

Regional Distribution of Economic Impacts

Introduction

1. Heathrow has produced updated forecasts of the economic benefits of expansion. These are based on the new demand forecasts the Department for Transport (DfT) used in the revised Draft National Policy Statement on Airports (October 2017).
2. Heathrow's new estimates include the DfT forecasts for economic benefits and add to them the benefits from trade and Foreign Direct Investment (FDI), which the DfT forecasts exclude. In total these are estimated to be £187bn.
3. Heathrow's estimates are broadly consistent with the Airport Commission's (AC) central estimate (the "Assessment of Need" scenario) which forecast benefits of £147bn.

Regional Distribution

4. Both trade and FDI are forecast to increase as a result of increased business travel that will arise at an expanded Heathrow, as a result of lower fares and greater connectivity and therefore an increase in face to face business meetings. Connectivity improvements will boost trade and investment across all regions of the UK.
5. Benefits are concentrated in London and the South East because that is where the runways are located but significant benefits are distributed across the UK. As the AC noted, this is primarily because, "the majority of impacts are national effects and therefore benefit all regions."
6. The distribution of benefits is partially related to the origin of business passengers in the UK. However, the current pattern of business travel is not the sole determinant of the spatial distribution of trade and investment impacts. The future pattern of business travel is likely to be very different at an expanded Heathrow with a greater number of regional connections within the UK. It will also reflect existing patterns of employment in trade and FDI which is not be the same as the origins of business travel. Links into Heathrow are important, but not the only factor that determines how regions will benefit.
7. For example, the Thames Valley is the origin of a high proportion of business travel through Heathrow as a result of the large number of headquarters functions that are based there and these are often accompanied by significant employment in other regions. There are estimated to be 111 foreign owned businesses with HQs in the Thames Valley which own 149 companies elsewhere in the UK employing up to 75,000 workers.¹
8. Employment at foreign-owned companies is also linked to trade. The regions of England outside London and the South East, as well as Scotland, Wales and Northern Ireland get nine times as much employment from FDI in manufacturing as London and the South East do. Scotland, Wales and Northern Ireland do disproportionately well for employment in the R&D, ICT and digital technology sectors (which are more evenly distributed across England), while London and the South East get the vast majority of business services employment.
9. The regional breakdown of economic activity related to FDI is therefore based on the amount of activity in each region that is accounted for by foreign-owned companies. Similarly, jobs (and economic activity) that are

¹ Taking Britain Further p.71

dependent on trade are not necessarily located in the same location as HQ functions and the origin or destination of business travellers – they are located at the manufacturing operations themselves.

10. A regional breakdown of employment can therefore be calculated using existing patterns of economic activity in the sectors that are most likely to grow as a result of expansion – in particular manufacturing and other services.
11. The AC provided a breakdown of the benefits between three broad regions – London & the South East (40%), the rest of England (45%) and Scotland, Wales & Northern Ireland (15%). An illustrative regional disaggregation of the revised benefits can be obtained using these proportions. Heathrow has applied a further breakdown to individual regions based on each region's share of economic activity that is likely to grow as a result of expansion. The results are as follows:
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Table 1: Regional Breakdown of Economic Benefits (NPV, £bn 2014 prices)

Region	Economic Benefits
North East	£5bn
North West	£16bn
Yorkshire and The Humber	£12bn
East Midlands	£10bn
West Midlands	£13bn
East	£15bn
London	£44bn
South East	£30bn
South West	£13bn
Wales	£8bn
Scotland	£17bn
Northern Ireland	£5bn
	£187bn

NB Numbers may not sum due to rounding