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| Agenda Item: | Reference: HACC. 425 |
| Date: May 13 2005 | |
| BAA Traffic and Capital Investment Forecasts 2005 - 2015 | |

Report by the Technical Adviser

1. BAA plc published its 10 year forecasts for traffic and for capital expenditure at the London airports in the period up to 2015 on April 28 and a copy is attached as an annexure to this report.
2. BAA is forecasting average traffic growth of 3% per annum for the three airports over the next 10 years and to support this demand, BAA has forecast that it will spend approximately £6.8 billion (2005/06 prices) over that period.
3. For 2005/06, BAA is scheduled to invest approximately £1.4 billion and passenger traffic is expected to grow by 3.5% at the three London airports. This contrasts with 2004/05 when traffic grew at these airports by 6.2% and BAA invested £1,287 billion in capital.
4. The document emphasises that, pending the results of the environmental impact of Heathrow expansion, the forecasts do not assume the introduction of Mixed Mode operations at Heathrow nor that a third runway will be built there.
5. In 2004/05, Heathrow handled 67.7 million passengers; in 2005/06 this is expected to increase to 69.5 million, in 2009/10 to 78 million and in 2014/15 to 86 million passengers. The forecasts deal with passenger numbers and not with aircraft movements.
6. BAA is confident that air travel demand will continue to grow. Its assumptions include:
 - traffic demand growth will average about 3.9% per annum between 2005/06 and 2014/15 but that capacity constraints will restrict annual throughput growth to an average of 3% per annum. An element of air traffic demand will, therefore, be lost from the London system

- the first full year of T5 operation will be 2008/09
 - Gatwick develops to handle at least 40 million passengers per annum on the existing runway
 - Stansted develops to 35 million passengers per annum on the existing runway
7. At Heathrow, completion of Phase 1 of Terminal 5 will enable British Airways to move all of its operations to Terminal 5 and subsequently release space in the existing airport. Following this, a phased relocation of airlines and redevelopment of parts of the existing airport will take place between March 2008 and 2011. This will enable the airlines of the STAR Alliance to consolidate operations in Terminal 1 and the SKYTEAM airlines in Terminal 4.

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