

Response to CAA consultation on CAP 1871 Early Costs of Expansion

28 February 2020

Introduction

This response to the consultation on CAP 1871 seeks to address a select number of key issues.

Key Issues

The benefits to consumers reflected in the CAA's analysis are highly questionable and largely generated by Heathrow and its backers. Expansion of Heathrow will restrict competition between UK airports and create an effective private sector monopoly for this airport. Changes in the aviation model mean that a third runway is not necessary, rather it will come at a cost to aviation in other parts of the UK.

The narrow approach undertaken in CAP 1871 is not appropriate. The out of hand dismissal of Scenario 4 (Heathrow immediately halting all activities including preparation of its DCO application) is not justified. The risks and impacts associated with the project have not been fully or properly assessed.

If the project is allowed to proceed, particularly without a comprehensive review at this stage and given current knowledge, there are huge risks to the economy, consumers, the public purse, health and the environment – the further the Government allows the project to be progressed with this approach, the more it will be exposing taxpayers and consumer interests to significant risk and potential harm, permitting more 'good money to be spent after bad'.

CAP 1871 does not carry out a full risk assessment as such, instead working on a form of regression analysis within narrow confines of estimates of potential consumer benefits and perceived impact of delay (as noted above based on highly challengeable assumptions). The CAP approach is to seek to identify a 'breakeven probability' of a successful DCO that would make consumers indifferent to the choice of Scenario in relation to Early Cost recovery. This is not a robust evidence-based approach.

CAP 1871 does not appear to assess the actual risks to the deliverability of the project. A range of issues that have financial implications including health, air pollution, noise, climate change and the impact of concentrated flight paths are not investigated, interrogated or subjected to realistic sensitivity testing.

Based on the experience of practically every other comparable national infrastructure project, it is extremely likely the overall budget cost and implementation timetable will be exceeded – by considerable margins. This would

lead to significantly reduced economic benefit and increase the likelihood for direct or indirect Government support.

The total budget of £14 billion (2014 prices) looks highly questionable in the light of;

- Experience of major infrastructure schemes which have all overrun massively on budget and timescale.
- The achievability of the original target opening date.
- An increase in the DCO Planning Cost budget (Category B) of around 100% between 2018 and 2019. The reasons for the increase in Category B Planning Costs are not investigated or interrogated in either this CAP or the previous CAP 1819 – this leads to a credibility gap.
- The fact that surface access costs and their financial responsibility are unresolved has direct and major implications regarding scheme credibility.
- The absence of provision in Heathrow's expansion cost estimate for the Communities Compensation Fund.

Conclusion

The CAA should reconsider its dismissal of Scenario 4 in light of the Court of Appeal judgement. It is now clear that UK aviation capacity will be heavily constrained by the need to address climate targets.

The ANPS has been declared unlawful and therefore the any planning and enabling works and associated costs for the expansion of Heathrow should cease immediately.