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Spatial Economics Research Centre

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Is Heathrow in the Wrong Place?

Posted by Paul Cheshire, SERC and LSE

[The Guardian reports](#) that Justine Greening agrees with proponents of [Boris Island](#) that Heathrow is in the wrong place – “if you were starting from scratch”. But the fact is that we are not starting from scratch, and this has fundamentally important implications for decisions on airport policy.

First, Heathrow has – admittedly inadequate – public transport links already in place. Second, and even more importantly, one must consider the costs any large airport inflicts on residents who might experience its noise and pollution without compensation. The conventional answer is that these are the people living near Heathrow. But it is not as simple as that.

Almost no one living in Southall, Richmond or Wraysbury looks out of their windows and says – “What a surprise – there are noisy aeroplanes overhead”. Almost no one has lived continuously in the affected area since 1965 (although one occasionally appears on TV, unearthed by a journalist looking for a human interest story or a visiting politician).

Heathrow has been a big and noisy airport for at least 40 years. Some people live in the area because they work at the airport; some because they are frequent users; but most live in the area because - all else equal - the cost of housing is lower there.

Research on how housing markets work shows almost beyond doubt that house prices and rents fully reflect all the costs of disamenities such as aircraft noise, high crime or flood risk. In the same way, the cost of housing quickly adjusts to reflect the value of better local state schools, local parks or transport links.

What's more, people pay not only for current amenities but also for expected future values of those amenities, as I showed in [some 2004 research \[pdf\]](#). So it is not just the present experience of aircraft noise and pollution that is reflected in house prices around Heathrow but reasonable expectations about levels of that nuisance in the future.

So if we were truly starting with a clean slate, London's main hub airport would not be where Heathrow is. But given that Heathrow *is* where it is, and has been there for more than a generation, it is in exactly the best place in terms of compensating people for the noise and pollution it causes. People who are affected have been compensated at least once via lower house prices and in many cases twice - because they have received help to pay for sound proofing their houses.

Wherever they are, aircraft and airports cause local nuisance and pollution. So we need to compensate those affected by airports and reduce the environmental costs by taxing fly appropriately. But the best way of compensating people is through the housing market – and that implies not only Heathrow is ‘in the right place’, but that policymakers should focus any necessary expansion of airport capacity where airports are already located.

Posted by [Max Nathan](#) on [Wednesday, March 07, 2012](#)

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