

Heathrow Expansion DCO Consultation Response Economics and employment

September 2019

1. Overview

- 1.1 This paper sets out the Mayor's response on economics and employment to the statutory consultation by Heathrow Airport Limited (HAL) on its expansion proposals.
- 1.2 In summary, HAL has not sufficiently or thoroughly assessed the impacts of the proposals on London and its economic wellbeing and strengths. For example, impacts on existing businesses and employees and housing have not been fully assessed. Likewise, no commitments have been made towards implementing robust and effective mechanisms to deal with enforced displacements and relocations and its cumulative effect on business and industry, nor lost employment floorspace, the impact of temporary and permanent changes in population or the impact on existing amenities.
- 1.3 Given that economic and employment growth are considered to be the main benefit of the project, significantly more work needs to be done in this area to establish that the benefits are likely to be realised and not merely offset by adverse economic and employment impacts elsewhere.

2. Scoping opinion

- 2.1 The scoping opinion recommends that the Environmental Statement (ES) should clearly explain how compensation payments are to be made available to eligible parties to mitigate the effects of the scheme on local property value and availability. HAL states that the ES will include details of Heathrow's engagement with affected parties, and information related to the implementation of mitigation and compensation. This is partially included as referenced in Chapter 11: Community. The Preliminary Environmental Information Report (PEIR), however, does not explicitly address the Planning Inspectorate's request to 'clearly explain how the compensation payments will mitigate the likelihood of significant effects'. For example, at para 11.13.14 to 11.13.24, the PEIR explores 'additional environmental measures and mitigation related to changes to effects on community sustainability, viability, integration and cohesion' and this includes discussion of a 'community compensation fund', however, this falls short of a clear explanation of how likely significant effects would be mitigated to reduce or avoid the significant adverse effects.
- 2.2 The scoping opinion also recommended that the ES should set out projections of economic and demographic change at appropriate assessment years. HAL proposes refining the economic projections in the ES; any such refinements should set out a

methodology which determines future economic growth with clearly stated assumptions and/or limitations.

3. Methodology

- 3.1 The PEIR socio-economic and employment chapter presents findings based on economic modelling by Oxford Economics and Frontier Economics. Detailed methodology and underlying figures for the Oxford Economics work have not been published, so it is not possible to assess whether the underlying economic assumptions are correct. It is also not possible to compare the outputs of the modelling to appropriate data sets produced by the Greater London Authority (GLA), as the geography of the Core Study Area includes three London boroughs and local authorities outside London and does not disaggregate to borough level, or present an analysis at a whole-of-London level, or assess what quantitative effect the Scheme would have on the wider property area of London and tourism.

4. Study area

- 4.1 The core study area is focused on Hillingdon, two adjacent boroughs (Hounslow and Ealing) and nearby local authorities outside London. There is very limited consideration of the potential impacts on other areas of London, or on London as a distinct geography. While it is recognised that the project would have the most significant socio-economic impact in the immediately surrounding geography, development of this scale would undoubtedly have significant impacts for other boroughs in London and for London as a whole. For example, London Borough of Richmond is only 3km from Heathrow at its nearest point but it is not in the study area, and there are other significant areas (for example in London Borough of Brent) where relative deprivation levels are higher than that on the wider study area boundary, and which a socio-economic analysis should consider.

5. Additional considerations

- 5.1 Given the size of the project and significance, there is a need to be able to understand the positive and negative impacts of the project on the wider London economy. The following considerations in particular should be addressed in addition to those in the PEIR report:
- potential multiplier effect on London's economy;
 - displacement of businesses in areas outside the core study area;
 - increased demand for construction workers (and the impact of this on planned projects elsewhere in London);
 - impacts of transport disruption on the wider London economy;
 - increased demand for industrial and logistics capacity caused by the works and by

an expanded airport, and in particular on Strategic Industrial Locations (see below).

- The impact on tourism in London
- The impact upon amenities and resources such as health on London.

5.2 Insufficient consideration is also given to how people might need to travel further / to different locations for jobs that are re-provisioned, which may be particularly difficult for vulnerable populations.

6. Mitigation

6.1 There is no substantive discussion of mitigation and initiatives to maximise the opportunity and promote access to jobs. While some detail is provided in the Economic Development Framework the detail in PIER chapter is limited and these matters should be clearly set out as they may have environmental impacts of their own, which should also be reviewed, assessed and consulted on.

7. Cargo, warehousing and logistics

7.1 Air cargo through Heathrow is projected to increase from 1.59m tonnes/year to c. 3m tonnes/year by 2035. The impact of this on demand for warehousing and distribution space should be assessed, particularly given the context of projected demand for increased warehousing and distribution capacity in London from other sources and pressures on industrial land (as set out in the GLA's Industrial Land Demand Study 2017).

7.2 Table 18.28 states that 136,000 sq.m. of warehousing would be displaced and 63,000 sq.m. would be re-provided. Para 18.10.24 states that further warehousing space will be provided as part of the DCO Project; this is presumably the additional 206,000 sq.m. of cargo floor area proposed as part of the intensification of the SEGRO Horseshoe and additional accommodation around the IAG World Cargo Centre. It would be helpful to more clearly set out:

- How the doubling of cargo capacity would drive demand for additional warehousing and distribution space, and how this demand would be accommodated (either within the DCO area or elsewhere);
- What the impacts of displacement of existing warehousing would be, what impact this would have on existing land uses and the potential for this displaced capacity to be accommodated elsewhere sustainably;
- Where and how the re-provision would occur;
- The implications for the successful on-going operation of London's Strategic Industrial Locations (particularly Park Royal, given its proximity to Heathrow and existing plans to intensify this industrial area as part of the Old Oak Park Royal

Development Corporation).

- How any non-airport infrastructure such as this falls within the definition of associated development under section 115 of the Planning Act 2008.

- 7.3 In order to use land more efficiently, the potential for multi-storey industrial development should be explored as part of proposed intensification and re-provision.
- 7.4 There should also be a clear assessment of the spatial land implications of the construction and development of the project. Additional demand generated for distribution and land for construction uses (e.g. aggregate consolidation) should be carefully considered, particularly at more local levels.

8. Loss of existing jobs

- 8.1 Paragraph 18.10.24 of Volume 1, Chapter 18 (socio and employment) confirms that the DCO Project will only allow for 22% of displaced offices (a net loss of 74,500 sq.m. of office space) and (up to) 46% of displaced warehouse space to be re-provided (a net loss of 73,957 sq.m. of warehousing), giving a total loss of 148,456 sq.m. of existing employment floorspace. This equates to a net loss of 8,650 jobs assuming all the new off-site offices and warehouses are built and occupied.
- 8.2 However, the submitted material does not explain how these figures were arrived at, nor does it for example provide information on other displaced uses such as industrial or retail floorspace which suggests that actual floorspace and job losses would be greater, although it is acknowledged that the examined airport facilities will in themselves provide some additional employment.
- 8.3 While HAL has committed to minimise its DCO effects on existing businesses through its Land Acquisition and Compensation Policies, its interim approach to relocation support for small business is discretionary and appears to be dependent on businesses reaching agreement with the airport without it having to revert to Compulsory Purchase.
- 8.4 In conclusion, notwithstanding potential wider benefits to the local and wider economy, the DCO proposals will lead to considerable disruption to local businesses and a significant reduction in established employment floorspace, thereby undermining the project's claimed economic benefits.
- 8.5 Furthermore, no breakdown of employment categories has been provided (e.g. whether the land in question is Strategic or locally protected industrial land), how the potential replacement premises will be provided and what specific support will be provided to displaced businesses and employees.

9. Economic Development Framework

- 9.1 It is acknowledged that the Economic Development Framework (EDF) is a preliminary assessment and much of the detail is deferred to the Economic Development Strategy but given how big the project is and therefore how big the economic opportunity, one

would expect a little more detail. Many of the principles seem appropriate (i.e. apprenticeships, skills, training etc.) but a meaningful assessment cannot be made without an indication of how these principles might be implemented.

9.2 Some specific questions arising from the EDF at this stage are:

- Foreign Direct Investment - little detail is provided on how the Heathrow opportunity and FDI can be used to boost London's economy.
- Addressing deprivation - Heathrow provides a huge opportunity to help address deprivation. However, little is discussed in this regard. Graphic 3.1 demonstrates that the largest area of deprivation (Brent) is just outside the study area so not directly dealt with.
- Indirect impacts - there is little discussion of the economic impacts provided by all the social infrastructure, housing and transport that will be required to mitigate the impact of 65,000 new jobs

10. Policy context

10.1 While Paragraph 2.4.3 and Table 2.1 (Important and relevant planning policy documents from host local planning authorities) of Chapter 2 of the PEIR (Legislative and policy overview) identifies that the London Plan sets out the spatial development strategy for Greater London, and that the London Plan (and draft London Plan) are important and relevant policy documents for the DCO Project, Table 12.1 (Vol 3 Ch. 2) does not identify all the relevant draft London Plan policies that relate to socio-economic issues.

10.2 The following draft London Plan policies should also be considered in relation to the DCO proposals: -

- Policy SD10 – which identifies areas for strategic regeneration in London whereby town centres will play a role in providing access to local services and employment opportunities for the Areas for Regeneration;
- Policy E1 – supports the increases in the current offices stock where there is authoritative, strategic and local evidence and based upon demand, which supports new office provisions, refurbishment and mixed-use development. Whilst seeking to ensure that office functions are not undermined by office to residential PDR;
- Policy E2 – stipulates the support and protection of a range of low-cost B1 business space for business purposes;
- Policy E3 - encourages affordable work spaces for a specific social, cultural or economic development purpose and with a long-term commitment to maintaining the agreed or intended social, cultural or economic impact;
- Policy E4 – stipulates the need for sufficient supply of land and premises in

different parts of London to meet current and future for light and general industrial uses, whole sale market, utilities and infrastructure and waste management etc;

- Policy E5 provides for the need to develop local policies to protect and intensify the function of Strategic Industrial Locations including residential development, retail, places of worship, leisure and assembly uses;
- Policy E6 stipulates that the range of industrial and related uses should be made acceptable to accommodate a wider business use;
- Policy E7 deals with the intensification of business uses in Use Classes B1c, B2 and B8 occupying all categories of industrial land through more efficient use of the land so as to deliver an intensification of industrial and related uses;
- Paragraph 4 of Policy SD8 is material in assessing centres which have scope to accommodate new commercial development and housing;
- Policy E8 - is material in terms of employment opportunities for Londoners across a diverse range of sectors;
- Policy E9 - refers to the diverse and competitive retail sector that meets the needs of Londoners; and
- Policy E10 – deal with the special characteristics of major clusters of visitor attractions in London and the diversity of cultural infrastructure in all parts of London which should be conserved, enhanced and promoted, promoting the need for serviced accommodation, and the role of apart-hotels and short-term lettings and the need for sufficient choice of accommodation for tourism and business relates purposes.

10.3 The draft policies should be regarded within the DCO in terms of the socio-economic impacts which will arise from the Scheme and the impact that this will have on office space, displacement and employment.

10.4 Finally, HAL should better set out how its proposals will provide the economic and employment benefits in particular for London. HAL must also show that all reasonable measures have been taken to minimise any detrimental impact its expansion proposals will lead to. Regrettably, due to HAL's requirement to keep the Scheme fluid and flexible there is no adequate way to assess the potential detrimental impact on London or to adequately consider how best to deal with the impact.