steve Double: We have noticed that not all the appraisal documents have been updated to account for the revisions that have been made to the demand forecasts; for example, those to do with air quality modelling and the surface access assessment have not been changed. Why have you not updated the air quality modelling and surface access assessment?

Caroline Low: We have updated the air quality modelling for the latest demand forecasts. If there is some confusion, we can check with the Clerk.

Q490 Steve Double: I think we need to clarify that because we have been working on the basis that it has not been.



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Chris Grayling: It was one of the reasons why in the summer we held a second period of consultation; with the publication of the Government's air quality strategy and the updated forecasts, we needed to make sure that, where it was necessary to do so, we provided some updated information.

Q491 **Chair:** The analysis showed that 121,000 people were affected by worse air quality, and that number has not changed since the new demand forecasts were put into the appraisal. That does not sound as if the new demand forecasts have been incorporated; otherwise, you would have expected that number to change, wouldn't you?

Caroline Low: I would have to check what that number is and where it is set out. What we put out in the consultation was the level of NOx emissions compared with the 40 microgram limit value on the various link nodes that would be affected by expansion at Heathrow. We put out updated data for all of those link nodes. I would have to check the number of people affected statistically and where that sits in the analysis.

Q492 **Chair:** I think that is in the 2 km perimeter around the airport. It is based on 47,000 households; 121,000 people are affected by worse air quality.

Chris Grayling: Within that perimeter, the approach taken, based on independent expert advice, is that that is the actual footprint of additional emissions from the airport itself. There is a significant issue around air quality, because a number of the analyses that have been brought forward in the discussion generally wrap in issues that go way beyond the airport.

Q493 **Chair:** I do not really want to get into that.

Chris Grayling: But in this particular case that is an assessment of a geographic area around the airport that has not changed.

Q494 **Chair:** I am sure we will come back to questions about air quality, but you asked why we thought the updated forecasts had not been built in. It is because the number of people affected has not been updated. One would have expected that, if there were higher demand forecasts, it would impact on that number.

Caroline Low: That is the number of people who live in that geographic area, rather than the number of people travelling through, if I understand correctly what you are referring to, but it sounds as though we should check that we are talking about the same thing.

Q495 **Chair:** But you would expect more pollution and, therefore, that it would affect more people.

Chris Grayling: The expert advice is that the impact would go up to 2 km from the airport. That has not changed.

Q496 **Steve Double:** The same number of people would be affected.



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Chris Grayling: Yes.

Q497 **Steve Double:** But it may have a greater impact on those people.

Chris Grayling: Yes.

Lucy Chadwick: The further air quality analysis then goes on to show whether it does or does not through the dispersal techniques that the Secretary of State is referring to, but the physical number of people is a static number, if that is the number you are referring to.

Q498 **Chair:** I was not aware that it was a population of people, as opposed to a population of people affected.

Chris Grayling: That is right.

Q499 **Chair:** I have one follow-up in relation to Steve's questioning. Lucy, you talked about the way in which the modelling had assumed that the capacity would be filled within two years, and because the same modelling had been applied both to Heathrow northwest runway and Gatwick for the purposes of comparison, that did not matter, but for the purposes of the economic case, if you brought forward benefits that would not otherwise be realised until later, doesn't that distort your findings?

Lucy Chadwick: It is important to go back to Caroline's point about the sensitivities that we did on it. Both start from the same base, which is that you can bring on capacity. Then we have done sensitivities to make sure that we understand the variation around that. That provides us with a central case from which to do that, but it is a common central case, and probably the most extreme central case in that it is all there on day one, but we understand the sensitivities either way.

As Caroline described, even with very prolonged phasing, there is a very marginal difference in terms of the economic benefits. We have tried to do it in that way, as opposed to constructing different cases, and compare through that kind of mechanism. That is quite a typical way to compare and contrast transport schemes and other economic schemes.

Chris Grayling: But the phasing has relatively little impact. The thing that has a big impact is if you allow for mitigation for neighbouring communities. At the moment, there are periods of the day when respite is provided. You cannot operate two runways in mixed mode. You have fewer flights and, therefore, the economic benefits fall quite sharply.

Q500 **Huw Merriman:** To continue on the modelling point, which is relevant to the Chair's question rather than Steve's, the issue that I think has caused a number of us confusion in this Committee arose when one of the leads for the Airports Commission was before the Committee; it was about the economic case. Great store had been placed on the £147 billion figure in the report that referenced the benefits of Heathrow. That made Heathrow the high-risk but high-reward case, versus the £89 billion projected by



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the Airports Commission for Gatwick. Those figures really stood out as reasons why you selected Heathrow.

We then saw that the Department for Transport did not recognise that modelling and had the economic benefits pretty much equal between Gatwick and Heathrow. Was the decision to opt for Heathrow based on the Airports Commission report or with the overlay of the Department of Transport's own modelling that the economic position was largely neutral between the two?

Chris Grayling: The answer is that we kicked the tyres as hard as possible on this. We have looked at the evidence placed before us; we have studied the recommendations of the Airports Commission and we have asked ourselves hard questions. Can we genuinely justify all this? What are the things we are absolutely confident of? By kicking the tyres and taking a conservative approach, does the case still stack up? It did. That is the approach. Caroline can talk about the detailed methodologies, but that was the basic principle we adopted.

Caroline Low: It is worth being clear that the numbers you refer to were not included in the commission's economic case; it included them as supporting evidence in its strategic case.

Q501 **Huw Merriman:** It is on page 24 of its final report.

Caroline Low: It included them in its report; that's right. It referred to them to support its strategic case, but, if you look at what it set out as its economic case, it does not add those numbers to the economic benefits. When we looked at them, the AC had itself said that its expert panel recognised some uncertainty around this kind of modelling, which is innovative and needs to be treated with caution. We also looked at it and asked experts to look at it. We absolutely agree with the overall conclusion the modelling came to, which is that there would be wider GDP multiplier effects and freight benefits from building at Heathrow as opposed to Gatwick, but we did not feel comfortable using numbers from that kind of innovative model in our strategic case in the way the commission had.

Q502 **Huw Merriman:** The commission put a lot of emphasis on that number. It is on page 24 of its final report under the section "Competition and growth." Before it gets to the figure, it says that "providing new capacity at Heathrow would support trade and enhance productivity, strengthen business clusters and provide a stimulus to economic growth throughout the UK," and then it uses the figure.

Caroline Low: All of which we would agree with.

Q503 **Huw Merriman:** But you would not agree with the figure of £147 billion.

Chris Grayling: It may be right, but I would rather be cautious in the numbers we use, and that is really the approach we take. If this decision is brought before Parliament in the end and, following consultations, we decide to proceed as we initially recommended, we know that it is a



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controversial and challenging decision. Therefore, the right approach, if there is a doubt about something, is to try to take it out and see how we stand, and that was what we did with this.

Q504 Huw Merriman: I cannot help but think that, if the final report of the Airports Commission had said that Heathrow was high-risk equal value and Gatwick was low-risk equal value, many people would have looked at the decision in a slightly different manner. That is the difficulty I had. I find it odd that the Airports Commission would use figures and then expect the Department for Transport to make a selection and not use its own figures when it is almost giving that recommendation. It strikes me as a very odd way for the Airports Commission to have positioned its report.

Chris Grayling: It did the analysis it did; it made the recommendations it did. As Caroline said, it accepted that there was some debate about that particular overall statistic. I simply want us to be sure of our own ground, even without things that are probably there, but about which there is some debate.

Lucy Chadwick: We sought further expert advice on the quantum of difference rather than the number. Would there be greater benefit coming out of Heathrow? All our expert advice confirmed, but again would not put a number on, that there was going to be a difference in terms of the wider economic benefits, some of which we touched on earlier.

Q505 Huw Merriman: I am certainly not questioning the Department's approach. It is more a question of whether you felt comfortable that you had been given a recommendation from a report that had such a wide variation.

Lucy Chadwick: We did our own quality assurance across all the analysis provided to us by the Airports Commission, which meant that we could have confidence in the information we were taking account of. As to those numbers, we were not confident in that way, but we were confident that we could take into account the strategic arguments Caroline highlighted. We rightly went through them and made sure they were robust. We asked the Airports Commission to make sure they were robust, and I think the way in which it used them in its conclusions was fair and reasonable.

Chris Grayling: The approach we have taken all the way through is that we commissioned the work from the Airports Commission and it made a recommendation to us. Clearly, for us the key question is whether we accept that, or do we think there is a good reason for saying it got it wrong? We spent a lot of time looking at the individual projects and reworking numbers and validating everything. We reached the conclusion in our recommendation that it had reached the right view. In some cases, its methodologies were more bullish than ours because we deliberately tried to be conservative. There are things that did not appear in its



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analysis—for example, the value of freight—but we wanted to validate whether we were comfortable. Am I comfortable as Secretary of State that I have on my desk a recommendation I can stand by?

That was why I spent time with all the three proposals. I visited Gatwick; I visited Heathrow; I stood at the end of the runway where the expanded runway or the new runway at Gatwick would be; I looked at the areas around Heathrow; I talked to the promoters of all three schemes; and I looked at all the statistics. We did that, and the Prime Minister did the same with all the information. We reached the view that the Airports Commission had reached a recommendation that we could endorse.

Chair: Steve, did you have further questions on the economic case?

Steve Double: No.

Chair: Does anyone else want to ask any further questions on that part? No. Then, Graham, over to you to talk about the scheme costs and airport charges.

Q506 **Graham Stringer:** In my view, you have been over-optimistic about Gatwick and pessimistic about the Heathrow forecast. Is that on legal advice to defend yourselves at judicial review?

Chris Grayling: One thing we had to take into account was that there is constantly a legal risk as we go through, and you would want and expect us to take a slightly cautious approach in our assumptions. I do not want anybody to be able to say that we have been wildly optimistic or that we have got something wrong. We will do our best, and are indeed doing our best, to make sure that the arguments we finally bring before Parliament are as resilient and robust as possible, but we will also be completely transparent with this Committee and Parliament about the evidence on which we base it all. Yes, of course I want to make sure that we are as well protected as possible against legal challenge.

Q507 **Graham Stringer:** The only reason I say that is that the case for increased investment and freight at Heathrow is very powerful and strong and, given that this, beyond the courts, is going to be a significant debate, not least for people who live near Heathrow, there is an advantage in showing that there are much greater benefits than the Government's case at the present time. I just wanted to know if that was for legal reasons.

Chris Grayling: It is not specifically for legal reasons. It is a desire to make sure that the case we put forward is as well-founded as possible.

Q508 **Graham Stringer:** Going back a little, on the 15% that is going to be protected for domestic routes, for these purposes are Guernsey and Jersey domestic routes?

Chris Grayling: I would have said so, yes.



Q509 **Graham Stringer:** They regularly lobby to be connected.

Chris Grayling: We are not going to pick destinations. I do not think the Department for Transport can say there will be two flights a day to location A, but in terms of expecting them to be able to participate in that slot allocation, yes.

Q510 **Graham Stringer:** Previously, you pointed out that there were competitor airports in Europe, which is obvious, where major airlines may locate if they do not locate at Heathrow. In the context of this investment, are the biggest competitors to Heathrow Frankfurt, Charles de Gaulle, Schiphol, and so on, or is it the middle eastern hubs?

Chris Grayling: To some degree, it is both. There is no doubt that the middle eastern hubs are playing a bigger part in international aviation. They are competition to some extent, but by far the biggest competition comes primarily from Schiphol, Frankfurt and Charles de Gaulle and, to some degree, from Manchester, which, as we know, is a very good airport for the UK, so there is a bit of a competitor in the northern half of the country to Heathrow in the southern part. The real competition to Heathrow is from those three principal western European airports.

Lucy Chadwick: That is much more to do with geography and location, as regards some of the routes that we are talking about. The middle eastern hubs absolutely are included in the modelling: what could be drawn out and what was the route that would go to those as much as elsewhere? To some extent it is time zone, distance, journey, geography and being located close to a number of other hubs in Europe that are the prime competition, but they are not the sole competition. Far from it.

Q511 **Graham Stringer:** In the modelling you have done on the support for the continuation of a hub model, which is one of the strong parts of the case for Heathrow, what assumptions have you made about the kind of aircraft that will be using Heathrow? Have you made any distinction at all between A380s or Dreamliners? That affects whether there will be more point-to-point routes or more hub routes in the future.

Chris Grayling: I do not want to speak about the modelling, but I can say what I think is happening with the A380s. Caroline?

Caroline Low: I am not the right person, I am afraid, to answer questions at that level of detail about the model.

Q512 **Graham Stringer:** The Secretary of State thinks you are.

Lucy Chadwick: What our modelling takes account of in that context, and which we will come to around noise, are new technologies in terms of the turnover of the fleet. It is for the market to determine, typically airlines, what are the most effective planes to put on to run routes. Quite often, there will be smaller aircraft where there are newer routes. When they get to be thicker routes, they will be larger. Our modelling on seat volumes does not predict the precise mix of those, but it says that there



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is an opportunity for some of the larger ones to come through, to achieve the seat volumes that we are talking about with the ATMs.

There are some presumptions in the modelling. They are still reasonably conservative, but they certainly do not get to whether it should be an A380 or that type of thing. It presumes that there is continuing optimisation in larger aircraft, which is what we have seen at Heathrow to date, and that will happen again over time, with an expanded Heathrow.

Chris Grayling: I do not think that the Dreamliner and the A350 are turning into point-to-point aircraft; they are being used just as much by the hub and spoke operators. I was in the middle east recently trying to help secure an order for Rolls-Royce as part of a potential big order of A350s. The A380 is a fantastic aircraft, but none the less we have seen in the media issues around its future. The Dreamliner, the Boeing 777 and the A350 are where the hub operators are at the moment.

Q513 **Graham Stringer:** David Starkie, who was on the commission, has put forward a strong case for the runway to be a kilometre shorter than the 3.5 km that is currently in the plans. Heathrow, when they were here on Monday, disagreed with Starkie. Do you have a view?

Chris Grayling: My personal view is that, if we are going to build a new runway, let's build it properly so that it can take all aircraft. A much shorter runway will limit the extra capacity that we are putting in place, so my personal view is that I support, and indeed the Government have taken a view that we support, the 3.5 km runway. My view is that that is strategically the best thing for the United Kingdom.

Caroline Low: It is not just about ensuring maximum capacity by ensuring that all planes can land. It is also an important point for communities. If you have a new runway that is much shorter, all of your heavy planes have to land on the southern runway. In terms of providing respite and sharing out the noise, you have much less scope and flexibility than if you have three runways all of which can be used by any plane.

Q514 **Graham Stringer:** That is a very powerful point. The point Starkie makes is that you are paying a very high cost for 6% extra capacity. You still think that high cost is worth it.

Lucy Chadwick: For respite for local communities, that is an important cost to take.

Q515 **Graham Stringer:** Are you content that the £2.5 billion figure that Heathrow is currently consulting on is the right basis, and that they have taken sufficient out of the scheme to justify that reduced cost?

Chris Grayling: From day one in dealing with Heathrow and with the airlines, my approach is that I want this to be a value-for-money exercise. It is clearly private money, but I do not want a massive hike in landing charges as a result. Nor do I want passengers paying for this new



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runway years in advance. I have been very clear to Heathrow that I see no reason, given the fact that the capacity of the airport is effectively increasing by around 60%, for a material change to landing charges. We have given the CAA the powers and we will continue to make sure that the powers are there to ensure that the scheme is delivered in a way that does not hike up costs to passengers massively.

Q516 Graham Stringer: I do not think many people would disagree with the principle of that, but do you think it should be a condition of the third runway that landing charges are held more or less at their real costs now?

Chris Grayling: That is what we will be working to achieve. Effectively, we give the CAA the regulatory powers to ensure that we do not get inappropriate cost hikes. That is the real mechanism to do this. We have already given them the powers to do that. Those powers expire shortly and we are working on how we replace them, but I am very clear that we need a watchdog with teeth to ensure that this project does not end up leading to a big hike for passengers.

Q517 Graham Stringer: You do not think that should be part of the actual decision to go ahead with the runway, not just handing over control to the CAA, but saying that airlines, and eventually passengers, should not have to pay more to land at Heathrow in real terms.

Chris Grayling: It is quite hard to get into pricing structures in the national policy statement. There are other mechanisms to do that. There are a number of things that we want to put in place, which will come at the DCO stage rather than the NPS stage. It is about using the right tools, which we have, to achieve the goals, but you and I share absolutely the same goal in terms of cost.

Caroline Low: As we have discussed previously, it is important to go back to the fare that passengers are paying, of which the landing charge is only a small part. A great deal of the benefit of expansion will come through increased competition driving lower fares. The CAA's primary duty is to the consumer, and of course landing charges are an important part of that, but it is right not to constrain them, certainly at this early stage, before the scheme masterplan has been fixed. They have that duty; they need to look at landing charges, and at the benefits from expansion itself and how quickly it is delivered, to understand what the real benefits are for the consumer.

Q518 Graham Stringer: When do you think the final details on alterations, changes, to the M25, will be agreed?

Chris Grayling: Clearly, we have to get through the NPS process first and actually, if that is the recommendation, secure Parliament's consent to go ahead. Highways England is already working with Heathrow to look at the best options. We clearly have to make sure that the M25 carries on functioning normally; it cannot grind to a halt. It is working on detailed plans. The view of Highways England is that this is a challenging but



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deliverable project and it is working pretty hard on it at the moment. Exactly when it will reach different stages of the project, I could not tell you today, but that work is already happening.

Lucy Chadwick: Our expectation is that the DCO for the airport expansion will involve the M25 works, given that they are intrinsic to it, so there is a clear moment at which we will all understand it in great detail.

Q519 **Chair:** It is understandable that there is a little concern. It is such a big and complex project that we do not know at this stage what the costs of it will be, and therefore what the contribution might be from Heathrow.

Lucy Chadwick: The costs are included actually, and the NPS makes it very clear that those costs will be met by Heathrow. The NPS makes that absolutely clear.

Q520 **Chair:** It is just about how certain the costs are at this stage in the whole project development.

Lucy Chadwick: Heathrow and Highways England have been having those discussions. At this stage, given some of the design immaturity, you can imagine that there are quite large ranges of contingency on those numbers, but they have factored them into Heathrow's financeability; they have taken account of those, and exactly how that gets delivered is a matter for commercial agreement between Heathrow and Highways England. That is a risk the airport is taking in terms of the costs.

All the due diligence that we have done says that those costs look reasonable and appropriate. The landing charges and expectations around those, or airport charges, look reasonable and sensible in terms of their effects, so we feel confident about the potential consequences for the end passenger.

Q521 **Chair:** There is one area that I do not think Graham picked up, which is about some of the other developments additional to construction of the runway and terminal facilities, including relocation of existing buildings. One facility that has to be demolished is the Lakeside Energy and Waste Plant, and it has expressed some concern about what obligations there will be for the scheme proponents to support its relocation. Will the final NPS provide explicit support for relocation?

Chris Grayling: It is a valuable facility. It is not a facility that is deemed to be strategically important for the United Kingdom, so it will not be part of the NPS. The airport and the owners of that site are already in detailed discussions about what will happen to it, and how they can re-provision it. It is something that is really down to them, but they are well down the road. I have been concerned all the way through to make sure that that process is happening, and indeed I have been reassured only recently, having checked up again, that it is taking place at the moment.



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Q522 Luke Pollard: The 89-page draft national policy statement only has one sentence on costs. Knowing how frequently large infrastructure projects go over budget, do you think only one sentence is sufficient? If it does go over budget, what is the plan?

Chris Grayling: The answer to that is that we have a two-stage process: the NPS and the DCO. The NPS is basically giving it outline planning consent; it is Parliament deciding that in principle we are happy that there should be a third runway at Heathrow airport. The DCO process is the one that does the detailed design work, the specifications and some of the conditions we would write in around development. You will see much more of the project's scope at the DCO stage.

I have been very clear about what I expect on the cost front. The tools we use on the costs are not actually within the NPS. It is to do with the powers that we grant the CAA to watchdog the project to make sure that it does not get out of hand. It is not that it is not a concern; it is simply that the NPS is not the vehicle through which that concern is expressed.

Q523 Luke Pollard: A lot of people have expressed concern to us that there is not enough mention about what happens in relation to costs—will they be carried by airlines, passengers or Heathrow?—because there is an awful lot of uncertainty over some very large items within the build cost.

Lucy Chadwick: There are a number of other areas in which there is mention of costs, to go back to the discussion we were having about the M25. There are paragraphs in the draft NPS that make quite clear that those and the A4 and the A3044 are costs, in local diversionary routes, for Heathrow. It does not stipulate the numbers against those—what it says those are. It also talks about the need for Heathrow to make its contribution to wider surface access schemes, and we comment on some in terms particularly of WRAtH—western rail access. Apologies for the acronym there.

I think there are other areas where we touch on the expectation we have as to the relationship around costs, but, as the Secretary of State said, we have an entire regulatory regime that works in the interests of the passengers to be focused on driving those down, and the NPS does not need to be the vehicle through which to do that. Indeed, discussions that we have had with airlines and others agree that the regulatory regime is a very important tool in all of this in terms of being able to do that.

Q524 Luke Pollard: For those people who do not know the DCO process, reassurance around the costs will be dealt with later. It will be useful in that document.

Chris Grayling: We can do that.

Q525 Luke Pollard: I have a final quick question. I know that contestability is a big area that you are looking at in terms of rail. Why is contestability of delivery not something that you have looked at in relation to delivery of this additional runway?



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Chris Grayling: There are some people who have argued that we could somehow split Heathrow in half and build a runway, with somebody separately building a runway. I am highly cautious that that is a realistic prospect. We never rule out any option and we have to get through the process of securing a wide range of agreements on this, but Heathrow airport is already an operational airport under one management, and we want this to happen in a timely, affordable, deliverable and, ultimately, workable way. We would not naturally think that splitting this airport in half and having competition within the airport is the right way of doing things, having one runway owned by one organisation and another by another one. I am not convinced that that would be the right way forward.

Q526 **Chair:** Touching on the issue that Luke raised around costs, I understand what you have said about the CAA's potential regulatory watchdog role, but are there going to be specific incentives to make sure that Heathrow manages its costs, and, if so, what might those be?

Chris Grayling: The incentive is that, effectively, the CAA as the regulator can set the amount that can be charged in landing charges, and, if it thinks the airport is pushing its luck, it can set a regulatory level for landing charges that keeps the project within bounds. So, it has real teeth in order to ensure that this is a value-for-money project.

Lucy Chadwick: As do the airlines. Caroline knows even more—

Q527 **Chair:** The airlines are extremely concerned about it, as I am sure you know.

Lucy Chadwick: They are right to be at this stage. It is early in the project lifecycle. There is an awful lot of detail to work through. Heathrow has been actively engaging with the airlines to work that through. Some of the work has already been achieved in Heathrow reducing the amount of spend, partially through that process. It is a matter for Heathrow in its discussions with the airlines as to whether even more can be found, and I am sure that is an ongoing conversation that it will have. The regulatory regime gives both rights of appeal in this, in determining how to do this. We would like not to find that in this case. There are commercial ways in which it could agree to do this, but working together is the critical and important thing here. As the Secretary of State says, timely delivery of something that has been long awaited for the UK is really important and we should not undervalue it in all of this as well.

Q528 **Chair:** Potentially, if it does not keep its costs down, it will not be able to recoup them through the level of landing charges it is going to be able to charge. Is that what you are saying?

Chris Grayling: That is absolutely right, yes.

Chair: Scheme delivery and legal risks is obviously one of the areas we want to touch on, and I will pass over to Huw for this bit.



Q529 **Huw Merriman:** Thank you, Chair. The evidence suggests that we are likely to see some judicial hurdles for the Heathrow scheme to overcome. When do you anticipate those challenges could occur, and how confident are you in the evidence base stacking up to withstand them?

Chris Grayling: The provision in the 2008 Act requires any judicial review of the decision to be taken in the short period after the designation of the NPS. It may be that someone comes forward to challenge that. My view is that we have now a very exhaustive process. It is set out in primary legislation. It requires public consultation, scrutiny by this Committee and a vote in Parliament. I would hope that that would be seen as a sufficiently robust process to allow our Parliament to take a decision that it believes is in the interests of the nation. That does not mean that this will not end up in court, and we have worked exhaustively to try to cover all bases to make sure that we have provided all the evidence, that we have considered all the different factors in this and consulted where we need to consult. We can do no more than that, but I feel confident as we go into this process that we do so on a strong base.

Q530 **Huw Merriman:** Have lessons been learned from the length of time it took terminal 5 to be delivered in the face of these types of challenges, and I suppose to a certain extent we now may have learned something from HS2, which has been, so far, perhaps, a smoother process?

Chris Grayling: I think we are better at this now. I do not often pay tribute to the last Labour Government, but I think the 2008 Act was a positive step forward. We now have a pretty clear process. If we bring forward the recommendation that we provisionally made in 2016, and bring it before Parliament this summer and Parliament agrees with that recommendation, we will have effectively given outline planning permission to the third runway. It is then for Heathrow and the planning inspectorate to go through the fine detail of what is done, how it is done, and for us to lay some of the specific conditions in, but Parliament will have given its approval to the principle. That is what the 2008 Act provides for.

I would hope that is a sufficient basis for our country to move forward with this project, given the scale of consultation, the scale of debate and the scale of analysis. If Parliament and Government reach the view that this is the right thing to do, we will have, I think, a better process than existed in the days of that 10-year public inquiry.

Q531 **Huw Merriman:** Do you see any mileage or concern in any objection on the basis that the Government should not be specifying where the airport is delivered, just the parameters that any expansion should meet—that is, why shouldn't Gatwick be able to expand as well as Heathrow as long as they meet the general airspace, air quality and surface transport requirements?

Chris Grayling: This is something we are looking at as part of the review of aviation policy going forward, and, if these issues arise in future,



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whether they should be a local planning decision or not. However, I think that there are some projects—and the expansion of airport capacity in the south-east is one, in my view—that are of sufficient national importance that they do fit within the NPS process set out in the 2008 Act. This is the right way of doing this. If somebody were to come back with a proposal to expand another airport elsewhere, there is a case, and it is something we are considering as part of a policy review for the future, for saying that should be a matter for local decision making, subject to it being able to hit any national rules that are there.

Q532 Huw Merriman: I want to touch on the airspace review that is due to take place. It has not taken place for some decades now. How concerned are you with the ability to deliver the airspace review in time for Heathrow to open up in 2026?

Chris Grayling: I am very confident. The airspace review is as much about how we use technology within airspace as about the airspace itself. That can be a real benefit to the Heathrow expansion, if that is what everyone decides to go ahead with. It becomes possible to manage the flow of aircraft into UK airspace better and possible to manage the way in which planes approach an airport better. It is easier to manage descent. It is easier to move stacking away from built-up areas. It is easier to provide more precise respite. I think the use of technology in aircraft rather than this 50-year-old system of beacons is going to give us an opportunity to make the aviation sector friendlier than it would otherwise be. Is there anything you want to add?

Lucy Chadwick: No. That is spot on.

Q533 Huw Merriman: In order to get that delivered in eight years, do you see that the Government are going to be quite hands-on in delivering the airspace changes, or do you feel that the agencies responsible will be able to drive it through?

Chris Grayling: We will certainly push it, but it is really going to be for the CAA and NATS to deliver it, and I am confident that they will.

Q534 Chair: That is a very optimistic view of how people on the ground might regard some of those decisions, is it not?

Chris Grayling: We will have several years. I would hope—

Lucy Chadwick: The Secretary of State has asked NATS to bring forward some feasibility work, which it is going to be sharing with us in May. We completely understand the Government's strategic role in this; and the airspace consultation giving the Secretary of State call-in rights and powers, and that democratic accountability, has been really important. You are asking a different question, which is how long it takes to do it and implement it. We think with the appropriate consultations that it is possible and doable. NATS has the technical skills and capability to do the technology side of this.



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There is time to work through what are the necessary consultations, and there will be a lot, particularly around Heathrow and in other parts of the country, in terms of seizing the opportunity that the Secretary of State describes with regard to airspace modernisation. What we hear when we talk to the NATS chief executive and the CAA's CEO is that this is challenging but doable, and it is an important opportunity that we need to seize.

Q535 Chair: I certainly recognise the technological changes and the way in which that enables things to happen, but, ultimately, you are having to make choices about who is affected—who is going to be overflowed. These are hugely contentious and have proved very difficult issues in the past, have they not?

Chris Grayling: They are very difficult issues. One of the things that makes our life easier in this is that the transformation of aviation technology is happening around us. The new generation of planes now leaving the factories of Boeing and Airbus particularly, but also Bombardier and Embraer, are much quieter than their predecessors, and that makes a huge difference. They are also less greedy on fuel than their predecessors. That helps with the environmental issues.

I think there is a technological change taking place in aviation that is going to make this easier. It is never easy. You are right that any airport and any flightpath has an impact on people, but, if you look at things like noise levels, the challenge posed by airport expansion and noise is much less than it would have been with the previous generation of aircraft.

Chair: Sure. We are going to come back to noise in a few moments, but we are going to look first at air quality and I am going to hand over to Daniel to lead on this section.

Q536 Daniel Zeichner: We touched on air quality earlier. We probably all agree that the science of assessing air quality is complicated and difficult; also, the interest is clear, and it has risen up the political agenda in the last few years. When we go back to the most recent assessment—the figure of 121,000 people within that 2 km perimeter that was touched on a while ago—why was it such a narrow area that was put into the assessment?

Chris Grayling: That is the area that our expert advisers say to us is the area where direct emissions from the airport itself would fall. The dispersal of NOx emissions, for example, would mean that the impacts beyond that area would be non-existent or minimal. That is the area that is directly affected by the airport itself.

Beyond that, of course, you end up with the debate about what is the generator of the air quality issue, and I have heard any number of different scenarios here. If there was a traffic jam in the centre of Hillingdon, is that linked to the airport as it generates emissions? The truth is that we have to be very careful to avoid tarring the airport with a



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problem that exists in all big cities at the moment. The airport is not responsible for the vast amounts of the emissions challenge in west London.

That said, we have to be sure that the projections for the impact of the airport keep within appropriate standards. We have been very clear in saying that this runway will not open unless the airport can demonstrate that is the case, and indeed it is my view—and I have expressed the view to the airport—that I think they should make preparations to have a low emission zone at and around the airport to be certain that they can look people in the eye and say, “We are doing our bit for this.” But I do not want the broader problem that London faces, which is being addressed by the Mayor through his toxicity charge, lumped entirely on the airport, because that is just not the case.

Q537 Daniel Zeichner: It is not about lumping entirely on the airport, is it? We will come to surface access challenges in a moment. Do you really think drawing the perimeter so narrowly fully represents the air quality issues that are introduced by this project?

Caroline Low: To be clear, that is not what we have done. We have modelled the incremental traffic generated by Heathrow on all nodes across London and modelled the incremental air quality NO₂ emissions related to that traffic, looked at those in the context of the overall plan and the ability to still meet the legal limit. That has set out the underlying NOx emissions and the incremental emissions across London as a result of the airport set out in our air quality report against the legal limits showing that they can be met.

We have done the 2 km modelling, as you say, which is around emissions on the airfield. The Secretary of State and our experts say that 2 km is the right distance to be sure that those concentrations have dispersed to the point where they are no longer having an impact on human health. We have also looked at the road traffic emissions across London.

Q538 Daniel Zeichner: I understand that, but also that most recent evidence, particularly in those years between 2026 and 2030, suggests that there is a high risk of breaching air quality compliance at that point, and yet the NPS states that it is capable of taking place within legal limits. Given all the issues that have been raised in the last couple of years, how can you be so confident that there are not going to be strong legal challenges on air quality compliance?

Chris Grayling: That does not reflect mitigation measures. The do-nothing scenario is that it comes pretty close. With mitigation measures—and we are going to see mitigation measures across our society because this is a problem that we are all going to have to deal with generally before we get to that point—I expressed the view that Heathrow itself will have to take individual steps, of which the most obvious is to create a low emission zone for those coming into and out of the airport. If you drive a high emission vehicle into the airport, you pay



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to do so, and in doing so you have the effect that other low emission zones such as the Mayor's T-charge are designed to achieve. Mitigation measures are not taken into account in that analysis. As we have said, clearly, if it is going to breach the limits, it can't happen. If it is going to breach the limits, there will have to be mitigation measures.

Q539 **Chair:** I am sorry to jump in. Wasn't the modelling reassessed after the air quality plan was done so that it did take account of mitigations? It is just a matter of factual accuracy that I am trying to check.

Caroline Low: It takes account of the Mayor's plan, on which he has been consulting, but it does not take account of anything additional that the Mayor might do if it seems that we are in the top part of that range that you talk about, and it does not take account of anything the airport might do. So, the Secretary of State has said that the airport is consulting on a low emission zone. That would have a significant impact on the types of cars that are being triggered by airport expansion.

Q540 **Chair:** So there is a level of mitigation that has already been taken into account in the modelling.

Chris Grayling: We have taken it into account on the national air quality strategy in the second bout of modelling. What we have not taken into account is specific Heathrow-related mitigations.

Q541 **Daniel Zeichner:** In effect, the Mayor can be trying to improve air quality in general. He may be pushing water upstream, if we are not careful, because you will be making it more difficult for him.

Caroline Low: If you look at the analysis we have done, the increment related to Heathrow is very small.

Q542 **Daniel Zeichner:** What is your assessment of the risk that the development consent order will be refused on the grounds of air quality compliance?

Chris Grayling: We do not think that that will happen. We think that, for a variety of different reasons, the airport will be able to meet those targets, but, if it is required to do so, it will need to put in mitigation measures such as a low emission zone. My own view is that that is something that they should seek to do.

Q543 **Daniel Zeichner:** But it is a real risk, is it not?

Chris Grayling: Not if they put in place appropriate mitigation measures. If they do not and if they ignore the issue, yes, of course it is a risk. But they are not going to because they want the runway to happen.

Q544 **Daniel Zeichner:** The NPS has a condition saying that approval will only be granted if the scheme avoids significant adverse impacts on health and quality of life from noise. Should there not be an equivalent condition applied to air quality?



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Chris Grayling: There is. It has to meet what are nationally and internationally-set air quality limits. The airport will have to conform to the air quality laws.

Q545 **Daniel Zeichner:** Basically, what you are saying is that if these things are not achieved then it cannot go ahead.

Chris Grayling: Yes.

Q546 **Daniel Zeichner:** Which must introduce an element of risk and delay. That alters the economic projections, does it not?

Chris Grayling: Which is why they are consulting on it, and why I personally think they should have a low emission zone. The moment you have a low emission zone there, you reduce or eliminate high emission vehicles coming to the airport, and by definition you achieve a quantum change in the impact of the airport.

Q547 **Chair:** I want to come back to something you said, Caroline. You said that you had done work to model the road traffic impacts across London from airport expansion. Have you also included the population impacts and the health impacts of the extra emissions created by road traffic across London, not just within the 2 km perimeter?

Caroline Low: We have included the economic health impacts of additional NOx emissions, yes, across all the impacts of the scheme.

Q548 **Chair:** Across the whole of London and not just within that 2 km perimeter.

Caroline Low: As generated by Heathrow.

Chair: Okay; I just wanted to check that. We are going to look now at surface access.

Q549 **Luke Pollard:** I think I am developing a reputation for talking about trains.

Chris Grayling: You are.

Q550 **Luke Pollard:** We are talking about planes here but now I am going to ask questions about trains.

Chris Grayling: That is fine.

Q551 **Luke Pollard:** A lot of the witnesses that we have heard, both in terms of the panel discussions and the written evidence, have expressed concern about the lack of clarity around surface access, especially in a three-runway Heathrow. What schemes do you think Heathrow needs to have a three-runway world in operation in terms of surface access?

Chris Grayling: Let us go through these in order. Crossrail arrives next year. Parts of the initial analysis, particularly those done by TfL, assume four trains an hour, but we will allow for six trains an hour on Crossrail. HS2 will arrive at Old Oak Common at approximately the same time as



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the runway opens. TfL is planning modernisation of the Piccadilly line to expand its capacity in the same way that has happened on the Victoria line and Jubilee line. We are in the development process for western rail access at the moment. I expect western rail access to begin construction in CP6 and to conclude before the opening of the runway.

We are currently in initial discussion with would-be private promoters of southern access. Indeed, we intend to invite proposals for private investment in southern access to Heathrow in the next couple of months. I think that there is a genuine opportunity there to lever in private financial support for that particular investment.

We are making passive provision initially at Old Oak Common for a Chiltern station. That is something I will want to see happen in the 2020s. I think there is a strong case for it. As you will know, there is a line that goes from Old Oak Common and links into the Chiltern line, which provides potential connections up to Aylesbury, and, indeed, when East West Rail is fully open, beyond that up to Milton Keynes.

Frankly, I think that is a pretty good package of surface access. There will obviously be bus routes as well into the airport, but, with regard to rail access, that is going to make Heathrow pretty much second to none in terms of accessibility by rail.

Q552 Luke Pollard: I am a big fan of western rail access, as I am sure you will know from the questions I have asked you in the past. That is the strongest commitment I think you have given on western rail access. Is it appropriate to put that commitment in the draft NPS?

Chris Grayling: The commitments are more likely to be in the DCO rather than the NPS, but we will be setting out plans for rail investment in the coming years anyway. The initial development work for western rail access is taking place now. It is something that we definitely intend to do. The airport is committed to contributing to it financially. We will almost certainly explore whether there is any additional private financing to help defray the cost for the taxpayer, but this is something that we strongly believe has to happen.

Q553 Luke Pollard: The evidence we heard from Transport for London suggests that the Piccadilly line upgrade, Crossrail and the HS2 link are necessary for the economic development of west London anyway, even without the additional capacity at Heathrow. That is where there is a particular concern that it seems as if the expanded Heathrow is going to add additional congestion, especially in peak times. The Airports Commission itself said that, even with schemes like Crossrail, the network would struggle to cope with peak demand pressures.

Are you expecting there to be a difficulty in accessing Heathrow, even with those schemes that you have talked about?

Chris Grayling: If you take the Piccadilly line, for example, at the moment 3% of Piccadilly line passengers are passengers to Heathrow.



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Lucy Chadwick: Sorry, 5%.

Chris Grayling: We are expecting it to go up to 5%.

Lucy Chadwick: Are we? My apologies. I am getting the wrong facts.

Chris Grayling: We are expecting that to rise to 5% after the expansion of Heathrow, on a route that will have much greater frequency. West London needs better transport anyway. But six Crossrail trains an hour, very substantial trains coming into Heathrow, western and southern access and a Chiltern line train arriving at Old Oak Common in the 2020s—all of that—seems to me to be a package. At the moment, 39% of Heathrow users arrive there by public transport. It occasionally rises above 40%. With that range of investments planned, the goal of reaching 50% in 2030 is a perfectly realistic one.

Q554 **Luke Pollard:** Transport for London again suggests that it needs 69% in terms of public access to be able to offset some of the demand pressures and the congestion in the local area that expansion could cause. Do you think that 50% by 2030 and 55% by 2040 of people arriving by public transport is not ambitious enough?

Chris Grayling: I think it is a good ambition. A number of Transport for London's estimates and many of our estimates are the same, but some of their estimates about capacity, for example, have not included the increase in the number of Crossrail trains from four to six. We think that these goals are eminently attainable. The combination of all those investments will deliver surface access to Heathrow that is as good as at any other airport I could name.

Lucy Chadwick: If you look at taxis currently, 80% of those are empty one way. There are opportunities to intensify and incentivise more of those journeys to have people in them both ways. Those are the kinds of things that Heathrow is looking at. TfL's modelling presumption is that all of that demand would need to go to public transport as opposed to thinking about whether some of that could be more intensively used. I think there are some efficiencies. It is clear that we will want to watch it very closely. Those are the reasons why there are some differences, but they are not significant.

Q555 **Luke Pollard:** In the evidence we heard from Transport for London, it suggested that the surface access upgrades necessary for an expanded Heathrow would be in the region of £15 billion. The Airports Commission says it is about £5 billion. There does seem to be a big discrepancy between these two figures. I am trying to get at what the difference is.

Chris Grayling: Far be it for me to be mischievous, but I suspect Transport for London would be very keen to secure massive contributions to transport schemes across west London. There is no reason for what I have described to cost anything like £15 billion. HS2 has already arrived and Crossrail is nearly finished. The costs of western and southern rail



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access would be a little in excess of £1 billion, but not massively so. I do not see where the number of £15 billion comes from, to be honest.

Q556 **Luke Pollard:** So the number that you are looking at is less than £5 billion.

Chris Grayling: Yes.

Q557 **Luke Pollard:** Do you have a figure for how much that would be?

Chris Grayling: In a world of rail projects, putting an exact figure on them is probably fairly rash, but it is certainly not £15 billion. I am sure that Transport for London would love to have £15 billion spent on transport in London, but the reality is that I do not see why the mix of projects I have talked about needs to come anywhere remotely close to that.

Q558 **Luke Pollard:** How much do you think Heathrow will eventually contribute to surface access costs?

Chris Grayling: As much as we can get out of them. As they have said to you, they have set aside provisions within this. They will need to pay for the roads. The railways have committed to contributing to the rail links. We are going to do the best possible deal for the taxpayer. Some of this they are doing; some of it we will contribute to, because not all the benefits derive from it. Some of these projects are Heathrow-related alone. We will do the best possible deal for the taxpayer.

Q559 **Luke Pollard:** I asked the Heathrow chief exec on Monday about whether it would be appropriate to put the public transport mode shares as a condition for unlocking more capacity in the NPS. I am always suspicious, especially on round numbers, and 50% and 55% do seem suspiciously round. What happens if they don't get there? Would that be something that you would be minded to go with—having that as a condition for unlocking more capacity?

Chris Grayling: What we are going to look at is how we put into the various development consents requirements on surface access. I do not want to be specific today about exactly what form they will take, but we will want some conditionality in there that requires the progress on surface access. It would not be appropriate to do otherwise.

Q560 **Luke Pollard:** For all the providers from the far south-west and Wales that are very keen on western rail access, they can take lots of heart from what you have said today—that western rail access will be in CP6.

Chris Grayling: That is my intention. They will still have to change at Reading, I am afraid.

The other important point about western rail access is staffing. A very substantial proportion of the staff at Heathrow drive to work. If we can reduce that number, that also reduces the economic impacts. Simply



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getting a train into Heathrow from Slough, for example, where a lot of the staff work, has a significant benefit for both congestion and pollution.

- Q561 **Luke Pollard:** Finally, you have mentioned congestion. Getting people to and from by rail and bus is one thing. There is not enough tarmac to cope with the amount of cars that need or want to access Heathrow. The Airports Commission talked about a charge of about £40 per car to access that area. Do you have an idea of how much the road charging scheme around Heathrow should be?

Chris Grayling: No. I think that needs detailed work. As I say, my personal view is that it is sensible to have a scheme built around pollution reduction. This is something that is going to have to be worked on in the months and years ahead. It is not my expertise or the team's expertise right now.

Luke Pollard: The greater clarity that you have offered on surface access is helpful. There are an awful lot of people who would want to support Heathrow but need that greater clarity. Being able to spell that out more clearly in the NPS would alleviate quite a lot of people's worries.

- Q562 **Huw Merriman:** I want to ask about Crossrail and its impacts in terms of more passengers from Heathrow using Crossrail. When I looked at the journey time reductions that Crossrail would offer, particularly from areas of the City to Heathrow and the very fact that you do not have to go to Paddington and then change—which is what causes people to use cars, because it is all too much of a hassle—it felt to me as if there could be a real sea change in behaviour.

When I put that to Transport for London, it rather pooh-poohed my optimism. When I tried to push back, it said that its model had looked at it. I could not really say much to that, apart from, does the Department for Transport have a view on its model? It would seem to suggest that it is impossible to deliver this no increase in traffic because Crossrail will not have the impact that it struck me it may well do.

Chris Grayling: Crossrail is bound to have an impact.

- Q563 **Huw Merriman:** It gave it a little impact. If I consider where I used to work, I would do exactly the behaviour I just described, but I certainly would not do it if I could just board a train and get to Heathrow direct.

Chris Grayling: We are not projecting an increase in the number of Crossrail trains per hour from Heathrow from four to six because we think they are all going to leave empty. You are absolutely right: I think Crossrail will become a really important part of getting to Heathrow. It takes you right through to the City; it takes you through to the West End. There will be people who will still go to Paddington, and there will be people who will take the Piccadilly line, and people who head southwards, but I think Crossrail will be enormously popular with Heathrow passengers.



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Lucy Chadwick: One of the strategic cases for Crossrail was connecting in with that kind of frequency and speed into Heathrow.

Q564 **Huw Merriman:** If it is possible, Chair, it would be great to see the Department's view of TfL's model and whether it actually disputes that analysis. That goes very much to the heart of whether it is possible to see no net increase in road traffic, for example, because Crossrail may have a great benefit.

Lucy Chadwick: We certainly think we can achieve the mode share targets that we have set out, particularly because, as the Secretary of State mentioned, TfL's modelling at the moment deals with four Crossrail trains as opposed to six, which is what it will be coming on stream. The rolling stock has been ordered and is coming. Taking into account the other surface access options, we think you can credibly achieve the surface access mode share targets that we have set out, which are outcome-based measures that we have put in the NPS. So, we are confident about that.

Chair: We would like to look at noise now.

Q565 **Iain Stewart:** I have one supplementary question on surface access. I want to pick up on the point you have made a couple of times on the desirability of having a low emission zone around an expanded Heathrow. Given the timescale of this project, by the time it is ready, we are likely to have had quite an uptake in ULEV vehicles, either wholly electric, hybrid or some other form. To what extent have you taken those likely developments into account when looking at the impact on air quality?

Lucy Chadwick: Those are taken into account in the National Air Quality Plan. It takes a view on the rate of take-up, as much as the cleaning of any new models that come on board, so all of that is in the base National Air Quality Plan, which we predicated our analysis on. Those are reasonably conservative views. Clearly, if there was a low emission zone around Heathrow, as the Secretary of State is talking about, we should particularly incentivise the use of those cars in that area. You could expect quite a different effect, but those are in the base National Air Quality Plan analysis.

Q566 **Chair:** Does that mean you might need a congestion charge in place? One of the concerns around access is that people drive. Even if they are driving a clean vehicle, they could still create a lot of congestion.

Chris Grayling: It is a possibility. I think it is something that needs to be addressed a bit nearer the time, but I will be surprised if there is no demand management around Heathrow when this opens.

Q567 **Iain Stewart:** Turning to noise, Heathrow believe that "an expanded Heathrow will be quieter," yet the estimates are that the northwest runway will cause significant annoyance to an additional 92,000 people. How do you balance those two statements?



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Chris Grayling: The position is basically this. Aircraft are getting quieter all the time. The new generation of aircraft are a fraction of the noise levels of the existing ones. If you look ahead 20 years, I expect an expanded Heathrow airport to be quieter than the existing two-runway airport. Our projections suggest, and it is important to say without any mitigation, that there is a short period of time around the end of the next decade when there is an expanded noise footprint. That is based on current assumptions about the take-up of flights and the rate at which the aircraft fleet is replaced. We think that is a relatively short period of time, and it only happens if there is no mitigation put in place, which clearly will happen. It is part of the community package. By the time you get well into the 2030s and the runway usage has expanded to a substantial degree—we know about lifespans of the current fleet and noise technologies coming forward—our projection is that this airport will be quieter then than it is today.

Q568 **Iain Stewart:** To pick up that point about aircraft engines becoming less noisy, the Department has taken a more optimistic view than the commission did. What is the evidence basis that led you to arrive at that conclusion?

Caroline Low: That is based on changes to the fleet mix since the commission did its analysis to what we see now. The commission was conservative. Just as we have adjusted demand forecast, particularly at Gatwick, to reflect changes in the real world in the intervening period, we have done the same with the fleet mix. Then we have still taken a conservative projection forward, but the starting point is different.

Chris Grayling: There are mitigation measures that we will put in place, not just about what happens on the ground, but with the airspace modernisation we are going to have tighter rules around approach angles to the airport, tighter rules about stacking, and tighter rules around how the aircraft operate in and around the airport. That is part of the airspace modernisation process.

There will be mitigations in the way that the airport itself is used. I am personally in favour of some reasonably tough measures in relation to the aircraft and how they behave as they use the airport. It is something we will be looking at in the framework of rules around the airport expansion. If there is a rule around the angle of descent, for example, then, unless you have a very good reason, you should be following that angle of descent. I want to see tight rules around how aircraft access the airport, but, of course, there is a big mitigation package on the ground as well.

Lucy Chadwick: Clearly, the independent authority that we set up through the airspace modernisation conversation plays a really important role in the transparency around all of that and making sure it is very evident in terms of what is going on. Some of the things we have strengthened through the modernisation were not about a change of process but about the enforcement and controls around them. We will review and look at whether that body has the right controls in two years.



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If we need to go to a statutory basis we will do, but the important thing is that it has that transparency that is not evident to communities at the moment.

Chris Grayling: We are taking a conservative view on the noise protection. There are things we can do to speed this up. There are conditions around the kind of aircraft that arrive at Heathrow. It is changing all the time. If you went back three or four years, you would have said that the A380 was an absolutely central part of the future. Now you would say that the A350 is more likely to be a dominant aircraft than the A380, and that may change as well. Every time this happens, we see a further step towards lower-noise aircraft.

Q569 **Iain Stewart:** An issue of huge concern to the communities around Heathrow is the respite periods. The NPS states that the northwest runway will offer more predictable periods of respite, although the period will fall from half a day to a third of a day. What does that mean in practice? It is very vague, and the people we have heard from want more clarity as to what the impact will be on their communities.

Chris Grayling: The key point here is that, at the moment, Heathrow operates in a way that means that half the flightpaths—two out of the four—do not have a plane flying over them at any one time. With three runways, one will operate in mixed mode normally, and that means that, of the six, two out of the six at any one time will not have planes flying overhead. That is clearly a change. It means less respite for some areas than they have at the moment. We will want to try to mitigate that through smart use of the approach technology.

This is one of the benefits I expect to come out of the airspace modernisation. We will try to provide as fairly as possible a mix of approaches to the airport that gives people some degree of certainty and as much respite as possible. It is worth remembering that this is a key thing to differentiate it with Gatwick. The analysis—not necessarily the airport's plans—is predicated on two, fully-mixed mode runways operating all the time and over a very long period of time.

The other thing to say is that, unlike at present, we want to move to a clear six-and-a-half-hour ban on night flights, rigorously enforced. I think that is a necessary quid pro quo given the other respite issues.

Q570 **Iain Stewart:** That leads me on to one of my next questions. How will you monitor and enforce the noise performance targets that Heathrow will have?

Chris Grayling: This is a key purpose of setting up the independent noise regulator. The enforcer remains the CAA. The noise regulator is there to say, "You have a problem that you need to fix."

Q571 **Iain Stewart:** What are the penalties for breaching those targets?



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Chris Grayling: A wide-ranging financial excess. We have some reasonably tough powers at our disposal. We can always toughen them further if we think it is necessary.

Q572 **Chair:** Coming back to the issue around airspace modernisation and how that impacts on noise, in the latest noise modelling it is completed using a single set of concentrated flightpaths. That is a relatively limited set of noise metrics, and that is not consistent with the approach adopted by the commission. Why did the Department go for that single set of concentrated flightpaths?

Caroline Low: At this stage we are trying to give an overall sense of the impacts of building at Heathrow versus Gatwick. The commission ran a range of noise flightpaths. When we updated the demand analysis, we just updated one set of noise contours around one set of flightpaths in order to give a very good sense of what those demand changes did to the noise contours. Of course, as this is taken forward through the airspace change policy, all those decisions about the type of flightpaths that will be used, and exactly where they will go, will be taken forward. Our analysis was not intended to prejudge that process. It was intended to give an overview—a good overall sense—of the noise impacts of Heathrow versus Gatwick.

Q573 **Chair:** Is there a danger, because you have chosen to use one set of flightpaths, that the true scale of noise impacts and how many people are impacted has been misrepresented in the data supporting the NPS?

Caroline Low: I do not think there is a danger. You can look back to the work the commission did to understand the relatively small differences in the number of people affected through using different flightpaths. What is really important is the process that Heathrow has now started through its consultation to look at some of those principles of how airspace should be arranged and how noise should be shared out or concentrated.

Q574 **Chair:** The other issue is around the development of newer, quieter aircraft. We all acknowledge that there is really important work going on in that respect. The Department has also assumed that aircraft noise efficiency will improve at a considerably faster rate than was assumed by the Airports Commission. What was the basis on which that judgment was made?

Caroline Low: Again, that is reflecting what we see in the change of fleets today. There are new stories very regularly now of the advances that are being made in aviation technology. Lucy, as we have established, is more of a plane spotter than I am and what feeds into the model.

Q575 **Chair:** Have things changed that substantially since the Airports Commission did its work?

Lucy Chadwick: Yes, they have. The airlines are bringing on some of those newer fleets because they offer far greater fuel efficiency. The



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leasing models they have allow them much easier access to them. What had been historical for turnover rates we have seen increasing substantially. In the modelling that we have done, there are still choices that Heathrow itself can make about incentivising even more of that at particular times of day. That will be something for it to consult on as part of the airspace air consultation that it takes through. There are further mitigations that are not taken into account in that fleet blend and rate that we have modelled in ours. Again, ours is a reasonably conservative view and we think that is the right approach for us to take.

Chair: That is helpful. If there are no further questions from members of the Committee, I can thank you very much for coming and giving evidence today. That concludes our session.