runway for the few

An investigation into UK and London air passenger demand, and the story being told about the 'need' for a new runway at Heathrow airport

fellow travellers

About fellow travellers
fellowtravellers.org

Fellow Travellers is a not-for-profit, unincorporated association campaigning for fair and equitable solutions to the growing environmental damage caused by air travel. We aim to protect access to reasonable levels of flying for the less well-off, whilst maintaining aviation emissions within safe limits for the climate.

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introduction

Over the past 15 years, Heathrow airport has spent many tens of millions of pounds on lobbying and advertising aimed at securing consent for their goal of building a third runway. The sheer volume of Heathrow's pro-expansion messaging has shaped public discourse around the issue, helping to establish a 'common sense' view that UK PLC 'needs' a new runway at the airport.

But official data on passenger demand profiles and trends offers only qualified support for this narrative. Decision makers and the wider British public have been subjected to a highly partial story about what - and whom - the new runway is actually 'needed' for.

This short report unpacks Department for Transport and Civil Aviation Authority passenger survey data to take a look at the key sources of pressure for a new runway. We find that the rationale presented for expansion at Heathrow is not a good match for the trends we've been seeing; and that the discourse around expansion to date has overlooked some important features which ought to be factored in to any decision on the expansion plans.

executive summary

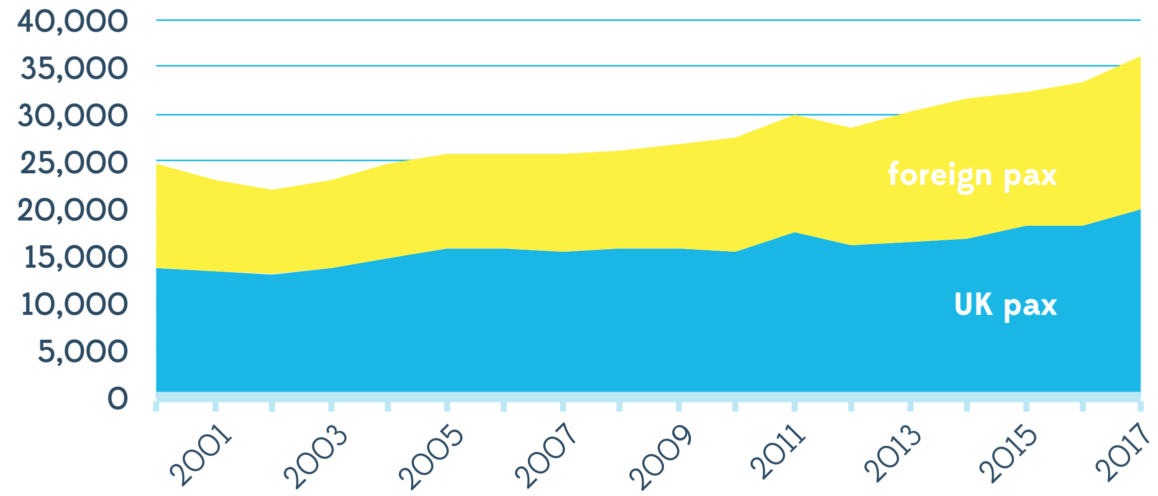
- Demand from foreign international leisure transfer passengers is booming at Heathrow; growth in demand amongst this group is far higher than for any other type of journey.
- Demand for international leisure travel at Heathrow and London's other main airports continues to experience strong growth. Outbound tourism is the dominant feature of both the London and the UK air travel markets.
- London and the South East account for the majority of UK leisure passengers today, and will account for the majority of the growth in this traffic to 2050. Frequent flyers are also heavily concentrated in London and the South East.
- Demand for business flights at Heathrow is in sustained decline, leading a fall across all four London airports which is in turn part of a national trend of long term decline in demand.
- Domestic flights have plummeted at Heathrow and London's other main airports. These flights should in any case be the target of policies to incentivise modal shift to less carbon intensive alternatives as part of meeting our commitments under the 2008 Climate Change Act.
- The claimed economic benefits of airport expansion do not factor in the negative effects of outbound tourism. In 2016, the UK's tourism deficit was almost equal to the total direct contribution aviation makes to the UK economy, and policies aimed at increasing total air traffic are highly likely to lead to the sector becoming a net financial drain on the UK.

methodology

Except where otherwise indicated, all figures in this report are derived from our own analysis of Civil Aviation Authority passenger survey data from the period between 2000 and 2017.[1]

leisure passenger demand, trends and profiles

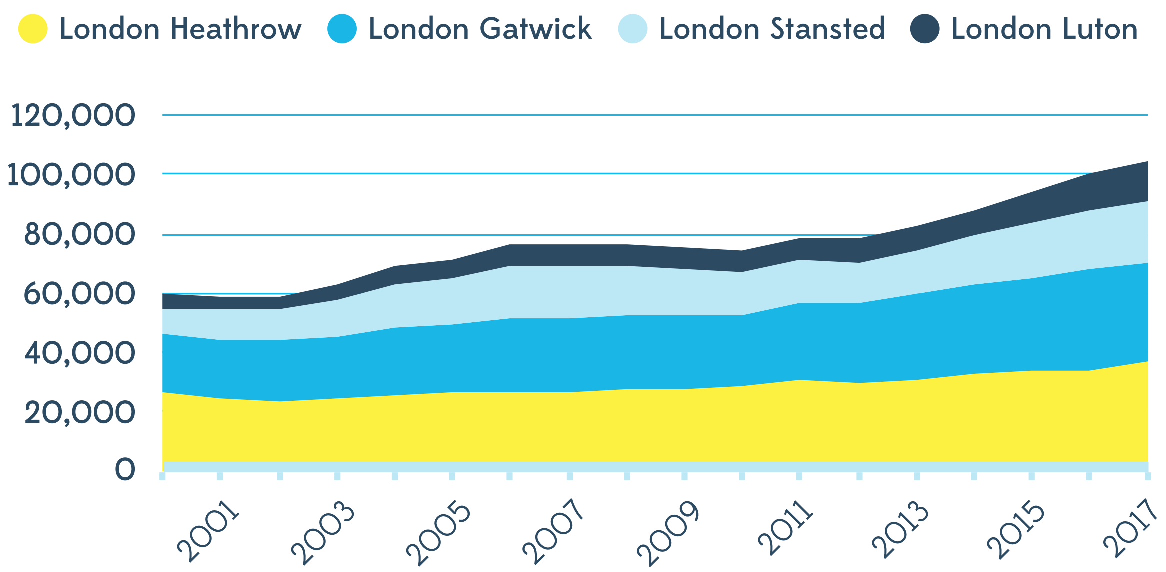
figure 1: Leisure Pax increase at LHR



Key point: Leisure travel from Heathrow has soared.

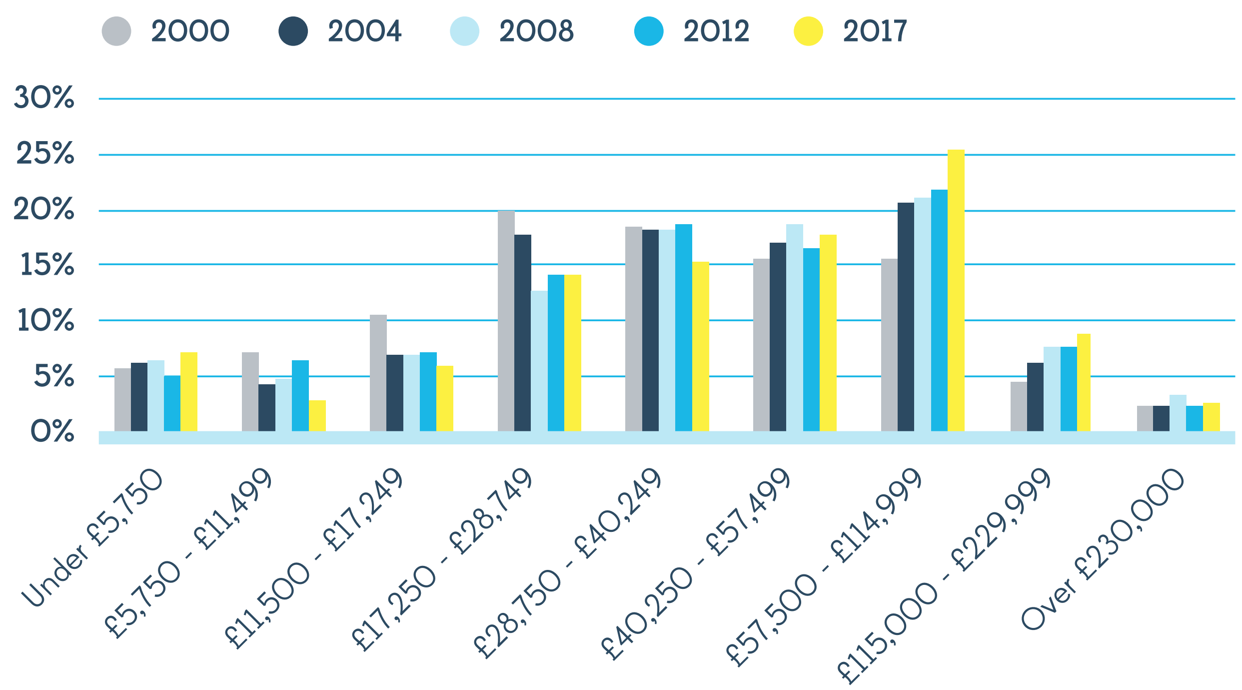
Foreign leisure passenger numbers at Heathrow have grown by 40% since 2000, while the airport has seen a similar increase in UK resident leisure passenger numbers. Heathrow is unique amongst UK airports in handling almost as many foreign inbound tourists as it does UK resident international leisure passengers.

figure 2: Leisure Pax increase across all four London airports



Key point: A similar pattern applies across all the London airports, although recent growth in leisure traffic has been dominated by outbound tourism, which has surged 31% since 2013. UK resident holidaymakers now account for over half of the entire UK air travel market, a share which the DfT projects will persist throughout the first half of the century.[2]

figure 3: Affluence of leisure passengers at LHR



Note: The figures used here are gross reported income and have not been adjusted for inflation.

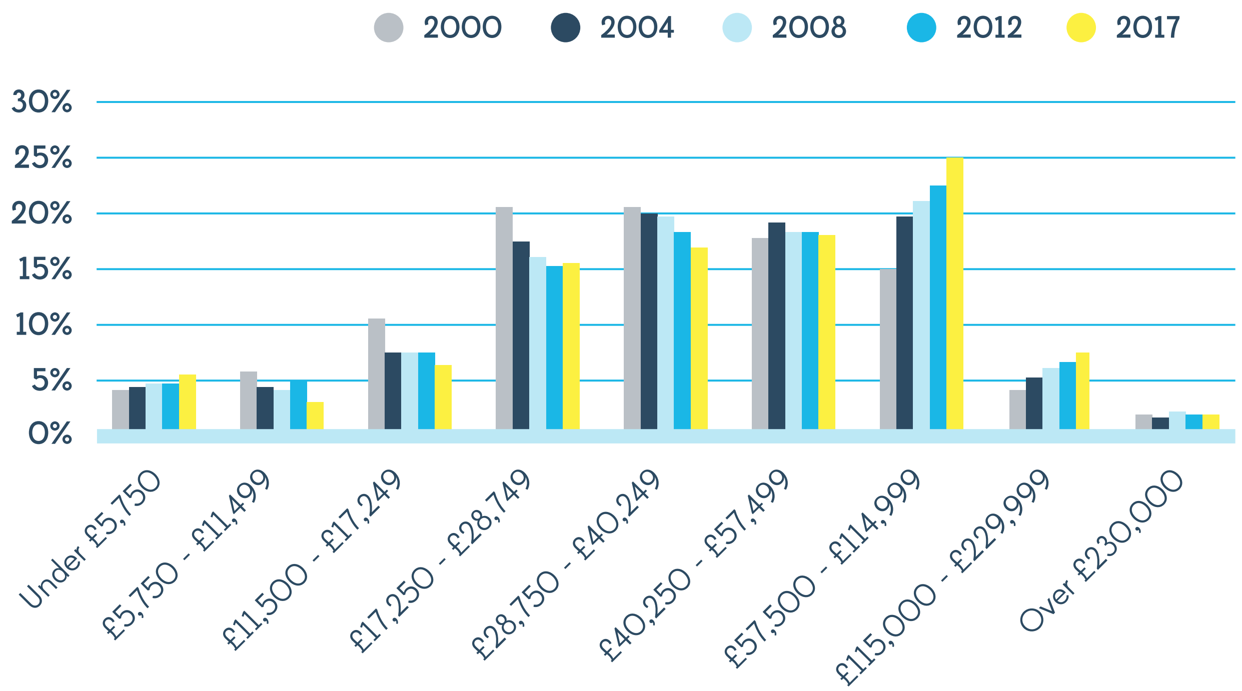
Key point: The growth in UK resident leisure traffic at Heathrow is being driven by rising demand from the wealthiest households.

UK leisure passengers at Heathrow airport have always been much wealthier than the average UK (or London) resident, but the data shows that higher income passengers are taking a greater proportion of flights from the airport than in the past. The top three income bands in Figure 3 – households earning £57.5k and upwards – have increased their market share of UK international leisure flights at Heathrow by 63% since 2000.

This trend has seen a steep fall in the share of flights taken by below average income households, with the exception of the lowest income band. We speculate that the anomalous increase here may be explained by recent increases in the numbers of international students and pensioners using Heathrow for leisure travel; these demographics typically have low reportable household income but access to considerable wealth.

Meanwhile, the richest households are responsible for an ever increasing share of leisure flights from Heathrow.

figure 4: Affluence of leisure passengers across all four London airports

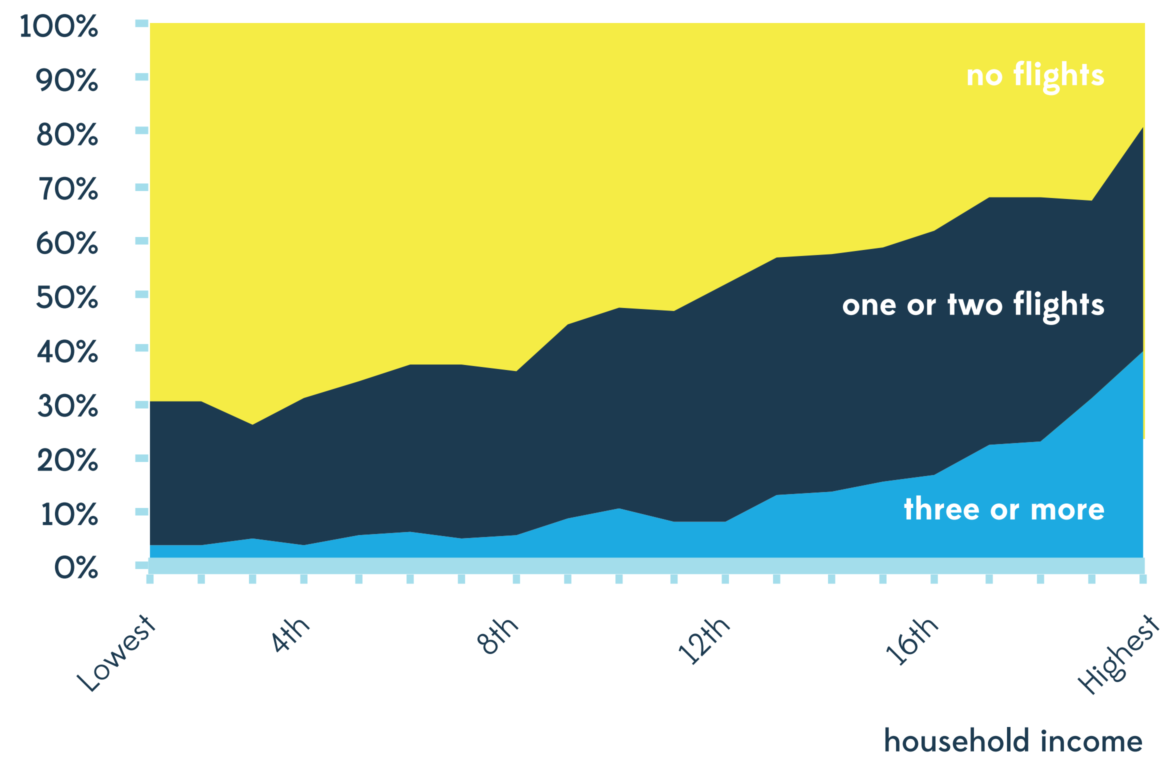


Key point: The trend for a growing share of leisure flights being taken by the wealthiest households is consistent across all four of London's major airports.

This data confounds the popular industry narrative around the 'democratisation' of air travel. Growth in demand for leisure flights appears to be predominantly driven by wealthy households flying more frequently.

flight frequency and demand growth projections, trends and profiles

figure 5: Annual flight frequency by household income



Source: National Travel Survey 2016, bespoke tabulation

Key point: Air travel is predominantly an activity enjoyed by wealthier households. In 2016 just 19% of the richest 5% of the English population reported taking zero flights in the past year, in contrast with 70% of the poorest 5% of households. Frequent flying behaviour is almost exclusively the preserve of the richest households.

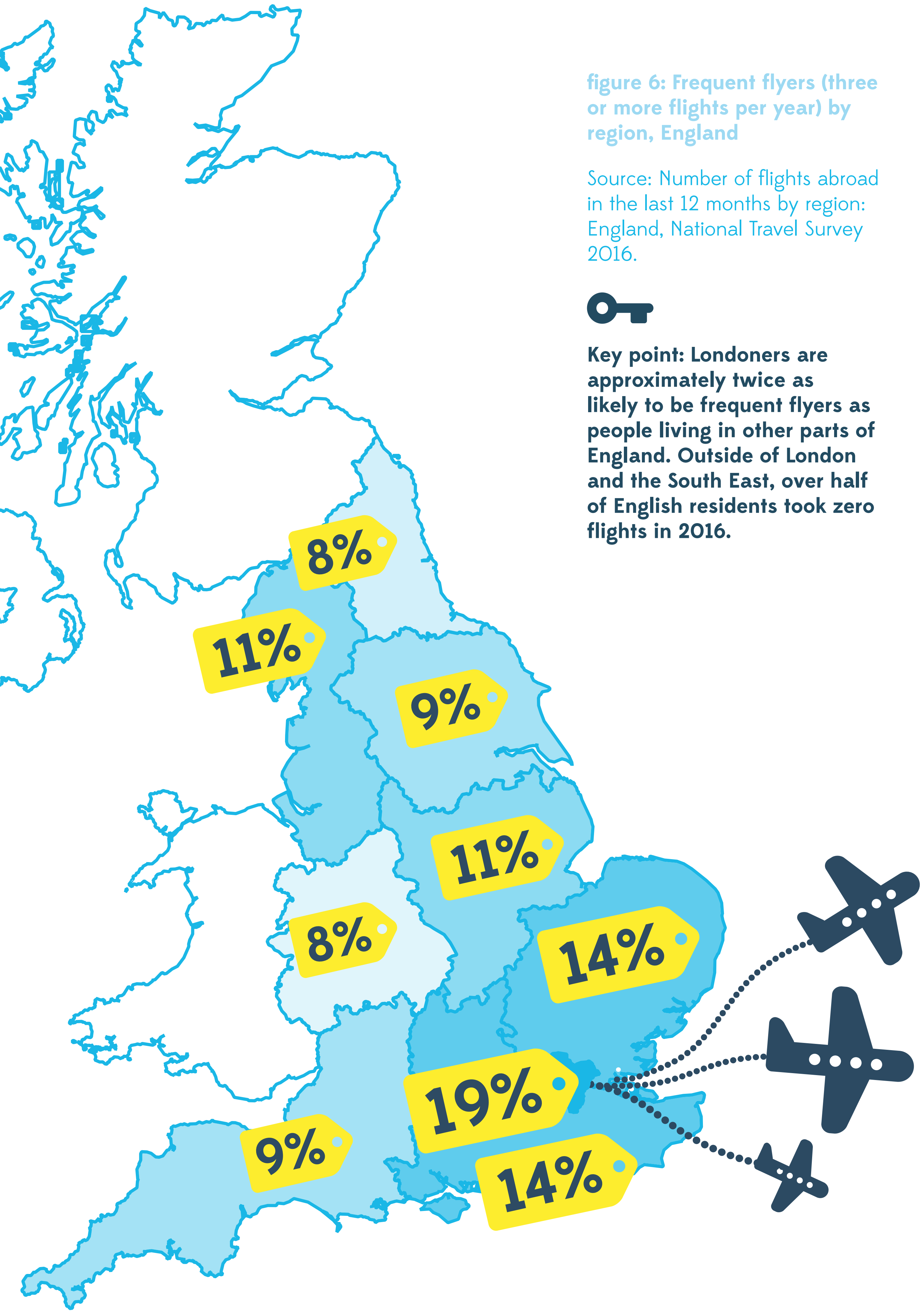
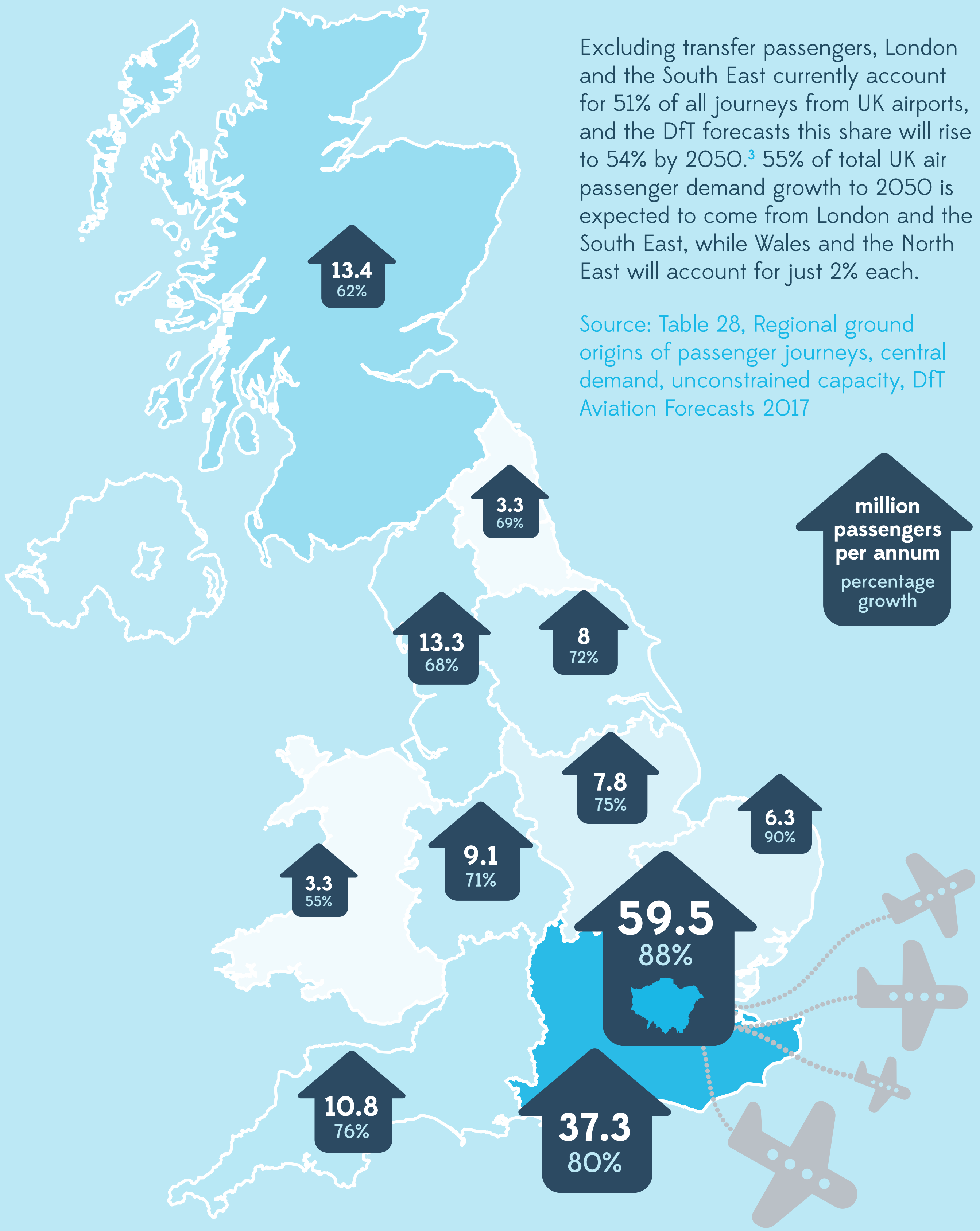


figure 6: Frequent flyers (three or more flights per year) by region, England

Source: Number of flights abroad in the last 12 months by region: England, National Travel Survey 2016.

Key point: Londoners are approximately twice as likely to be frequent flyers as people living in other parts of England. Outside of London and the South East, over half of English residents took zero flights in 2016.

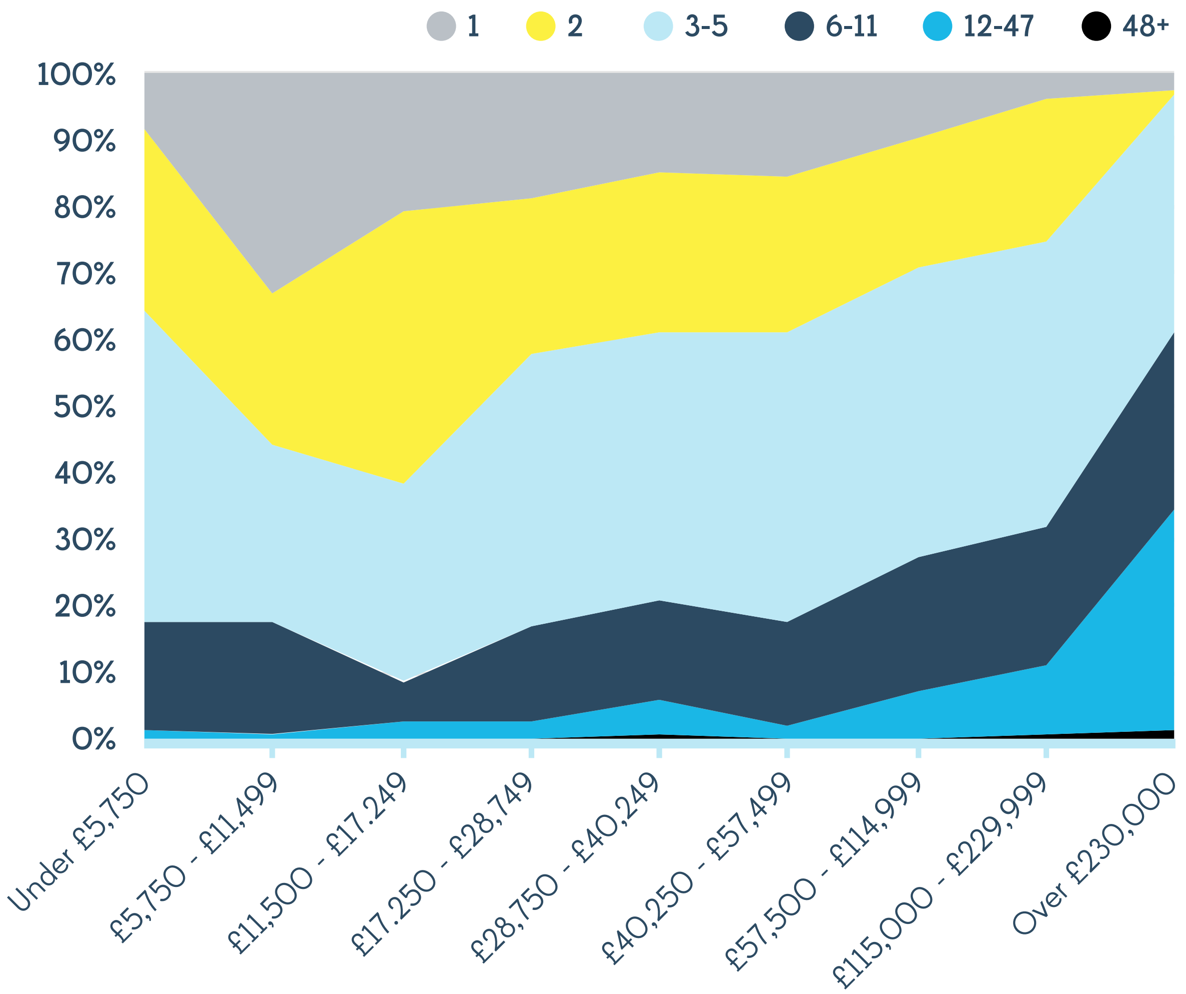
figure 7: Projected passenger demand growth to 2050 by region



Key point: Growth in UK air travel as a whole will continue to be dominated by people living in London and the South East.

Excluding transfer passengers, London and the South East currently account for 51% of all journeys from UK airports, and the DfT forecasts this share will rise to 54% by 2050.[3] 55% of total UK air passenger demand growth to 2050 is expected to come from London and the South East, while Wales and the North East will account for just 2% each.

Source: Table 28, Regional ground origins of passenger journeys, central demand, unconstrained capacity, DfT Aviation Forecasts 2017 figure 8: Flight frequency by income band, UK leisure passengers, Heathrow 2016



Key point: The wealthiest leisure passengers at Heathrow are taking huge numbers of flights each year, with 30% of those earning over £230,000 having taken between 12 and 47 leisure flights in the last 12 months.

figure 9: Flight frequency by income band, UK leisure passengers, all four London airports, 2016

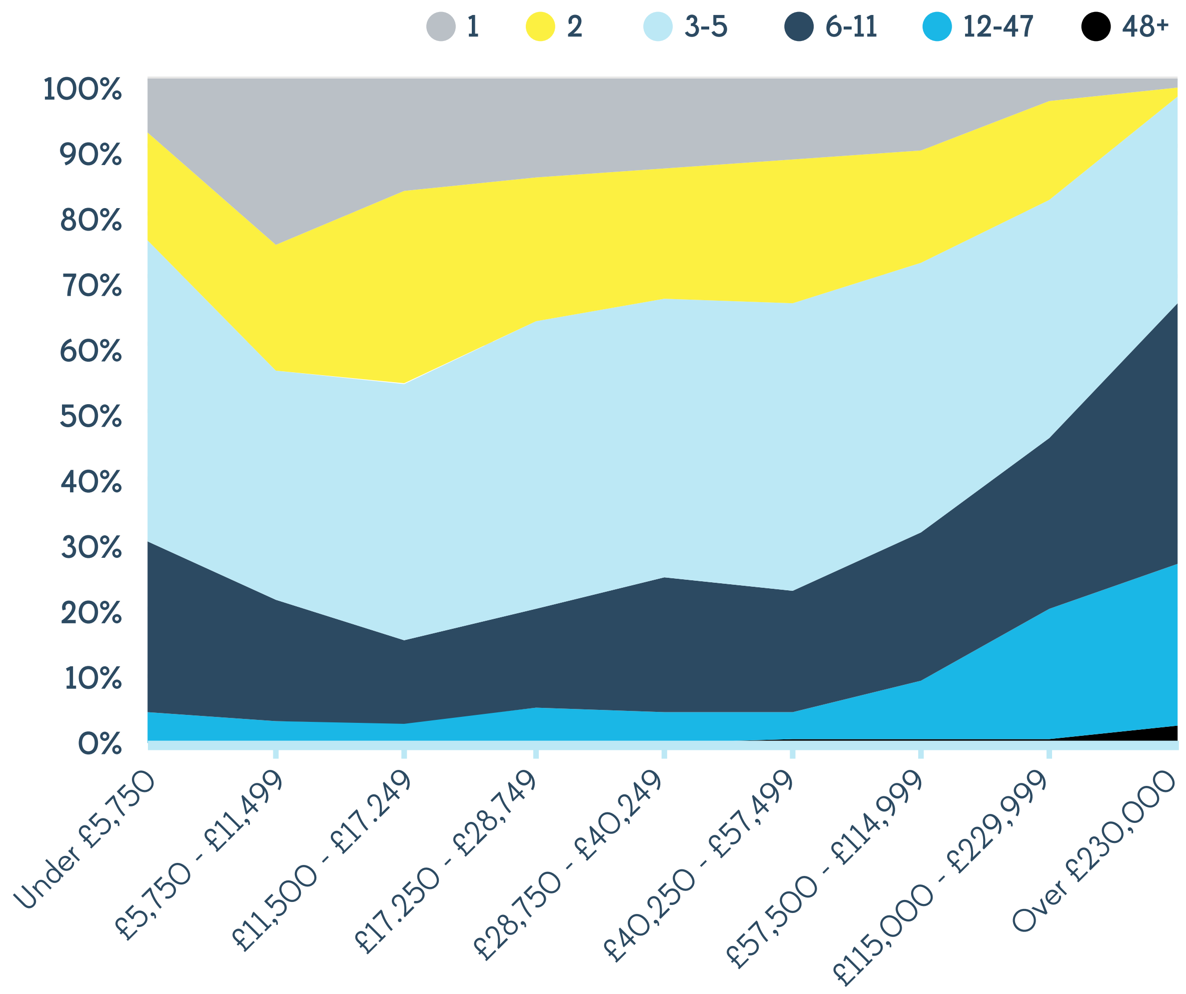
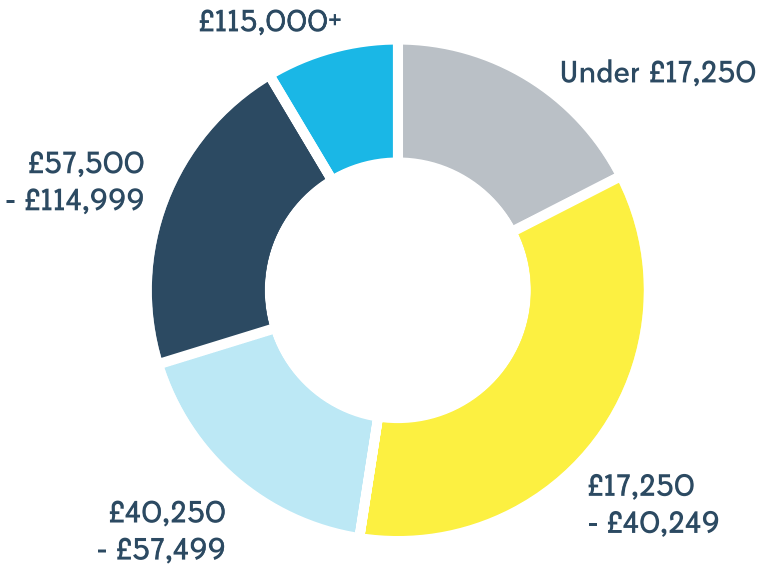
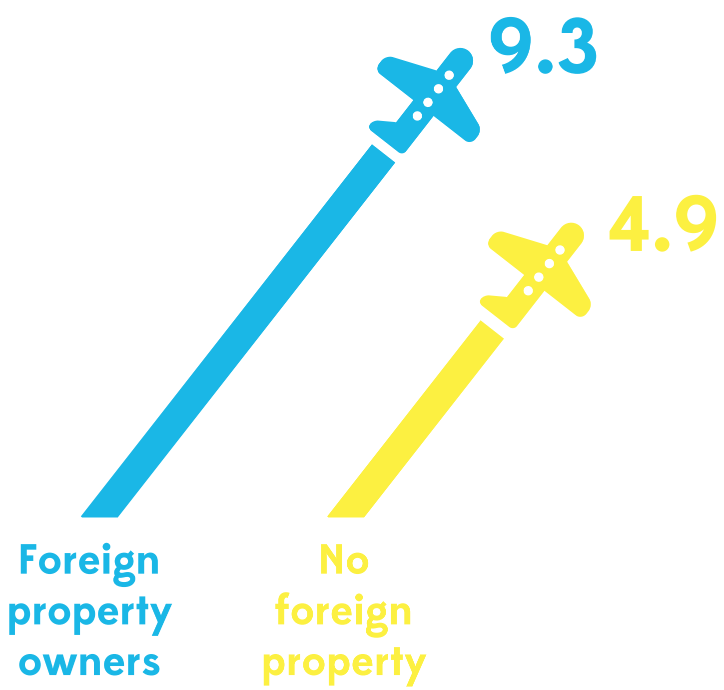


figure 10: Share of all UK leisure flights taken from Heathrow in 2016 by income band



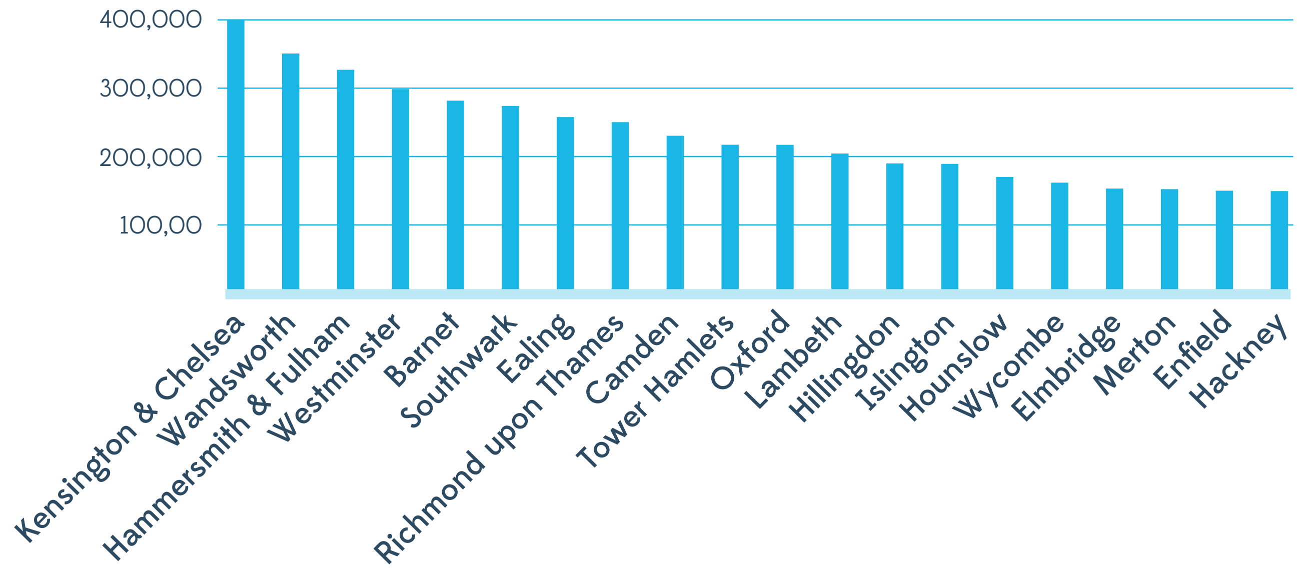
Passengers earning £40,250 or more accounted for almost half of all leisure flights by UK residents from Heathrow in 2016. 10% of leisure flights taken by UK passengers were taken by individuals earning £115,000 per year or more.

figure 11: Second home ownership and average number of return flights in past 12 months, Heathrow



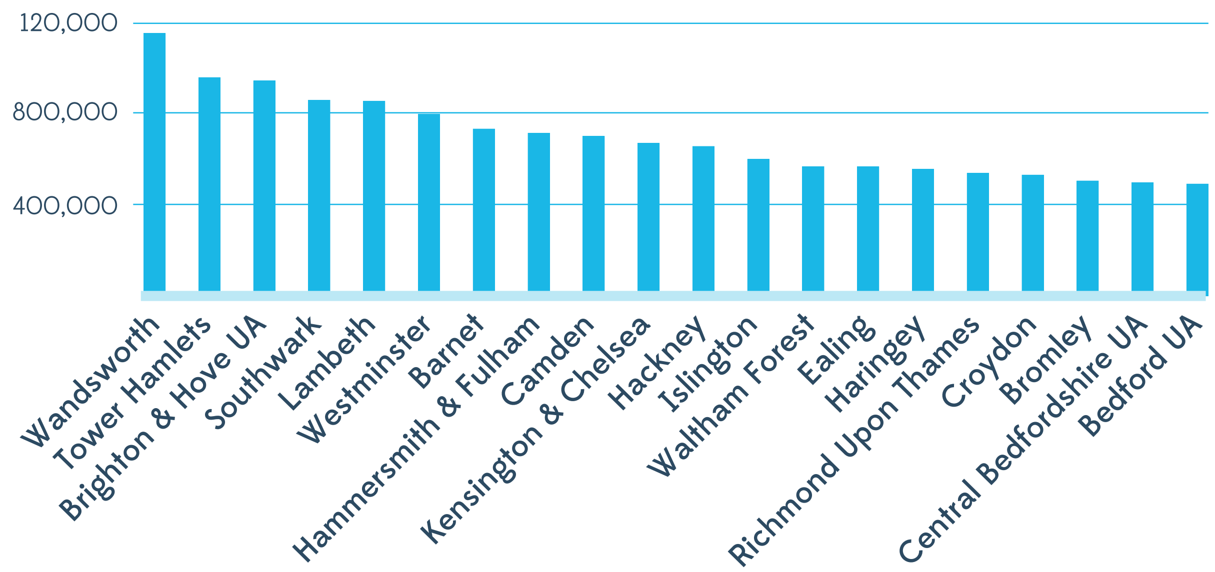
Second home owners fly nearly twice as much from Heathrow as those who do not own a foreign property. 8% of UK leisure passengers at Heathrow report owning a property abroad.

figure 12: Top 20 local authorities ranked by number of frequent flyers, UK leisure passengers Heathrow 2016



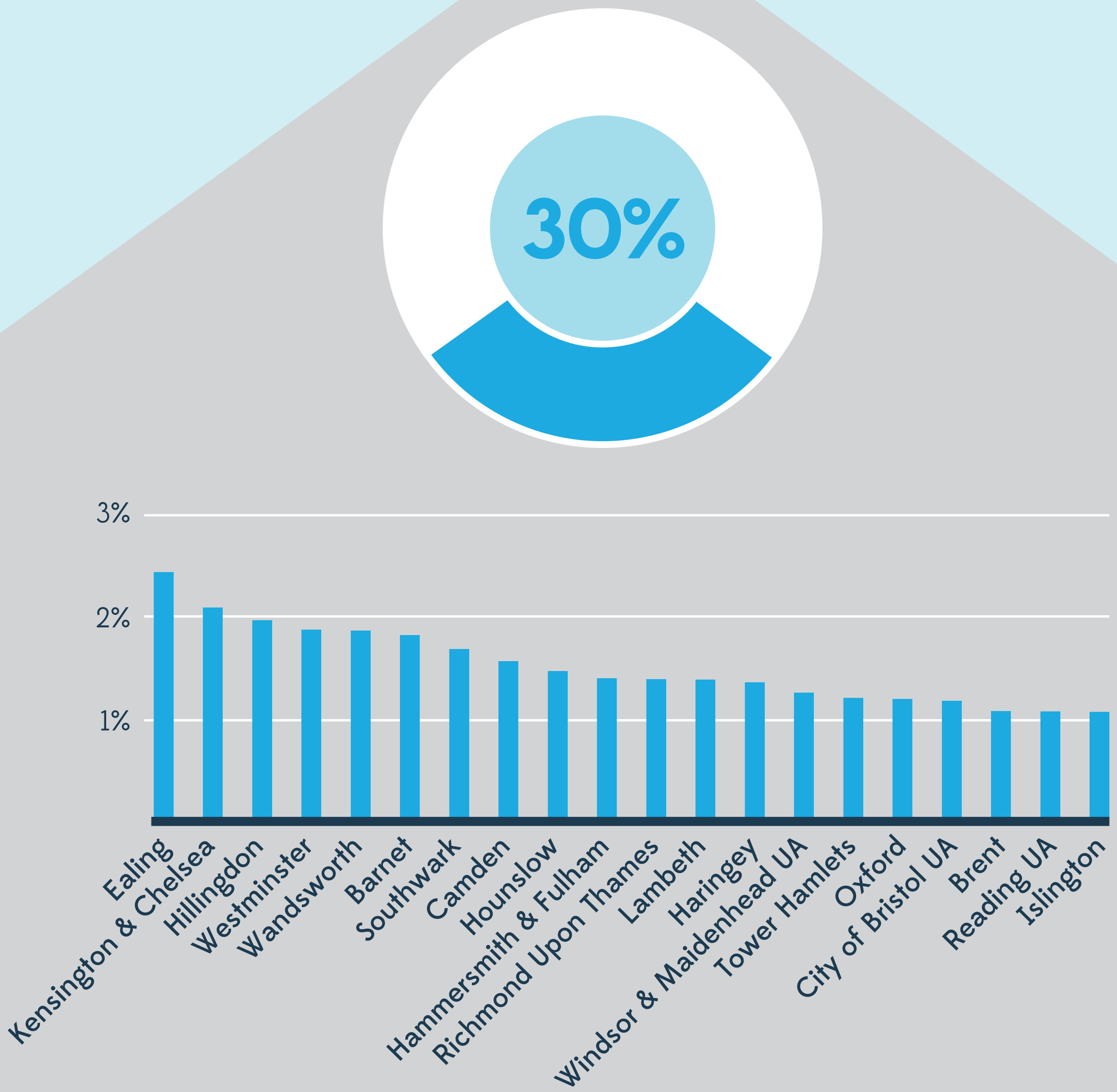
Of the top 20 boroughs for frequent flyers at Heathrow airport, 18 are in London; the remaining two are in Surrey and Oxford.

figure 13: Top 20 local authorities ranked by number of frequent flyers, UK leisure passengers, all London airports 2016



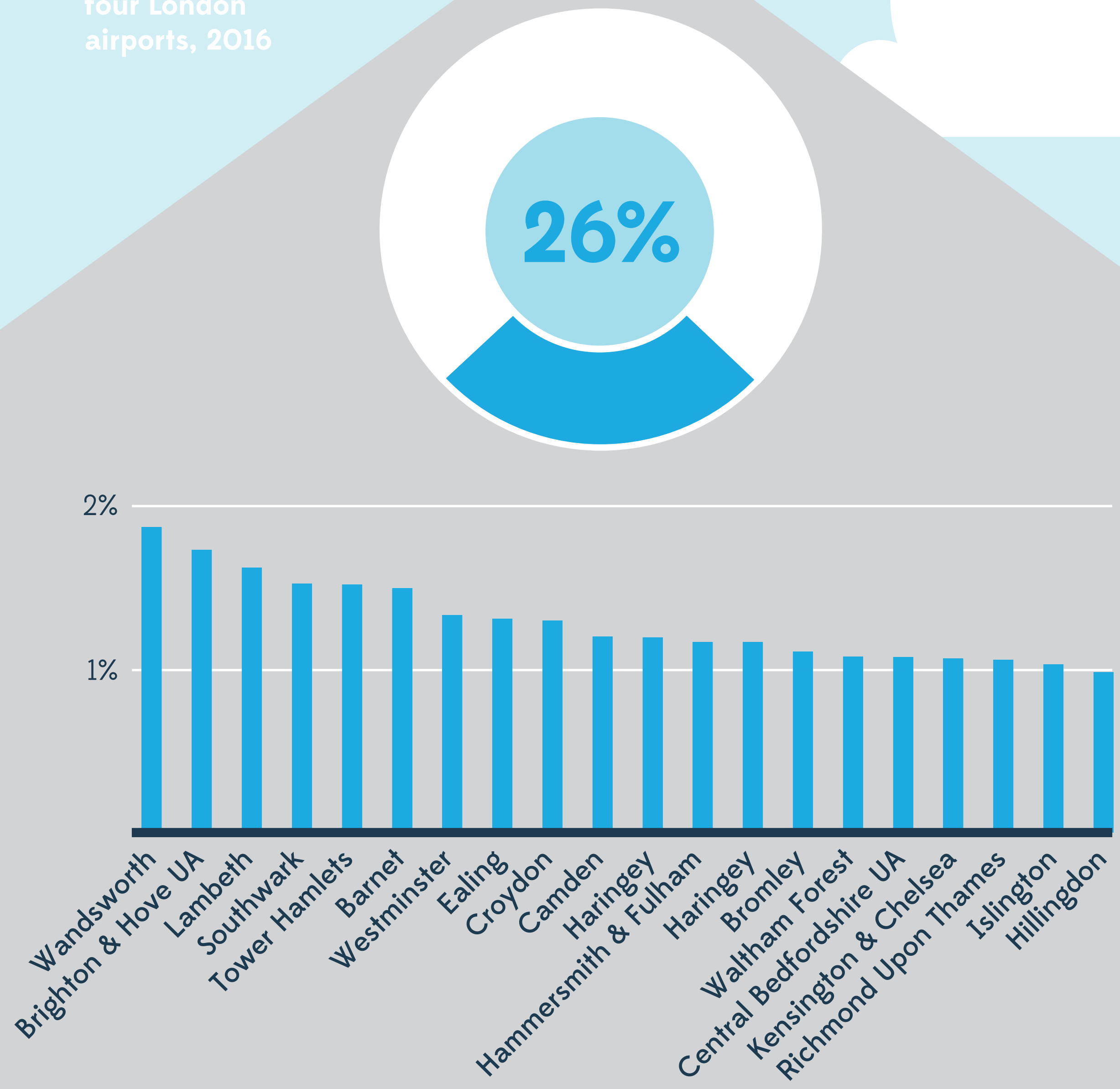
Of the top 20 boroughs for frequent flyers at all four London airports, 17 in London; the remaining three are in Brighton and Bedfordshire.

figure 14:
Proportion of flights taken by passengers from different local authorities, UK leisure passengers, Heathrow, 2016



All of the top 10 boroughs for UK leisure passengers at Heathrow airport are in London. Of the top 20, only one, Bristol, is outside of the South East region. The top 10 boroughs alone account for almost a fifth of all UK leisure passengers at Heathrow, while the top 20 account for 30% of this total.

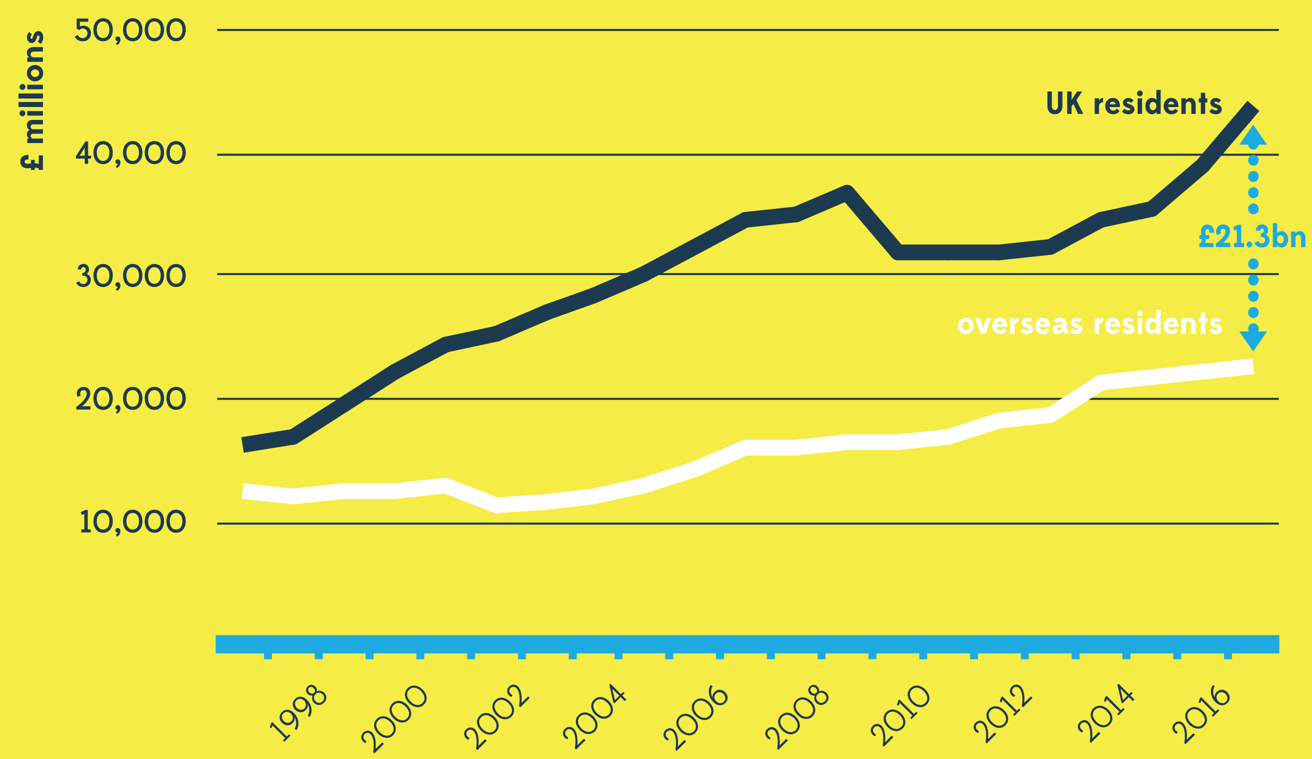
figure 15:
Proportion of flights taken by passengers from different local authorities, UK leisure passengers, all four London airports, 2016



All but one of the top 20 boroughs for UK leisure passengers at all London airports are in London. The top ten boroughs alone account for 15% of all UK leisure passengers at London's airports; the top twenty boroughs together account for 26%.

the UK tourism deficit

figure 16: Spending on visits to and from the UK, 2000 to 2016

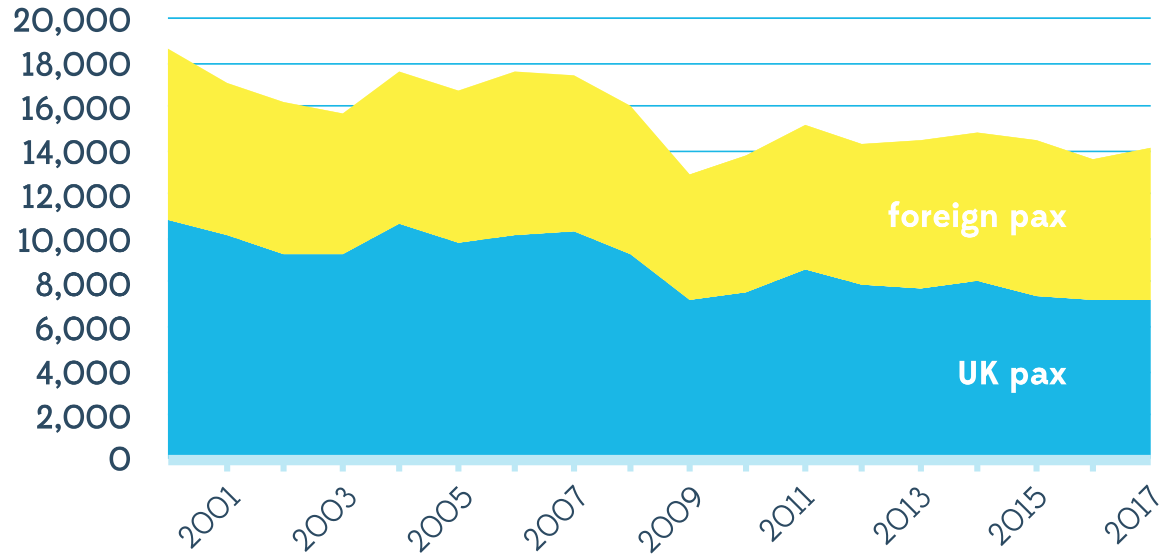


Key point: The UK's tourism deficit is large and growing.

The approximately 70/30 split between UK outbound and foreign inbound tourism at London's airports translates into a large and growing tourism deficit. This is the trade balance between money spent in the UK by foreign visitors, and the money spent abroad by UK tourists. The deficit stood at £21.3 billion in 2016.[4] By coincidence, this is almost equal to the £22bn total contribution that the government calculates the air transport and aerospace sectors combined make to the UK economy.[5]

business passenger demand trends

figure 17: Decline in business passengers at LHR



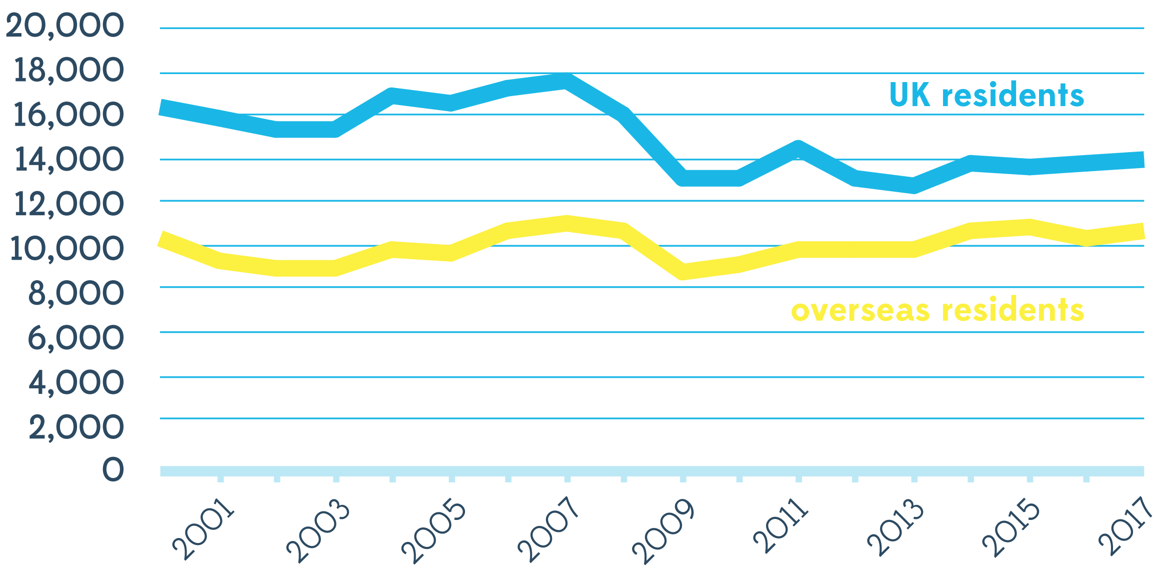
Key point: Demand for business flights from Heathrow, the UK's premier airport for business travel, is falling, not rising.

Both UK and foreign terminating business passenger numbers have fallen substantially at Heathrow since 2000 – by 33% and 12% respectively.

In contrast to international-international transfer passengers, these are the business flights that facilitate British overseas trade. But this way of doing business internationally is increasingly seen as old fashioned, with a growing share of executive flights being supplanted by huge advances in information technology and video conferencing.[6] The Department for Transport itself acknowledges that UK international business travel is in "long term general decline", having fallen at the national level by 19% since 2000.[7]

Heathrow and the DfT have been keen to emphasise the value of international business flights to UK Plc, but conveniently choose to ignore the fact that demand for these flights continues to fall whilst UK international trade grows.

figure 18: Declining business travel across all four London airports

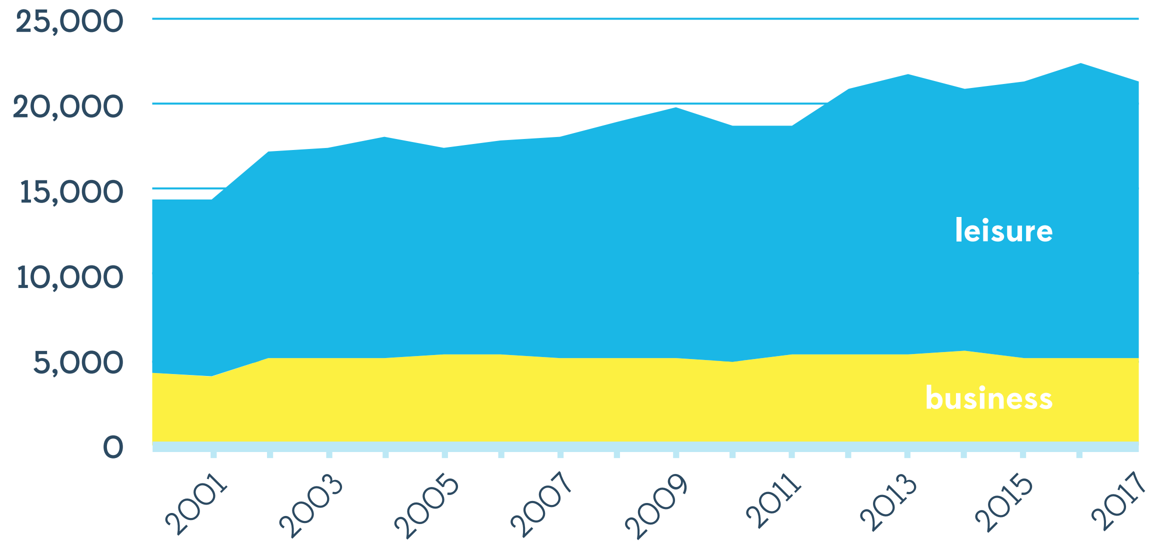


Key point: Business demand for air travel from London as a whole is falling, not rising.

Across all four of London's major airports, UK business passenger numbers have fallen by 15% since 2000, while foreign business travel to the UK is effectively flatlining, having experienced just 3% growth over the past 17 years. What is clear from this picture is that the pressure for new runway capacity cannot in reality be to service demand for business flights to and from Heathrow, London or the UK as a whole.

international transfer and domestic passenger trends

figure 19: Foreign international transfer passengers at LHR

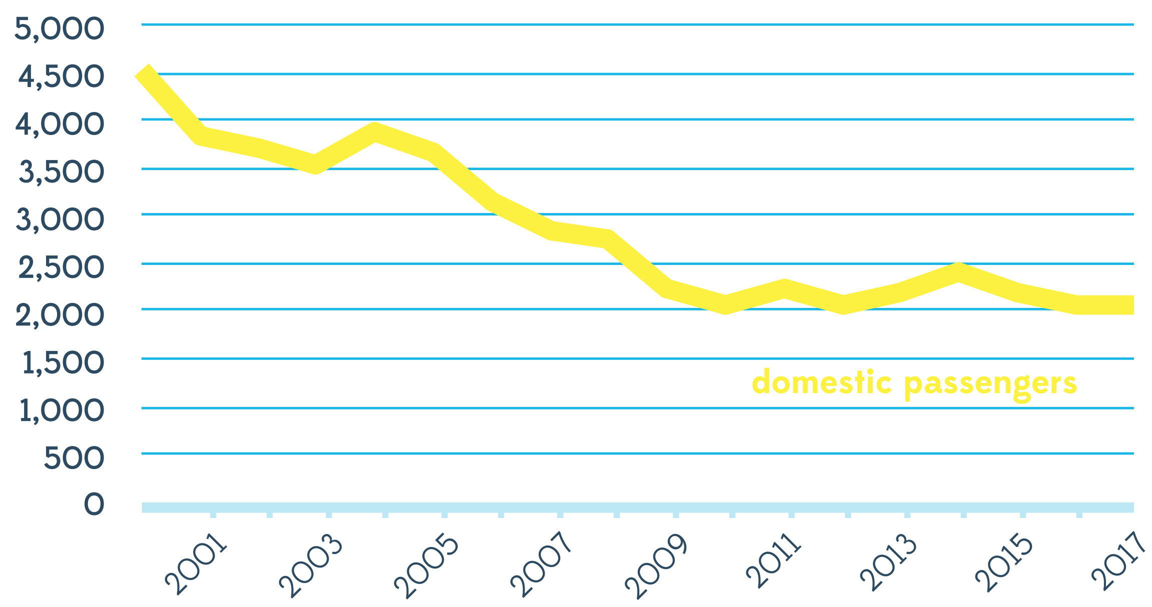


Key point: Transfer passenger numbers have soared at Heathrow - growth in demand for these flights eclipses that for every other type of journey from the airport.

The industry argue that transfer passengers are strategically important to the UK, and that expansion to cater to this group is crucial to maintain Heathrow's 'hub' status, because this allows London to command direct links with the widest possible range of countries, and will open up new business routes to emerging economies. But it is important to note that even amongst foreign international transfer passengers, demand for business flights has not risen since 2002.

As shown in Figures 9 and 10, terminating business passengers have been in steady decline at Heathrow since at least 2000. Foreign international leisure transfer passengers, by contrast, have increased by 61% over the same period.

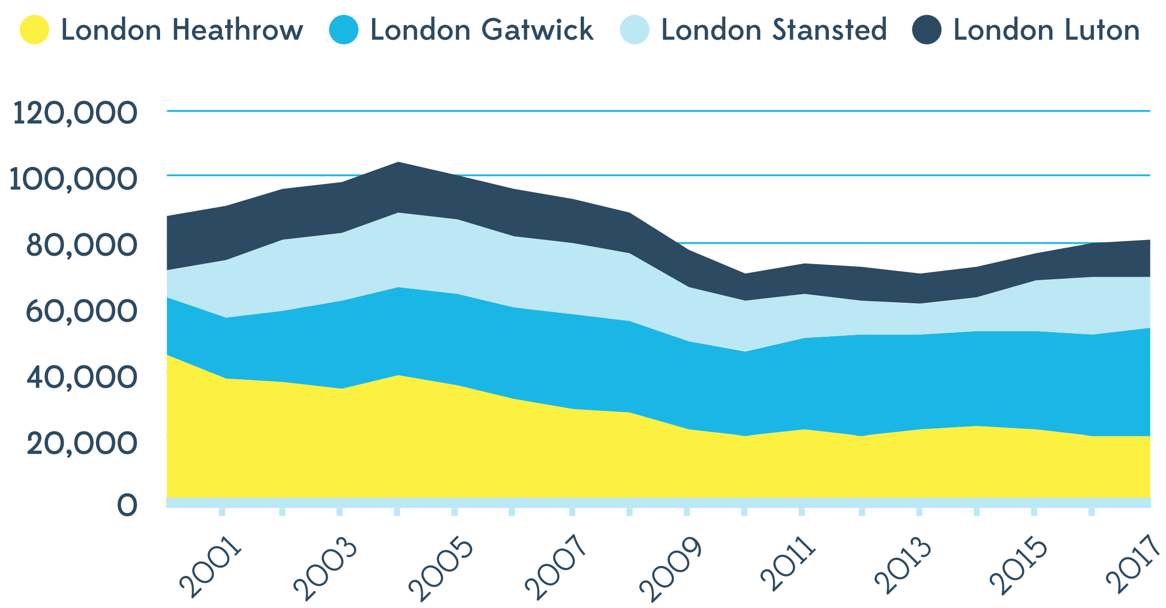
figure 20: Declining domestic Pax at Heathrow



Key point: Domestic travel from Heathrow airport has fallen by 54% since 2000.

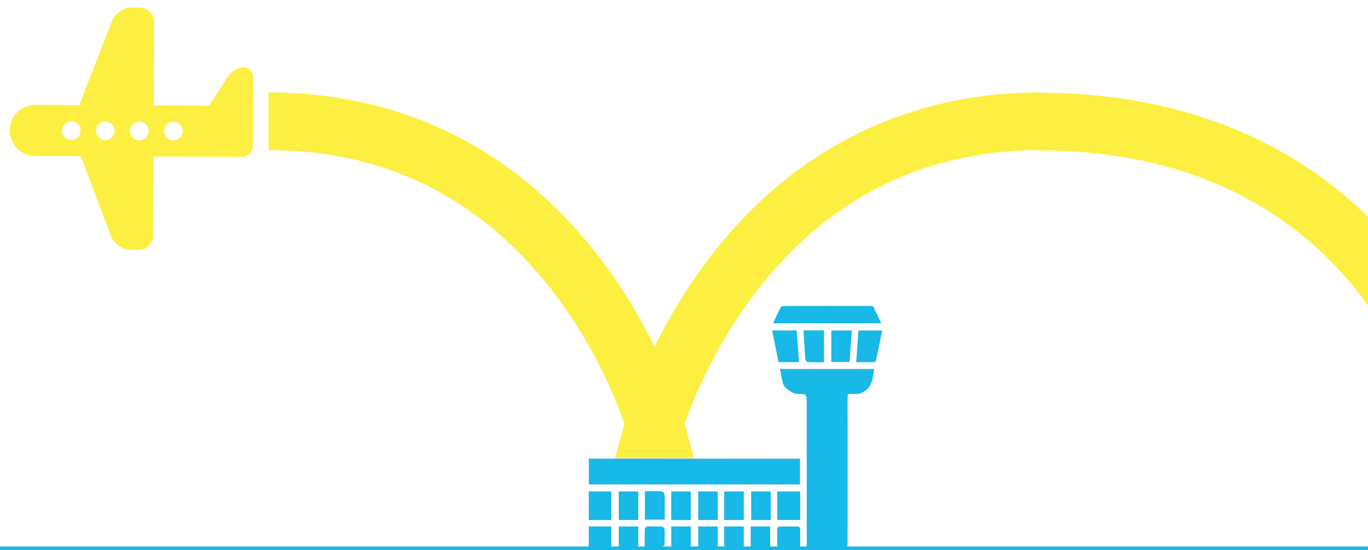
Whilst a revival of domestic aviation routes from Heathrow is frequently given as a key rationale for expansion, the UK air travel market has shown that it cannot sustain these routes under competition. The number of domestic routes operating from Heathrow fell from 19 to 8 between 1990 and today. Heathrow has promised expansion will deliver "at least 14" domestic routes,[8] principally via favourable landing charges and a £10m route development fund to subsidise airlines to operate these routes.[9] Yet the government's own updated projections foresee just five domestic routes being sustained from Heathrow airport if a new runway is built – or three with no expansion.[10]

figure 21: Domestic Pax across all four London airports



Key point: Overall, demand for domestic flights from London's airports has fallen by 10% since 2000.

The promise of new domestic routes, particularly between London and Scotland, has been central to securing political support for expansion at Heathrow.[11] But it is clear that the air travel market itself is not providing pressure to expand in order to cater to demand for domestic flights from London.



conclusion

The key finding of this report is that the relative importance of business travel as compared with tourism has been dramatically overstated in the discourse around airport expansion. The prominence that proponents of expansion give to the international business function of air travel gives the misleading impression that pressure to increase capacity is being driven by rising demand for these flights. The section of the Heathrow National Policy Statement's section on "The importance of aviation to the UK economy" opens with the following line:

> International connectivity, underpinned by strong airports and airlines, is important to the success of the UK economy. It is essential to allow domestic and foreign companies to access existing and new markets, and to help deliver trade and investment, linking us to valuable international markets and ensuring that the UK is open for business.[12]

Meanwhile, the astroturf lobby group Back Heathrow, an arm's-length appendage of the airport's expansion campaign, best encapsulate this pervasive narrative in their online statement setting out "the case for Heathrow":

> More and more people are flying – not just for holidays or to visit family but also to do business with companies and countries around the world. Emerging economies, such as China, India, Russia and Brazil, offer big opportunities for British companies, but only if they can get there by air.
>
> The airport is well placed to support those extra flights that both business and leisure travellers need… Now, there is an increasing demand from passengers, businesses and politicians for more flights to long-haul destinations so we can create more wealth for the country through trade. But Heathrow is currently full to capacity and it has to grow to meet that demand. It is the front door to Britain - yet it is closed to new business.[13]

As is clear from the data, the claims made here are both factually incorrect and deliberately misleading when deployed as arguments in support of expansion. Business travel now accounts for fewer than one in ten of all international flights by UK residents,[14] and just 19% of all terminating flights at UK airports.[15] The DfT do not expect this share to increase. The UK air travel market is and will continue to be dominated by leisure flights, primarily in the shape of outbound tourism.

This presents a further problem with respect to the claims made for the putative economic benefits of expansion at Heathrow. In an almost farcical oversight, the Heathrow NPS trumpets the £22bn value of 2015 inbound tourism (a figure which includes spend by tourists who did not travel to the UK by air), but somehow neglects to mention the £39 billion that UK tourists spent on visits abroad in that year. Whilst it may be understandable that Heathrow itself is not keen to highlight the UK's growing tourism deficit, it is extraordinary that the government has also chosen to completely ignore this inconvenient feature of the UK's air travel market in its deliberations over the question of new airport capacity to serve this market.

If the current trend for steep growth in outbound leisure travel continues, aviation as a whole will (by certain measures) become a net drain on the UK economy by the end of this year. It is important to note that the DfT's 2017 aviation forecasts for 2030 and 2050 project international leisure flights from UK airports to continue to split along these lines, at 73/27 UK/foreign in 2030 and 72/28 in 2050.[16]

Directing public policy towards expanding capacity to cater to increasing leisure traffic at UK airports is guaranteed to exacerbate this problem, unless it is accompanied by demand management policies designed to limit growth in outbound tourism. The government has no plans for such policy.

This report has shown that the driving force for new airport capacity in the South East of England is leisure travel. Whilst a number of convoluted arguments have been deployed to invoke potential regional benefits from Heathrow expansion, it is clear that that when it comes to consumers, the proposed new runway is primarily required to service the whims of wealthy frequent leisure flyers from London and the South East. The highest income passengers from London and the home counties are taking huge numbers of leisure flights each year, which is in turn an important contributing factor to the UK's tourism deficit. Between 2011 and 2016, the number of terminating passengers at UK airports grew by 45million; 58% of these new passengers were drawn from London and the South East. The DfT forecasts this trend to continue through to 2050, with demand growth heavily concentrated in London, the South East and the London and the South East.[17]

These projections hold irrespective of the promises Heathrow has made to open up new domestic routes to Scotland and elsewhere - promises which directly contradict the government's own expectations of a fall in the number of domestic routes served by the airport. In reality, the net effect of the new runway is likely to be just two additional domestic routes, leaving the airport with five – three fewer than today. This does not seem like a compelling rationale to support expansion.

It is also important to note that UK climate change commitments, which have scarcely featured in the discourse around expansion to date, will almost certainly require modal shift away from high carbon air transport where there are viable alternatives. Emissions from domestic air travel are formally included in the UK's national inventory, and these very short distance flights are of course by far the most amenable to rail substitution. In the context of meeting our carbon budgets, domestic air travel needs to fall, not grow, and the prospect of increasing such journeys should not be being put forward by government as a rationale for expansion – however popular it may be in the short term with regional politicians and airports.

Finally, the pressure to expand Heathrow specifically can be ascribed in large part to the aggressively rising demand for international transfer flights. Empty landing slots at other non-hub airports don't help airlines to shuttle people from one route to another, and this is fundamentally the reason why the industry wants to expand at Heathrow and not at one of London's other airports. Transfer passengers make no direct contribution to the UK economy but impose a wide array of social costs on its citizens, poisoning people who live close to the airport with illegal levels of air pollution, disturbing the peace of millions of Londoners whose homes, schools, parks and businesses are overflown – and exacerbating the growing climate change crisis. International aviation emissions remain outside of the UN frameworks for reducing emissions in line with scientific thresholds for a habitable planet.[18]

It is true that Heathrow's status as the world's leading international hub airport is now under threat due to a lack of capacity to handle more of these flights. Growing competition from overseas hubs saw Dubai overtake Heathrow as the world's busiest airport in 2015.[19] But this is not a status that is unanimously agreed to be positive. The presence of four other major international airports around London mean that the skies above the capital still play host to more planes than any other world city. Whilst Londoners do benefit indirectly from handling such large volumes of transfer passengers via the additional connectivity which Heathrow's hub status brings to the city, it is an open question whether these benefits outweigh the disbenefits.

recommendations

There is a fundamental assumption underpinning the government's entire approach to the question of airport expansion in the South East, yet it is never openly discussed. This is the assumption that rising consumer demand for air travel is simply an immutable fact of life and must somehow be met with fresh supply. But in reality, consumer demand can be both fickle and malleable. The DfT's strategy with respect to airport expansion is a contemporary example of the 'predict and provide' model which has long since been discredited in academic circles.[20] Increased capacity generates induced demand, in a never-ending cycle in which one must keep running to stand still.

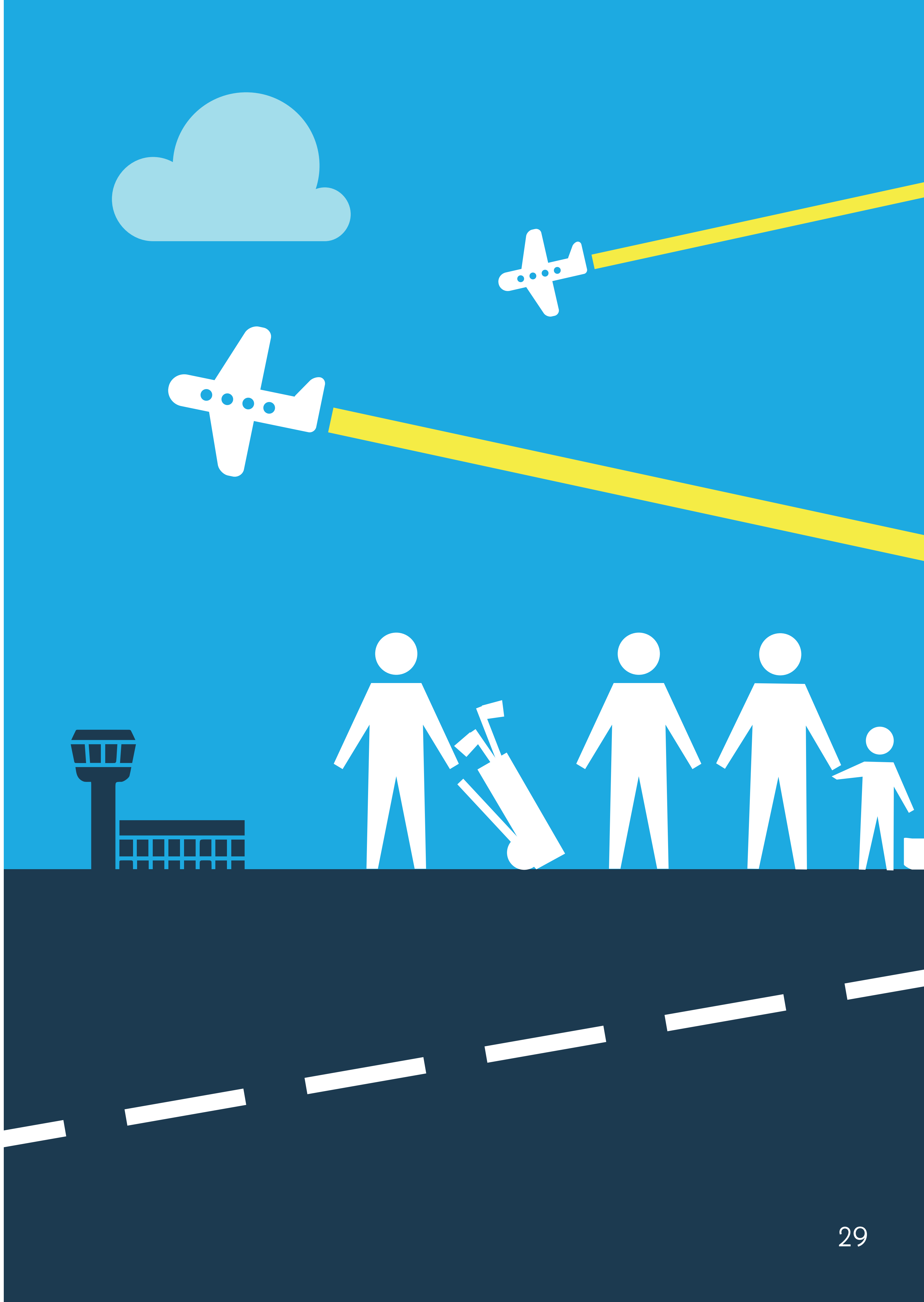
What happens when simply catering to all increases in demand is not necessarily in the public interest? This is the situation we face at Heathrow today. As this report has shown, much of the new demand which a third runway is intended to meet will come with painful, concrete costs but only oblique and questionable benefits. This is particularly true if we choose – as the government has not – to properly factor in the costs of any consequent failure to meet our climate change commitments. Fortunately, there is an alternative to the doomed predict and provide model of transport infrastructure planning: demand management policy.

In the case of UK aviation, this presents a difficult political challenge, as the British populace has grown used to air travel that is kept artificially cheap relative to other transport modes through generous fuel tax and VAT exemptions. As Tony Blair once put it during his tenure as Prime Minister, "no politician facing re-election would vote to end the era of cheap flights". Yet the Committee on Climate Change have repeatedly made clear that even after factoring in a range of optimistic assumptions about technological and operational efficiency improvements and the uptake of renewable fuels, demand growth at UK airports will still need to be limited using deliberate demand management policies if we are to meet our national targets under the Climate Change Act.

This is why we have instead proposed a Frequent Flyer Levy to replace Air Passenger Duty. This approach would target demand management policy at the 15% of the British population that take 70% of all of our flights,[21] by allowing each UK citizen one tax free flight each year, with an incrementally rising levy for each additional flight thereafter. A Frequent Flyer Levy would leave the totemic annual family holiday untouched, thus overcoming the bulk of the political resistance to increasing the costs of air travel, and protecting access to reasonable levels of flying for low income families in the face of shrinking overall carbon budgets. 85% of the population would be materially better off. Modelling for Fellow Travellers by the New Economics Foundation has found that this policy could be practically deployed to attenuate demand growth by enough to obviate the need for new runway in the South East.[22]

This approach would have the added benefit of primarily exerting downward pressure on outbound tourism flights by the UK's wealthiest households; business travel is less price elastic than leisure travel, and could be subject to a separate tax regime, while the majority of inbound tourists do not visit the UK more than once in any given year.

As the global climate crisis continues to deepen, politicians should take care to consider whether the choices they make now will leave them stranded on the wrong side of history. The UK today has a chance to depart from the failed dogma of the past. Perhaps we will be wise enough to take it.



endnotes

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