

Finance

- The Airports Commission's base case financial model for Heathrow forecasts capital costs of £80 billion, comprising £25 billion for the expansion scheme by 2050.
- However, **expansion costs** are now expected to comprise over **£31 billion**.
- If expansion happens **Heathrow's peak debt** will need to rise from £11 billion in 2014 to between **£34 and £40 billion in 2028**, which with re-financing needs will be a huge challenge for debt markets.
- PwC estimates that Heathrow would have to issue £3bn to £6bn of bonds a year for most of the 2020s in order to finance the third runway. That would swamp the market for sterling bonds.
- Since 2006, shareholders' funds have declined from £6.3bn to £922m. Over the same period, long-term debts have climbed from £6bn to £13.7bn and the RAB has tripled to £15.8bn.
- Heathrow has paid only **£24 million** in corporation tax in the last decade.
- Heathrow's owners benefit from a **£120 million tax break** each year.



- Heathrow as a company has debt of £13.7bn and a £15.8bn asset base – giving it a leverage ratio of 87%. Conversely, the highly geared utility Thames Water has ratio of 81.5%, and is under pressure to reduce it.
- Financing the construction of a third runway would almost double the size of Heathrow's £15.8bn asset base. This would also require stretching its balance sheet further, taking the leverage ratio up to 93%.
- The scrutiny of Heathrow's spending has been remarkably scant. There is no audit of the RAB, to show how the current figure of £15.8bn is calculated – particularly what assets go into it, and what has come out of it.
- Heathrow has not provided a detailed cost breakdown for the additional runway.
- In 2012, the CAA imposed a gearing ceiling on the air-traffic company NATS of 65%. If debt climbs above this level, NATS is banned from paying dividends.
- A cap on Heathrow's gearing – a measure of its debt as a proportion of the value of its assets – would ban dividends if borrowings climb above a certain level. Such a cap could affect their ability to raise funds for the runway.

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