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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