

News release

25 April 2007

BAA unveils £9 billion investment programme to end congestion at UK airports

BAA has today published its 11* year traffic forecasts and capital investment plans for Heathrow, Gatwick and Stansted airports, its three price regulated London airports. BAA is forecasting average passenger traffic growth for these three airports of 2.8% per annum over this period, along with capital investment of approximately £9.3 billion (in 2007/08 prices).

Stephen Nelson, Chief Executive Officer, BAA said:

“Last month BAA announced its ongoing investment to cut airport queues quickly, today we are focused on our long-term plans to free the travelling public from congestion and provide a good experience at our airports. Our investment programme is big, ambitious and long-term, yet will require no subsidy from taxpayers. The size and strength of BAA’s balance sheet and our unrivalled experience in developing new airport facilities, give us great confidence that we can deliver this scale of investment on time and on budget. We now look to the regulatory authorities to deliver the stable regulatory system and sensible financial incentives necessary to deliver these plans”

Major new airport facilities that are planned include:

- G2 – Stansted’s second runway and Terminal
- Heathrow East – replacement for Terminal 2
- Renovation of Heathrow’s Terminals 3 and 4
- T5C, second satellite for Terminal 5

For further information on BAA see www.baa.com

* Plans are for 11 years so that they cover next two regulatory periods, 2008-2013 and 2013-18. Previously, BAA has issued 10 year investment plans.

- Ends -

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Passenger Traffic Forecasts

BAA is forecasting passenger traffic growth at its 7 UK airports of about 2.5% for 2007/08.

London Airports

BAA is forecasting the following passenger traffic growth at the three London airports for the next ten years:

Financial year	Heathrow pax (m)	% growth	Gatwick pax (m)	% growth	Stansted pax (m)	% growth	Total London airports pax (m)	% growth
06/07 actual	67.3	- 0.2%	34.4	4.7%	23.8	7.2%	125.5	2.5%
2007/08	68.2	1.3%	35.6	3.6%	24.7	3.6%	128.5	2.4%
2008/09	69.7	2.1%	36.7	2.9%	25.3	2.2%	131.6	2.4%
2009/10	71.3	2.4%	37.4	2.0%	26.2	3.6%	134.8	2.5%
2010/11	72.7	1.9%	37.8	1.1%	27.3	4.4%	137.8	2.2%
2011/12	74.1	2.0%	38.1	0.8%	28.6	4.8%	140.8	2.2%
2012/13	76.2	2.8%	38.4	0.8%	30.0	4.9%	144.6	2.7%
2013/14	77.9	2.2%	38.7	0.8%	31.5	5.0%	148.1	2.4%
2014/15	79.6	2.3%	39.0	0.8%	33.0	4.8%	151.6	2.4%
2015/16	81.5	2.3%	39.5	1.3%	38.0	15.2%	159.0	4.8%
2016/17	82.9	1.8%	40.0	1.3%	41.5	9.2%	164.4	3.4%
2017/18	84.4	1.8%	40.5	1.3%	45.0	8.4%	169.9	3.3%

Passenger Traffic Forecast Assumptions:

Our assumptions for the development of traffic across the three London airports are as follows:

- a. Traffic demand is projected to grow by about 3.4% per annum between 2007/8 and 2017/18.
- b. UK GDP is assumed to grow on average by 2.2% per annum over the course of the forecasting period.
- c. Real airfares are assumed to decline on average by about 0.4% per annum over the forecast period, with the rate of decline varying between airports and markets. Amongst other things this takes into account the assumed inclusion of aviation in the EU Emissions Trading Scheme (ETS) from 2011.
- d. The rate and direction of fares change in any given market is likely to vary from year to year, reflecting conditions at the time (as illustrated by the effects of the variable aviation fuel prices that the industry has been experiencing over the past two years).

e. The Stansted forecast reflects two specific factors. Firstly SG2 is assumed to open in time for the start of 2015/16. Secondly it is assumed that during Q5 and Q6 there will be increases to the prices paid in Q4.

f. In addition to SG2 major capacity development assumptions include: -

- First full year of T5 operation in 2008/9.
- Further development of Heathrow non – T5 infrastructure including Heathrow East.
- Gatwick develops to handle 40 mppa.
- SG1 development at Stansted in the period before the opening of the second runway.
- The Scottish Airports and Southampton develop to meet the growth of demand.

g. Pending the results of the evaluation of the environmental impact of Heathrow expansion, the forecasts do not assume the introduction of either Mixed Mode or a 3rd runway at Heathrow within the period.

h. The forecasts make allowance for the developments described in the respective airport masterplans for Luton and London City airports.

i. Capacity constraints will restrict annual throughput growth at the BAA London airports in the pre-SG2 period to an average of 2.4% per annum. An element of traffic demand growth will therefore be lost from the London system as a result of these constraints.

j. No wars, terrorist incidents or disease pandemics are assumed to occur that have a material impact on commercial aviation.

k. The forecasts were prepared before the recent agreement on EU / US Open Skies. It is assumed that the deal will have a material impact on traffic volumes at Heathrow and Gatwick, commencing 2008/9. Pending a more detailed assessment of airline intentions in light of the recent EU / US Open Skies agreement, BAA's indicative forecast of the potential impact on annual passenger volumes at Heathrow and Gatwick is as follows: -

Year	Heathrow	Heathrow - With Open Skies	Difference	Gatwick	Gatwick - With Open Skies	Difference
2007/8	68.2	68.2	-	35.6	35.6	-
2008/9	69.7	70.6	+ 0.9	36.7	36.2	- 0.5
2009/10	71.3	72.8	+ 1.5	37.4	36.6	- 0.8
2010/11	72.7	74.2	+ 1.5	37.8	36.8	- 1.0
2011/12	74.1	75.3	+ 1.2	38.1	37.3	- 0.8
2012/13	76.2	77.2	+ 1.0	38.4	37.7	- 0.7
2013/14	77.9	78.6	+ 0.7	38.7	38.2	- 0.5
2014/15	79.6	79.9	+ 0.3	39.0	38.8	- 0.2
2015/16	81.5	81.5	-	39.5	39.5	-
2016/17	82.9	82.9	-	40.0	40.0	-
2017/18	84.4	84.4	-	40.5	40.5	-

l. There are no material impacts on traffic volumes as a result of airline merger or consolidation.

m. BAA's forecasts for Heathrow and Gatwick have been discussed with the airline community at the respective airports through the Constructive Engagement process.

Other UK Airports

At its other UK airports, BAA is currently forecasting the following passenger traffic growth for 2007/08:

Airport	Passenger (m) 06/07 Actual	Passenger (m) 07/08 Forecast	% growth
Aberdeen	3.3	3.5	7.5%
Edinburgh	8.7	8.9	2.8%
Glasgow	8.9	9.0	1.1%
Southampton	1.9	2.1	10.2%
Total	22.7	23.5	3.5%

Capital Investment Programme

BAA is planning to invest around £1.04 billion at its 7 UK airports during 2007/08.

London Airports

BAA is currently planning to invest around £9.3 billion at its three London airports over the next 11 years, as outlined below. The scale and timing of the investment programme is, of course, dependent on a satisfactory outcome of the forthcoming regulatory review.

£m (future spend in 2007/08 prices)	Heathrow*	Gatwick*	Stansted*	Total London airports*
2006/07	1,041	102	112	1,254
2007/08	780	88	118	986
2008/09	685	99	139	924
2009/10	742	93	109	945
2010/11	768	72	78	918
2011/12	492	68	242	802
2012/13	241	106	337	684
2013/14	807	110	599	1,515
2014/15	563	72	296	931
2015/16	452	65	87	603
2016/17	348	79	62	489
2017/18	353	89	29	471
	6,231	939	2,098**	9,268

* These estimates / forecasts have been rounded to the nearest £ million

** £1,487 million relates to SG2, phase 1 (including pre-spend planning and blight and land costs and a provision for surface access)

Supporting information:

Heathrow

The centrepiece of the current capital programme, Heathrow's Terminal 5 continues to make good progress on site. It is now over 90% through the development and remains on target to achieve its net budget of £4.35 billion (reflecting all future expenditure in 2007/08 prices). In addition, the £0.25 billion Terminal 5 baggage system is now to be retained rather than sold on completion.

Opening Terminal 5 gives BAA the space to co-locate airline alliances and other airlines in such a way so as to improve connectivity and productivity for both BAA and the airlines, while at the same time affording the chance to rejuvenate the existing terminals. Once these moves are complete BAA will have created the opportunity to close Terminal 2 as an operational terminal, which in turn provides the opportunity to build a new, modern terminal building Heathrow East Terminal, on the site of Terminal 2 and the adjacent Queens Building, to serve the Eastern apron. This is a once-in-a-lifetime opportunity to address the issue of ageing assets and to provide passengers and airlines that use the Eastern apron with a comparable experience and product to that of Terminal 5. BAA's ambition is to

have the major part of Heathrow East Terminal open in time for the Olympics in 2012, provided timely planning consent and regulatory support is received.

The development of Heathrow East Terminal is also an important step in improving the entire Central Terminal Area. The road system is inadequate for the demands the airport places on it; the public transport is not properly integrated; and the passenger experience is not in line with what is expected of a leading international airport. Transforming the Central Terminal Area will unlock the commercial potential to drive improved and properly integrated public transport, a much improved passenger experience and ultimately will also stimulate the West London economy. This will have a positive impact on the surrounding communities and ensure that a greater proportion of the benefits that Heathrow generates is retained by them.

The Heathrow Capital Investment Programme (CIP) has been based on the output from the Constructive Engagement process with Heathrow's airlines, specifically around Strategic Choices and capex efficiency.

The CIP excludes capital expenditure on mixed mode or a third runway.

The joint priorities developed by BAA and airlines for Q5 have resulted in the following investment strategy, as represented by the CIP:

1. Asset renewal: maintain cost-effective levels of service, as appropriate.
2. Level the field by 2012. This will ensure that by 2012 all passengers have an excellent Terminal 5 like experience and all airlines and alliances can operate efficiently. The main components are:
 - bring phase 1 of Terminal 5 into service in March 2008 to provide the airport with a world-class terminal
 - co-locate the STAR alliance within Terminal 1 and then within HET post 2012
 - co-locate the other airlines and alliances within Terminals 3 and 4
 - implement existing and revised Memoranda of Understanding which support the co-location of airlines and alliances
 - renovate Terminals 3 and 4
 - complete Terminal 5's second satellite, T5C, by Spring 2010
 - shut Terminal 2, which is over 50 years old, to save operating costs
 - construct phase 1 of Heathrow East Terminal by 2012
 - develop baggage systems and connectivity to provide a world class level of performance for general airport infrastructure
3. Enable growth within existing limits, including the regeneration of the Central Terminal Area's landside infrastructure

Initially, full delivery of Heathrow East Terminal before the end of Q5 was considered. However, in response to airlines' views, BAA Heathrow has now agreed to phase Heathrow East Terminal over Q5 and Q6 and to bring forward further renovation of Terminals 3 and 4. The investment strategy and figures published within the CIP reflect this.

Gatwick

At Gatwick, an investment programme of £939 million has been outlined following Constructive Engagement with Gatwick airlines.

- **Maximising airfield and runway capacity.** The key elements are changes to airfield infrastructure to facilitate the introduction of larger aircraft to Gatwick and to prepare for delivery of additional pier service.
- **Accommodating additional capacity in the North Terminal.** North Terminal has the capacity to expand pier service and develop new infrastructure to accommodate both demand and new flexible operating requirements e.g. security processing directives, baggage system enhancements etc.
- **Improving service quality and the provision of adequate facilities for existing capacity in South Terminal.** To improve the operating environment and passenger experience in and around the South Terminal it is planned for example, to invest in improvements in Pier 1 as well as the main check-in area and expansion of the International Departure Lounge.

Refurbishment of assets through an asset renewal programme.

The proposals for Gatwick include, but are not limited to, the impact upon the composition of Gatwick's traffic of 'open 'skies', the consolidation of the charter market and the impact of any further future security requirements.

Stansted

At Stansted, current plans allow for around £600 million to be invested in the runway and terminal infrastructure to make maximum use of the existing runway. The focus of this plan is addressing the gap between the facilities that Stansted has today versus those required in the future, as Stansted grows towards 35 million passengers per annum from a single runway. Work commenced on the arrivals extension in March 2007 with a phased completion scheduled from Summer 2008. Further developments are expected to include a new satellite, a departures extension and improvements to the baggage handling system.

The remainder of the investment at Stansted is intended to support the progression through planning and development of a second runway. After a busy period of consultation, we published details on the location of a second runway, the position of the extended airport boundary and the layout of the airport site in January 2007. This will form the basis of the planning application we will be making in summer 2007. Decisions on the development proposal include:

- A parallel runway, 3,048 metres long and 2,200 metres to the south-east of the existing runway;
- The two runways to be operated in 'segregated mode' which means one runway for landings and the other for take-offs. This means that communities will normally only be directly over flown to the north-east of the new runway and to the south-west of the existing runway;
- Opening cost in 2015 of £1.4 billion. Further phases of expansion up to the year 2030 will take overall cost to £2.27 billion. This compares to the original Government estimate of £4 billion;
- Additional land required for the development has reduced to 486 hectares, compared to the original Government figure of 700 hectares;
- Over 50 per cent of the existing airport boundary will remain where it is today, including the area adjacent to Burton End where we have been able to respond to the concerns of local residents about the airport boundary extending into the hamlet;
- Forecast throughput for a two-runway Stansted in 2030 will be 68 million passengers a year;
- There will be a phased approach to the development, in line with growth in passenger demand. At the time of opening - estimated to be 2015 - the development will accommodate an extra 10 million passengers a year;

In February 2007 we launched a 14-week public consultation on requirements for road and rail access to the airport once the second runway is open, expected to be in 2015.

Other airports

At its other airports (Southampton, Glasgow, Edinburgh and Aberdeen) BAA is currently forecasting investment of around £56 million in 2007/08.