Would a third runway be 'good value' for the taxpayer? [1]

Written by **Chris Harlow** [2] | Tuesday 4 September 2012

The Department for Transport has stated [3] that without new runways, London?s airports will be at capacity by 2030. This could put Britain at a disadvantage from not being able to deal internationally at its full potential, especially with fast-growing markets in the Far East. Heathrow, as Britain?s only hub airport, is almost at capacity already and there has been pressure on the PM from businesses, media and backbenchers supporting the building of a third runway there. It is important that government does not prevent international businesses from operating in Britain, yet it is equally important that it allows investment decisions and funding to come from private interests and that it does not encroach on the rights it is designated to protect.

The building of a third runway is all very well if BAA Ltd (or a consortium of businesses and airlines) can afford to do so itself, but it is quite another if the £10bn funding required is going to come from the taxpayer. Against the official line of his party, George Osborne said on Sunday [4] on the Andrew Marr show that a third runway at Heathrow is an option for government funding through the Infrastructure (Financial Assistance) Bill. This Bill will come into effect in October and promises £40-50bn of state finance to go to private schemes approved by the government, can start within 12 months and, supposedly, offer good value for the taxpayer (in other words, more government welfare for private companies that offer ?good value for the taxpayer?).

If it is decided that a third runway is to go ahead, even if it is privately funded by BAA, additional costs may hit the taxpayer. The Free Enterprise Group, made up of Conservative MPs, has supported a move to give up to £40,000 compensation [5] to those who would be affected by noise created by the new runway. This presumably would come out of government pockets rather than being enforced on BAA.

The best solution would be to grant a private company permission to build an airport around existing transport links and infrastructure located in an area where no or minimal noise compensation would be needed. The Mayor of London has stated his support for a new hub built in the Thames Estuary. One such proposal by Foster and Partners [6] is to build a £20bn four runway airport on an artificial island near the Isle of Grain. It would be entirely privately funded, allocating £4bn towards improving existing infrastructure. Arguably, however, demand in the area isn?t high enough and the government would end up diverting much more infrastructural spending to this to increase demand, by creating transport links and provide public services for new workers. For the same reason, building a hub airport in the north when demand is predominantly centred around London may be good politics, but would be a great risk economically. The ?build it and they will come? strategy is a risk that should not be taken on something as crucial as international transport links, especially if the public purse is involved.

Another possibility arises from the currently anonymous ?world-leading infrastructure firm? [7] made up of a consortium of British businesses, who are currently scouting sites for a new four runway airport that they

hope could rival and perhaps even replace Heathrow as Britain?s key link between domestic regions and international airports, especially in the Far East. The firm has been looking at sites to the west and north-west of London and is now in talks with Chinese sovereign wealth funds over raising the necessary capital.

With a self-appointed monopoly on the decision of where something as crucial as an airport can be built, the government has a responsibility to make a decision that will involve minimal public expenditure, follow demand and protect the citizens who elected it from having their property devalued without compensation, whichever option that may be.

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