

DATED

2016

THE SECRETARY OF STATE FOR TRANSPORT

and

HEATHROW AIRPORT LIMITED

STATEMENT OF PRINCIPLES

relating to

Airport Capacity Programme

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1. INTRODUCTION

- 1.1 This statement of principles is made between and signed by the Secretary of State for Transport ("**Secretary of State**") and Heathrow Airport Limited (a company registered in England and Wales with company number 01991017) ("**HAL**") (the "**Statement of Principles**").
- 1.2 The purpose of this Statement of Principles is to inform the Government's policy on aviation capacity following the Government's consideration of the interim and final reports of the independent Airports Commission (the "**Airports Commission**"), whose final report was published on 1 July 2015.
- 1.3 The Secretary of State announced in an oral statement to Parliament on 14 December 2015 that the Government:
 - 1.3.1 will undertake further work on environmental impacts and the best possible mitigation measures before deciding on its preferred scheme;
 - 1.3.2 accepts the case for expansion (and therefore agrees with the Airports Commission that London and the south-east needs more runway capacity by 2030);
 - 1.3.3 accepts the Airports Commission's shortlist of options, which includes HAL's Scheme (as described in paragraph 2.3 below); and
 - 1.3.4 will begin work immediately on preparing the building blocks for an Airports National Policy Statement (in line with the Planning Act 2008).
- 1.4 At the date of signing of this Statement of Principles (but not dating this Statement of Principles), the Government has not yet formed a view on the recommendations in the Airports Commission's report as to how best to meet the need for more runway capacity in London and the south-east. The signing of this Statement of Principles does not imply that the Government has yet come to a conclusion on its preferred scheme or how best to mitigate the impacts on communities of expansion.
- 1.5 If the Government concludes no later than 31 October 2016 (or such other date as may be agreed between HAL and the Secretary of State each acting reasonably) that HAL's Scheme (as set out in Appendix 1 (*Scheme*)) is the sole preferred scheme, this Statement of Principles sets out the principles on which the Government and HAL intend to proceed and the basis on which they would co-operate going forward to facilitate the implementation and development of the Scheme, subject to the issue of a communication in writing by the Secretary of State in accordance with paragraph 1 of Part 1 (*Principles relating to Key Areas of Scheme Development and Implementation*) and in the case of HAL subject to paragraph 8 (*HAL Scheme Conditions*).
- 1.6 Subject to paragraph 1.3 of Part 6 (*Key Principles - Mitigation and Compensation Measures*), this Statement of Principles includes (but is not limited to) the public commitments set out in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*) made by HAL as part of HAL's public submissions to the Airports Commission ("**HAL's Commitments**") and the basis of its proposed Scheme, in each case as clarified in the engagement process between the Government and HAL undertaken from 1 July 2015 to the date of this Statement of Principles.

2. NOT LEGALLY BINDING

- 2.1 This Statement of Principles is not legally binding. HAL and the Secretary of State acknowledge that this Statement of Principles does not have (nor is it intended to have) any legal effect. In particular, HAL and the Secretary of State each acknowledge that:
- 2.1.1 it does not create any legitimate expectation, whether substantive or procedural, in relation to the exercise of functions by Government and/or by the Civil Aviation Authority ("CAA");
 - 2.1.2 the Secretary of State is required to exercise his functions in accordance with public law and this Statement of Principles cannot fetter his discretion to have regard to all the relevant circumstances in the exercise of those functions, including the introduction of appropriate policies from time to time;
 - 2.1.3 this Statement of Principles is not legally binding and it does not create, evidence or imply any partnership, contract, obligation to enter into a legally binding or enforceable contract or obligation to carry out, terminate or omit to carry out any action, enter into any negotiations or cease from any discussions with any third parties;
 - 2.1.4 HAL is a private sector entity and this Statement of Principles cannot fetter HAL's discretion to have regard to all the relevant circumstances when taking commercial decisions in respect of the development and implementation of the Scheme and HAL's commercial decision to proceed with the Scheme will depend upon the achievement of the HAL Scheme Conditions (as defined in paragraph 8.1 below) and the recovery of planning and other relevant costs of the Scheme in any event;
 - 2.1.5 this Statement of Principles does not give either HAL or the Secretary of State any right to a claim for damages, losses, liabilities, costs and/or expenses or other relief howsoever arising if, for whatever reason, HAL's Scheme does not proceed; and
 - 2.1.6 notwithstanding paragraph 2.1.5, HAL reserves its rights (including but not limited to its rights to pursue any and all legal and equitable remedies (including cost recovery) available to it under law) in the event of:
 - 2.1.6.1 an alternative scheme being preferred by the Secretary of State or Government; and/or
 - 2.1.6.2 the withdrawal of the Government's support for aviation expansion for Heathrow Airport (the "**Airport**") only after the Secretary of State has stated that HAL's Scheme is the scheme it prefers in accordance with paragraph 1 of Part 1 (*Principles Relating to Key Areas of Scheme Development and Implementation*).
- 2.2 HAL confirms to the Secretary of State that all of the written information supplied by HAL to the Secretary of State during the engagement process, that commenced on 1 July 2015, was except to the extent superseded or corrected by subsequent information so supplied by HAL during the engagement process, prepared on the basis of the information contained in HAL's formal submissions to the Airports Commission.
- 2.3 Subject to paragraph 1.1 of Part 2 (*Key Principles - Scheme Design*) and Part 4 (*Key Principles - Regulatory Framework*), the Scheme which HAL confirms it currently intends to develop and implement at the Airport is set out at Appendix 1 (*Scheme*).

3. FUNDAMENTAL PRINCIPLES

- 3.1 HAL is a private sector entity with various shareholders pursuing a commercial business opportunity for airport expansion subject in particular to the economic regulatory system for airport operators established by the Civil Aviation Act 2012 (as amended from time to time) (“**2012 Act**”). Consequently, following receipt by HAL of the relevant communication in writing in accordance with paragraph 1 of Part 1 (*Principles relating to Key Areas of Scheme Development and Implementation*), it is for HAL to develop and implement its Scheme.
- 3.2 In particular, it is acknowledged by HAL and the Secretary of State that the costs of HAL's Scheme, including all development, planning and capital costs and any costs incurred by HAL prior to and after the date of this Statement of Principles in relation to the development and implementation of the Scheme, shall be financed by HAL without any Government financial support save in relation to potential shared contributions that are expressly acknowledged by HAL and the Secretary of State in Part 5 (*Key Principles - Surface Access Strategy*).
- 3.3 The Government’s role in relation to airport expansion is that of both enabler through the exercise of its public functions and (including but without limitation) as public policy maker in relation to the planning and policy process in relation to additional airport capacity, wider airspace management and related policy areas such as surface transport planning and/or environmental regulation. HAL and the Secretary of State each acknowledge that, in this context, the Government is not procurer of works, services and/or goods, whether from HAL or otherwise. The Government also has a broader role which includes developing and providing policy and regulatory policy direction, promoting legislation and exercising public functions.
- 3.4 The CAA is the regulator of airport operators under the 2012 Act. HAL acknowledges that the CAA is required by law to act independently in the exercise of its functions, and that the CAA is required to review and conduct its assessment of the Scheme and develop the regulatory treatment of it in accordance with its duties under the 2012 Act, including consulting with airlines and other stakeholders. In particular, nothing in this Statement of Principles can and/or will fetter the CAA’s exercise of its discretion in the exercise of those functions in relation to the Scheme from time to time.

4. GENERAL BEHAVIOURS

- 4.1 Following receipt by HAL of the relevant communication in writing in accordance with paragraph 1 of Part 1 (*Principles relating to Key Areas of Scheme Development and Implementation*), (subject to paragraph 3.1 above) HAL and (subject to paragraph 2.1.2 above) the Secretary of State will adopt the following behaviours and approach including where relevant in accordance with applicable legislation, with each other:
- 4.1.1 collaborate, work together, act reasonably and co-operate: ensure that activities are delivered and actions are taken as required by HAL and the Secretary of State in a manner that is appropriate and reasonable in the circumstances;
- 4.1.2 be accountable: be responsible for, manage and report to each other on the progress of the Scheme, the Key Dependencies (as defined in Part 3 (*Key Principles - Key Delivery Milestones*)), the Dependencies (as defined in Part 3 (*Key Principles - Key Delivery Milestones*)) and/or HAL's Commitments (as set out in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*)), as applicable;
- 4.1.3 be open: communicate openly about concerns, issues or opportunities relating to the Scheme, the Key Dependencies, the Dependencies, HAL's Commitments and/or this Statement of Principles;

- 4.1.4 adopt a positive outlook: behave in a positive, collaborative, co-operative and proactive manner as appropriate and reasonable in the circumstances;
- 4.1.5 act in a timely manner: recognise the importance of timely action and respond accordingly to reasonable requests for support;
- 4.1.6 consult with and, where appropriate and reasonably possible, procure the engagement and/or involvement of their respective stakeholders where appropriate and reasonable in the circumstances;
- 4.1.7 deploy appropriate resources: ensure appropriate resources are available and appropriately authorised as is reasonable and appropriately required in the circumstances to facilitate the development and implementation of the Scheme having regard to this Statement of Principles; and
- 4.1.8 comply with all applicable laws and necessary consents.

5. INFORMATION PROVISION

- 5.1 Subject to paragraphs 3.1, 5.2 and 5.3, HAL and the Secretary of State (each acting reasonably) will establish appropriate information reporting procedures (including frequency and contents of progress updates) to assist in keeping: (i) Government updated in respect of the development and implementation of the Scheme and progress against projected, actual and target milestones and the anticipated completion date, including an explanation of any material divergence from the detailed timetable for delivery to be delivered by HAL to the Secretary of State in accordance with paragraph 1.2 of Part 2 (*Key Principles - Scheme Design*); and (ii) both the Secretary of State (as appropriate and applicable having regard to Part 3 (*Key Principles - Key Delivery Milestones*)) and HAL (and its shareholders) updated in respect of the delivery of the Key Dependencies and/or Dependencies.
- 5.2 Nothing in this paragraph 5 or elsewhere in this Statement of Principles will require information to be disclosed where such disclosure would, or would be likely to, prejudice the legitimate commercial interests of HAL and/or the Secretary of State (as applicable) and in respect of HAL, HAL's shareholders.
- 5.3 The Secretary of State and HAL acknowledge that the Secretary of State's and/or the Government's role in relation to the implementation and development of the Scheme does not extend to the recommendation of commercial and/or financing methods to be adopted by HAL (in consultation with HAL's shareholders) and that any commercial and/or financing information agreed to be provided by HAL to the Secretary of State from time to time shall be on a case-by-case voluntary basis by HAL. In this context, HAL has prepared an indicative funding and financial plan (dated 30 November 2015), which it has of its own will shared with the Secretary of State as part of the engagement process in the context of this Statement of Principles (the "**Indicative Funding and Financial Plan**").
- 5.4 Subject to paragraphs 5.2 and 5.3 above, HAL and the Secretary of State (as applicable) will, as soon as reasonably practicable, notify the other's representative (the details of which have been provided to each other prior to the date of this Statement of Principles) ("**Representative**") in writing of any circumstances which are likely to significantly delay, adversely affect and/or threaten the development or implementation of the Scheme and/or prejudice its ability to perform such activities in accordance with this Statement of Principles (which may include material changes to the Indicative Funding and Financial Plan where there is a material prospect of the Scheme not being delivered).
- 5.5 Subject to paragraphs 5.2 and 5.3 above, HAL and the Secretary of State (as applicable) will notify the other's Representative as soon as reasonably practicable in writing if any legal

claims are made or threatened which are likely to adversely affect HAL's ability to develop and implement its Scheme and will provide regular updates on the progress of any such legal claims and such other information thereto as the other may from time to time reasonably require.

6. GOVERNANCE PROCESS

6.1 Subject to paragraphs 5.2 and 5.3 above, HAL and the Secretary of State will put in place appropriate governance arrangements and meetings to assist in keeping Government updated in respect of the development and implementation of the Scheme (including in relation to material changes to the Indicative Funding and Financial Plan where there is a material prospect of the Scheme not being delivered as a result).

6.2 HAL and the Secretary of State will agree the detail of such governance arrangements if HAL's Scheme is the scheme that the Government prefers to recommend taking forward.

7. FREEDOM OF INFORMATION

7.1 HAL acknowledges that Freedom of Information Act 2000 (as amended from time to time) ("FOIA") and Environmental Information Regulations 2004 (as amended from time to time) ("EIR") provide a statutory right of access to information held by or on behalf of public authorities such as the Secretary of State and his representatives. FOIA and EIR apply to all information that the Secretary of State holds and makes no distinction about who originated it.

7.2 HAL acknowledges that requests for information under FOIA or EIR received by the Secretary of State will be responded to and that whilst there can be no guarantees, there are exemptions and exceptions in FOIA and EIR that can protect commercially sensitive information.

7.3 HAL is, therefore, invited to identify which parts, if any, of any information or documentation it provides from time to time to the Secretary of State is provided in confidence or is commercially sensitive or which may be subject to any other provision of FOIA or EIR, such that they may be exempt from disclosure under FOIA or EIR (as applicable).

7.4 HAL acknowledges that even where it has indicated that information is commercially sensitive or otherwise exempt from disclosure under FOIA or EIR, the Secretary of State may be required to disclose it under FOIA and/or EIR. The Secretary of State will consult with HAL to ascertain the degree of harm that would arise from disclosure and whilst HAL's views will be taken into consideration the ultimate decision lies with the Secretary of State. The Secretary of State shall also not be deemed to have accepted any duty of confidence by virtue of receipt of any material marked "OFFICIAL - SENSITIVE - COMMERCIAL" or "Commercially Sensitive" or any equivalent.

8. HAL SCHEME CONDITIONS

8.1 HAL has signed this Statement of Principles on the basis that HAL's commitments and adherence to the principles, acknowledgements and statements herein are subject to the following:

8.1.1 the timely delivery of each of the Key Dependencies and each of the Dependencies;

8.1.2 the designation of a National Policy Statement by Government on airport capacity which supports the development of the Scheme ("**National Policy Statement**") in accordance with paragraph 1.2 of Part 3 (*Key Principles - Key Delivery Milestones*);

8.1.3 HAL's Financial Conditions (as defined in in Part 4 (*Key Principles - Regulatory Framework*)); and/or

8.1.4 the absence of any event or circumstances (including any material adverse change or continuation of any circumstances) which adversely affects and continues to adversely affect the business and economic climate of the UK and has a direct material adverse effect on the delivery and implementation of the Scheme,

(together the "**HAL Scheme Conditions**").

8.2 HAL acknowledges that in the event of a HAL Scheme Condition not being satisfied (in full or in part as the case may be), or being likely not to be satisfied, HAL and the Secretary of State (as appropriate) will work in a collaborative and co-operative manner including with the CAA (as appropriate), to address the impact on the implementation of HAL's Scheme, and HAL may agree, subject to paragraph 2.1.4, to make changes to the Scheme with a view to its delivery.

Part 1: PRINCIPLES RELATING TO KEY AREAS OF SCHEME DEVELOPMENT AND IMPLEMENTATION

1. The following Parts 2 (*Key Principles - Scheme Design*) to 8 (*Key Principles - Financial Robustness*) set out the areas identified by the Secretary of State as key to the development and implementation of the Scheme and the principles, acknowledgements and/or statements which relate to them. Parts 2 (*Key Principles - Scheme Design*) to 8 (*Key Principles - Financial Robustness*) apply only if the Government concludes that HAL's Scheme is the sole preferred scheme. In this case, such Parts are only relevant when communicated in writing to HAL by the Secretary of State stating that HAL's Scheme is the sole scheme it prefers.
2. In the event that the Government concludes that HAL's Scheme is not the sole scheme it prefers such conclusion will be communicated in writing to HAL by the Secretary of State and this Statement of Principles and (except for this paragraph 2 of Part 1 and paragraph 2.1.3 (*Not Legally Binding*), paragraph 3.1 (*Fundamental Principles*) and paragraph 7 (*Freedom of Information*) of the Introduction which shall continue to apply) the Parts herein will expire and are not relevant from the date of such communication, and in any event on 31 October 2016 where the Secretary of State has not communicated in writing to HAL prior to such date (whether pursuant to paragraph 1 of this Part 1 or this paragraph 2 of this Part 1).
3. The Secretary of State and HAL may, acting reasonably, review, discuss and/or agree in writing any amendments to this Statement of Principles as reasonably considered necessary or desirable for the development and/or implementation of the Scheme by HAL and/or the Secretary of State and/or whether or not this Statement of Principles should cease to be relevant (it being noted that this Statement of Principles is in any event a non-legally binding document, as set out in paragraph 2 of the Introduction) and/or be superseded by any other documents between the Secretary of State and HAL, whether before or after a communication in writing is issued under paragraph 1 of this Part 1. Either of the Secretary of State or HAL may propose such matters from time to time.
4. Subject to paragraph 5 of this Part 1, HAL and the Secretary of State each acknowledge that a review in accordance with paragraph 3 of this Part 1 may result in developing a replacement joint framework or other appropriate document to support the development and implementation of the Scheme and the assumption for the purposes of this Statement of Principles is that a review will take place during the period commencing on the earlier of (i) 31 December 2017; and (ii) immediately following designation of the National Policy Statement (which is assumed to be 31 July 2017 as referred to in paragraph 1.2.2 of Part 3 (*Key Principles - Key Delivery Milestones*)). If at that time (or at any time after such date) either the Secretary of State or HAL believe (each acting reasonably and in consultation with the other) that following such a review this Statement of Principles should cease to be relevant either the Secretary of State or HAL may independently notify the other that this Statement of Principles will cease to be relevant from ten days after receipt of such notice (except for this paragraph 4 of Part 1 and paragraph 2.1.3 (*Not Legally Binding*), paragraph 3.1 (*Fundamental Principles*) and paragraph 7 (*Freedom of Information*) of the Introduction which shall continue to apply).
5. Save where either the Secretary of State or HAL have notified the other that this Statement of Principles ceases to be relevant pursuant to paragraph 4 of this Part 1, this Statement of Principles shall cease to be relevant on submission by HAL of its DCO application for the Scheme, unless HAL and the Secretary of State (each acting reasonably and in consultation with the other) consider it necessary or desirable to renew or continue this Statement of Principles by mutual agreement.

Part 2: KEY PRINCIPLES - SCHEME DESIGN

1. KEY PRINCIPLES

- 1.1 The Secretary of State and HAL each acknowledge that:
- 1.1.1 the Scheme requires further elaboration, development and/or adjustments and will also be subject to on-going review and engagement between the Secretary of State and HAL;
 - 1.1.2 the Scheme will be required to meet certain legal, regulatory and safety requirements, including but not limited to requirements in relation to spatial planning and environmental effects, which will be addressed through the National Policy Statement and the planning and consent process and may result in adjustments to the Scheme from that set out and described in Appendix 1 (*Scheme*); and
 - 1.1.3 the Scheme's detailed design is subject to consultation by HAL with airline customers, local and wider stakeholders and detailed engineering and design work and may further result in adjustments to the Scheme from that set out and described in Appendix 1 (*Scheme*).
- 1.2 The Secretary of State and HAL each acknowledge that the Scheme will require planning consent. Following receipt of a communication in accordance with paragraph 1 of Part 1 (*Principles relating to Key Areas of Scheme Development and Implementation*), HAL will, as soon as reasonably practicable, put forward a detailed timetable for delivery of HAL's Scheme taking into account the indicative milestone dates set out in paragraphs 1.1 and 1.2 of Part 3 (*Key Principles – Key Delivery Milestones*). The Secretary of State will provide any feedback as soon as reasonably practicable after receipt and review of such timetable.
- 1.3 As acknowledged by HAL in paragraph 3.2 of the Introduction, subject to the HAL Scheme Conditions and Part 5 (*Key principles - Surface Access Strategy*), HAL will bear the costs of developing and implementing the Scheme.
- 1.4 Subject to paragraphs 5 (*Information Provision*) and 6 (*Governance Process*) of the Introduction, through regular information exchanges and dialogue with the Secretary of State, HAL will provide updates to the Secretary of State of any change to the Scheme that:
- 1.4.1 in relation to the new runway, reduces the paved length of the proposed runway to less than 3,500m; or
 - 1.4.2 materially affects the associated infrastructure required to implement the Scheme incorporating the runway, and

HAL will provide the Secretary of State with an explanation for such changes to the Scheme and the Secretary of State may comment on such changes within a period of time to be agreed between HAL and the Secretary of State acting reasonably and, if the Secretary of State makes any comments, HAL will consider such comments and discuss with the Secretary of State how it proposes to address such comments and where appropriate make adjustments to reflect such comments in its revised Scheme (or where such comments are not included, provide to the Secretary of State detailed

reasoning why such comments have not been included) so that the Secretary of State is fully aware of how such comments are reasonably being dealt with by HAL.

Part 3: KEY PRINCIPLES - KEY DELIVERY MILESTONES

1. KEY PRINCIPLES

1.1 Based upon the assumption that a Government conclusion on the preferred scheme has been announced by no later than 31 October 2016, HAL intends to proceed with the Scheme on the basis of the indicative dates set out in paragraph 1.2 of this Part 3, targeting a construction start date of 2022 and the new runway capacity being operational and in use by the public by 2026. In any event, HAL intends to proceed with the Scheme to meet the Airports Commission's assessment that London and the South East needs more runway capacity by 2030.

1.2 On the basis of:

1.2.1 publication of a Government conclusion on the preferred scheme by no later than 31 October 2016; and

1.2.2 designation of a National Policy Statement by the Government on airport capacity which supports the development of the Scheme by no later than 31 July 2017,

and otherwise on the basis of the assumptions for the Key Dependencies and Dependencies as set out in this Part 3 (*Key Principles - Key Delivery Milestones*), HAL intends to submit an application for development consent by March 2020 with a view to:

1.2.3 securing a development consent order for the Scheme by September 2021 (subject to the progress of the application after submission, including any suspension or extension of the examination and any extension of the decision period) ("**DCO Consent**"); and

1.2.4 completing construction of additional airport capacity (including an additional runway) to support (subject to discussions with the airlines, CAA and other stakeholders on the appropriate phasing and order of provision of the related infrastructure):

1.2.4.1 **130** millions of passengers per annum ("**mppa**"); and

1.2.4.2 at least **260,000** additional air traffic movements ("**ATMs**") per year, for a total of **740,000 ATMs**.

1.3 The delivery of additional capacity at the Airport will be a complex undertaking involving inputs from multiple stakeholders, HAL and the Government. As a result, as part of the governance arrangements to be put in place in accordance with paragraph 6 of the Introduction HAL and the Secretary of State (as appropriate) would (i) co-operate and consult on the timing and the delivery of the key outputs required as part of the delivery of the Scheme and (ii) keep under review together the integrated timetable for the overall phasing and delivery of the Scheme from time to time.

1.4 HAL has assumed, as part of its indicative programme and timetable for phasing and delivery of the Scheme, that planned delivery of each phase of the Scheme can be assumed to be in accordance with the thresholds below, subject to any provision to the contrary contained in an order granting development consent for the Scheme (and

also subject to the periodic review of the demand for such expansion in discussions and consultation with the airlines, CAA and other stakeholders on the appropriate phasing and order of provision of the related infrastructure):

- 1.4.1 increase terminal capacity to at least **85** mppa by **2026**,
- 1.4.2 increase terminal capacity to at least **120** mppa by **2027**,
- 1.4.3 increase terminal capacity to at least **130** mppa by **2034**.

HAL and the Secretary of State both acknowledge that the planning dates and mppa figures each set out above are indicative and may vary depending on phasing and the periodic review of demand, consultation and discussions referred to in this paragraph 1.4 and delivery of other dependencies. HAL and the Secretary of State each further acknowledge that the mppa figures represent terminal physical capacity to accommodate passengers but it is acknowledged that the actual amount of passengers will depend on passenger demand at the relevant time.

- 1.5 HAL and the Secretary of State both acknowledge that the following third party support will be critical dependencies to HAL meeting the key programming milestones and commitments for phasing and delivery of the Scheme as contemplated by paragraphs 1.1 to 1.4 of this Part 3:
 - 1.5.1 determination by the CAA of the regulatory treatment of planning and development costs (including hardship and blight compensation costs): (i) in line with the existing regulatory framework such that costs can be added to the RAB, in accordance with the timescales to be set out by the CAA (by **31 October 2016**); and/or (ii) as otherwise developed by the CAA in accordance with its duties under the 2012 Act;
 - 1.5.2 designation by Government of a National Policy Statement on aviation capacity which supports development of the Scheme by no later than **31 July 2017**;
 - 1.5.3 timely changes to UK airspace to facilitate more efficient aircraft flow, reduced environmental and noise impacts and the optimum utilisation of new airport capacity. Both the Secretary of State and HAL each acknowledge that airspace changes required for the Scheme need to be progressed in alignment with Government policy development, the Future Airspace Strategy and other South East Airspace Plans. HAL and the Secretary of State will work together to support development of an integrated plan for airspace changes directly linked to developing new capacity to be created by the Scheme at the Airport as soon as reasonably practicable and to a timeframe compatible with HAL submitting its DCO application by **March 2020** in accordance with paragraph 1.2 of this Part 3 (*Key Principles - Key Delivery Milestones*). It is contemplated by HAL and the Secretary of State that such a plan should include but not be limited to, agreement on an integrated timetable for airspace change to facilitate more efficient flying and efficient use of airspace capacity, the indicative basis of airspace changes to be used for the environmental impact assessment, reduced environmental impacts and the utilisation of new aviation capacity;
 - 1.5.4 each of:

- 1.5.4.1 determination by, and agreement with, the CAA on: (i) a timetable and milestones for the development and design of economic regulation for expansion of the Airport and the identification of the priority elements that require timely feedback, in all cases by no later than **31 December 2016**; and (ii) substantive feedback on the priority elements of economic regulation that require timely feedback by no later than **31 March 2017**; and
- 1.5.4.2 agreement on a programme of engagement with the CAA for the development of a regulatory settlement structure to address the development, implementation and operation of the additional airport capacity as contemplated by the Scheme, including an indicative timetable of engagement, key milestones and, once agreed between CAA and HAL, implementation of such regulatory changes by no later than **March 2020**, failing which the Secretary of State and HAL will discuss in good faith to determine the implications, if any, for the overall development of the Scheme. HAL and the Secretary of State both acknowledge that HAL's timetable has not yet been agreed to by the CAA and that the CAA is required to conduct its own independent assessment of the Scheme and the regulatory treatment of it in accordance with its duties under the 2012 Act;
- 1.5.5 the provision by the Secretary of State of information in relation to the Government's investment decisions as contemplated by paragraph 1.19 of Part 5 (*Key Principles - Surface Access Strategy*) and in accordance with the timeframes therein; and
- 1.5.6 confirmation from the Secretary of State as soon as reasonably practicable of his response to the AC Measures (as defined in paragraph 2.2 of Part 6 (*Key Principles - Mitigation and Compensation Measures*)) and any proposed additional or varied requirements relating to (but not limited to) environmental, air quality, carbon and noise or to any of the elements identified in paragraph 3 of Part 6 (*Key Principles – Mitigation and Compensation Measures*)) provided always that the Secretary of State will provide sufficient information as is appropriate and reasonable in the circumstances following the Government conclusion on the preferred scheme to help inform HAL in developing and submitting its DCO application in a timeframe compatible with enabling HAL to submit its DCO application by **March 2020** and in any event the Government will seek to set out its responses to the AC Measures as soon as reasonably practicable following the conclusion on the preferred scheme through the National Policy Statement and/or otherwise,

(each a "Key Dependency" and collectively, "Key Dependencies").

- 1.6 HAL and the Secretary of State each acknowledge that the following third party support is necessary to assist HAL in meeting the programming assumptions for phasing and delivery of the Scheme as contemplated by paragraphs 1.1 to 1.4 of this Part 3:
 - 1.6.1 host and neighbouring local authorities in respect of local road network

and other associated local development assessments;

- 1.6.2 Transport for London in respect of the relevant parts of the Surface Access Strategy and Transport for London's statutory planning duties;
- 1.6.3 Network Rail in respect of matters including necessary agreements and consents, the detailed design and construction associated with the relevant surface access projects and permissions for constructing highways and other measures adjacent to or over the railway to enable the Scheme to be refined and to support HAL in submitting its DCO application by **March 2020** with continued support through to DCO Consent (and as currently contemplated, continuing to provide support post DCO Consent through the delivery of the Scheme);
- 1.6.4 Highways England in respect of matters including HAL's proposed necessary agreements and consents, the detailed design, construction and traffic management associated with M25 improvements and other highway works, as proposed in HAL's Surface Access Strategy referred to in Part 5 (*Key Principles - Surface Access Strategy*) of this Statement of Principles and where relevant to Highways England's strategic highway authority responsibilities to enable the Scheme to be refined and to support HAL in submitting its DCO application by **March 2020** with continued support through to DCO Consent (and as currently contemplated, continuing to provide support post DCO Consent through the delivery of the Scheme);
- 1.6.5 NATS and CAA, in respect of an integrated plan for airspace capacity directly linked to developing new capacity to be created by the Scheme at the Airport, including but not limited to, agreement on an integrated timetable for airspace change to facilitate more efficient flying and efficient use of airspace capacity, reduced environmental impacts and the utilisation of new aviation capacity in a timeframe compatible with enabling HAL to submit its DCO application by **March 2020** with continued support through to DCO Consent (and as currently contemplated, continuing to provide support post DCO Consent through the delivery of the Scheme);
- 1.6.6 Environment Agency in respect of matters including HAL's Approach to Surface Water and Flood Risk, Works to Main Rivers, Compliance with the Water Framework Directive, Approach to Management of Waste Materials to enable the Scheme to be refined and to support HAL in submitting its DCO application by **March 2020** with continued support through to DCO Consent (and as currently contemplated, continuing to provide support post DCO Consent through the delivery of the Scheme); and
- 1.6.7 Home Office in respect of Harmondsworth Immigration Centre,

(each a "**Dependency**" and collectively, the "**Dependencies**").
- 1.7 HAL and the Secretary of State both acknowledge that the Key Dependencies and Dependencies referred to above reflect HAL's planning and regulatory assumptions in support of the indicative programme set out in paragraphs 1.1 and 1.2 of this Part 3. At the time of signing this Statement of Principles such assumptions have not been

agreed by HAL with the relevant stakeholders. In the event of any Key Dependency and/or Dependency not being delivered, or being likely not to be delivered, to the timescales projected in this Part 3 and such delay might impact on aspects of HAL's timetable for implementation of the Scheme or otherwise introducing risks to implementation of the Scheme, the provisions of paragraph 8.2 of the Introduction shall apply.

- 1.8 The Secretary of State and HAL will co-operate to achieve the third party support set out in this Part 3 and react to any delivery delays in accordance with paragraph 1.7 of this Part 3. However, HAL will not assume that Government input into the process will secure support from third parties and/or secure the relevant support to the timescales set out in this Part 3, or that the Government will seek to influence the exercise of such third parties' functions.
- 1.9 HAL has assumed that the Key Dependencies set out in paragraphs 1.5.2, 1.5.3, 1.5.5 and 1.5.6 of this Part 3 will be supported by the Secretary of State (as appropriate).

Part 4: KEY PRINCIPLES - REGULATORY FRAMEWORK

1. KEY PRINCIPLES

1.1 HAL intends to progress its Scheme in accordance with the following key principles set out in paragraphs 1.1 to 1.5 of this Part 4:

- 1.1.1 the Airport is a critical asset in the UK's transport infrastructure; and
- 1.1.2 the price structure, risk allocation, duration of determination and any other elements (as appropriate) of the regulatory framework applicable to HAL that will apply to delivery of any new capacity will be set by the CAA in accordance with its duties under the 2012 Act.

1.2

- 1.2.1 The CAA's current thinking as to its processes for determination of the principles it expects to apply in the regulation of new capacity is set out in the CAA papers entitled "*Economic Regulation of new runway capacity - Update (CAP 1332) September 2015*" and "*Recovery of costs associated with obtaining planning permission for new runway capacity: policy update (CAP 1372) February 2016*", (the "**CAA Papers**"). The CAA Papers will from time to time be supplemented by the CAA in accordance with its duties under the 2012 Act and HAL will share its views on the subject matter during the CAA's formal consultation process; and
- 1.2.2 The Government's current view is that the overall existing regulatory framework is sufficient to provide a sound basis for a promoter to deliver and finance new runway capacity. The CAA and the Government may review the existing regulatory framework for civil aviation in the UK from time to time.

HAL's position as to regulatory treatment

1.3 HAL's position is that its ability to proceed (or, once commenced, to continue to proceed) with the Scheme and adhere to the principles, acknowledgments and statements referred to in this Statement of Principles is contingent upon the following conditions:

- 1.3.1 a regulatory determination which ensures that all economically and efficiently incurred costs are included in the regulatory asset base ("**RAB**") (as appropriate), including but not limited to recovery of:
 - 1.3.1.1 costs for planning, noise mitigation, property compensation, development costs and costs in meeting any requirements of the National Policy Statement by HAL;
 - 1.3.1.2 all reasonably incurred expenditure in relation to surface access and environmental matters by HAL;
 - 1.3.1.3 any reasonably incurred expenditure for maintaining support for and progressing the Scheme by HAL; and
- 1.3.2 an overall regulatory determination that:
 - 1.3.2.1 provides a regulatory framework which reflects the higher risk nature of the investment (recognising the increased risk of the Scheme compared to HAL's "*business as usual*") is long-term, predictable and stable, and ensures adequate risk sharing and long-term, predictable and stable financial returns (compared to HAL's "*business as usual*"); and

- 1.3.2.2 does not materially change any of the assumptions HAL has made in the Indicative Funding and Financial Plan in the event that the Scheme progresses (such as any costs and/or contributions relating to surface access schemes, environmental and/or community measures becoming unaffordable) or is otherwise on terms and conditions which HAL's shareholders view as a commercially viable basis upon which to take forward investment in the Scheme,

(collectively, "HAL's Financial Conditions").

- 1.4 HAL has assumed for financial and planning purposes that in the event the Scheme progresses: (i) HAL's planning costs are fully recoverable through the regulatory framework; (ii) any framework determined by the CAA will provide an appropriate level of assurance as to the long-term, predictable, stable and adequate returns for key elements of the Scheme; and (iii) HAL's Financial Conditions will be met.
- 1.5 The assumptions and conditions set out in paragraphs 1.3 and 1.4 of this Part 4 represent HAL's position on the regulatory treatment of the Scheme. HAL acknowledges that to date neither the Government nor the CAA have endorsed this position. HAL further acknowledges that the inclusion of paragraphs 1.3 and 1.4 in this Part 4 does not fetter, nor pre-empt, the CAA's and/or Government's discretion in the exercise of their functions or their ability to develop or consult on appropriate arrangements for the implementation of the Scheme.
- 1.6 The Secretary of State acknowledges that:
- 1.6.1 this Statement of Principles will not fetter HAL's ability to respond to consultations as appropriate and/or any right of appeal that HAL has to its regulatory settlements;
- 1.6.2 a regulatory settlement that is consistent with HAL's Financial Conditions is a key component in HAL's commercial decision on whether or not to proceed with investment related to the Scheme;
- 1.6.3 HAL acknowledges that the assumptions as to regulatory framework in its Indicative Funding and Financial Plan (as defined in paragraph 5.3 of the Introduction) represent HAL's current approach to implementing the Scheme under the regulatory framework as contemplated in this Part 4 which may evolve as the Scheme is implemented; and
- 1.6.4 this Statement of Principles will not fetter in any way HAL's ability to act in accordance with its commercial interests with regard to the Scheme or taking the Scheme forward.
- 1.7 HAL has communicated to the Secretary of State that it is engaging with the CAA in respect of a resolution of the treatment of interim costs and that a determination of the CAA on this matter is expected by HAL by no later than **1 September 2016** to enable HAL to meet its key delivery milestones referred to in Part 3 (*Key Principles - Key Delivery Milestones*) and HAL has highlighted that the risk of any delay thereto might impact on aspects of HAL's timetable for implementation of the Scheme or might otherwise introduce risks to implementation of the Scheme and the provisions of paragraph 8.2 of the Introduction shall apply to such circumstances as if this was treated as a Dependency.

Part 5: KEY PRINCIPLES - SURFACE ACCESS STRATEGY

1. KEY PRINCIPLES

Introduction

- 1.1 As part of HAL's submission to the Airports Commission, HAL has proposed an integrated surface access strategy (the "**Surface Access Strategy**") for the Airport intended to encourage the shift to public transport by both passengers and people who work at the Airport. HAL confirms that the Surface Access Strategy as outlined through the Airports Commission process remains its current proposal both for the Airport with or without aviation expansion through the Scheme. HAL acknowledges that the Surface Access Strategy has been developed by HAL to respond to the Government's policy framework for aviation published in March 2013 ("**Aviation Policy Framework**")¹ and with reference to sections on surface access (paragraphs 5.11 to 5.13 of the Aviation Policy Framework). HAL confirms that the integrated nature of the Surface Access Strategy is also important for ensuring that the Airport makes its contribution to the UK meeting the UK's air quality targets and minimising road congestion.

Statutory Planning Requirements

- 1.2 The Surface Access Strategy and the proposals contained within it have been designed and will be further developed during the planning process to satisfy the necessary and relevant statutory requirements and the requirements of the relevant National Policy Statements which apply to the Scheme, and will satisfy any planning conditions/requirements. It will include meeting the commitments set out in paragraph 3.2 of Part 6 (*Mitigation and Compensation Measures*).

Delivery Bodies

- 1.3 HAL confirms that the Surface Access Strategy builds upon existing transport schemes and proposals across the wider transport network. HAL acknowledges that these transport schemes and proposals each have or will have their own business cases and implications beyond serving the Airport and it is also acknowledged by HAL that Airport service and/or expansion may not be the primary consideration for delivery of such a scheme. HAL acknowledges that it is not possible to have absolute certainty as to delivery or scope of particular schemes until such point as they are confirmed through the appropriate policy, funding and delivery processes and similar decision making by delivery bodies such as Network Rail or Highways England.
- 1.4 HAL will continue to be responsible for developing the Surface Access Strategy for managing the impacts of the Scheme on the existing transport network and users of that network in line with statements established in the Aviation Policy Framework as amended from time to time and the National Policy Statement. The Secretary of State will co-operate with HAL to assist HAL in developing, with the relevant delivery bodies, a technically feasible and deliverable Surface Access Strategy that complies with applicable statutory requirements, ensures the

¹ Cm 8584 (March 2013).

Airport is properly integrated into the UK transport network and is capable of producing benefits to a wider range of beneficiaries.

- 1.5 HAL will work in collaboration with Government to ensure that the Surface Access Strategy will clearly demonstrate and evidence how HAL will ensure easy and reliable access for air passengers, increase the use of public transport by air passengers and Staff to access the Airport, and minimise congestion and other local impacts from Airport related traffic in line with statements established in the Aviation Policy Framework during the Scheme's construction and operational phases and the National Policy Statement. For the purposes of this Part 5, "**Staff**" means persons working within the Airport boundary or travelling to the Airport for employment within the aviation industry whether they are directly employed by HAL or not.

HAL's Commitment

- 1.6 HAL's commitment to its Surface Access Strategy is set out in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*). In HAL's view, the Surface Access Strategy is capable of achieving public transport mode share targets for passengers of at least 50% by 2030, and at least 55% by 2040, if the relevant Surface Access Schemes set out in paragraph 1.10 below are delivered. HAL will also target a 25% reduction of all Staff car trips by 2030 and a reduction of 50% by 2040. HAL will aim to report, on at least an annual basis, on progress towards meeting or exceeding these targets.

Costs

- 1.7 HAL will pay the whole costs of the surface access schemes which are essential to deliver the Scheme, as referred to in paragraphs 1.9 and 1.10.1 of this Part 5, subject to HAL Scheme Conditions and the wider provisions in this Part 5.
- 1.8 HAL and the Secretary of State each further acknowledge that, consistent with existing policy, an appropriate contribution may be required from HAL to the relevant capital or other costs of the surface access schemes to deliver capacity for additional demand arising from expansion of the Airport or surface access proposals otherwise necessary for delivery of the Scheme (a "**Surface Access Scheme**"). HAL and the Secretary of State also acknowledge that given the nature of the Scheme many of the benefits will be to wider users and, therefore, each Surface Access Scheme business case will be ultimately determined by wider considerations, not just Airport development.
- 1.9 HAL has assumed that where it is to pay for costs in accordance with paragraph 1.10.1 of this Part 5 or where a contribution is intended to be made by HAL towards Surface Access Scheme costs: (i) HAL intends to enter into contract(s) with the relevant suppliers in relation to contributions and such costs/contributions are to be estimated, verified and/or agreed on the basis that such costs/contributions (taking into account the need to meet legal or planning requirements in relation to the DCO Consent for the Scheme) will be capped; and (ii) HAL will not be liable for any cost overruns, changes in project scope or design which are not directly related to changes made by HAL to the Scheme. HAL acknowledges that the Secretary of State, Highways England and other stakeholders have not yet endorsed this position.

Surface Access Schemes

- 1.10 For the purposes of this Statement of Principles the relevant schemes for consideration are:

- 1.10.1 Surface Access Schemes essential to delivery of the Scheme before the opening of the new capacity (2026) and, subject to paragraph 1.9 of this Part 5, the whole costs of which are for the account of HAL:
- 1.10.1.1 M25 works and tunnelling (J14 to the south and J15 to the north) (on a like for like replacement basis);
 - 1.10.1.2 local road diversions and improvements including for the A4 and A3044; and
 - 1.10.1.3 on Airport station works and safeguarding;
- 1.10.2 Surface Access Schemes to support the Surface Access Strategy and minimise the associated impacts of the Scheme but not essential before the opening of new capacity (2026) but for which HAL has assumed will be necessary at a later time for the Scheme, in any event by 2035:
- 1.10.2.1 Crossrail brought to the Airport with at least 4 trains per hour (in addition to the current 4 express trains per hour); and
 - 1.10.2.2 Western Rail Link to the Airport (WRLtH);
- 1.10.3 Surface Access Schemes desirable but not essential after the opening of new capacity in 2026 (but for which HAL has assumed will be in place by approximately 2035) to support additional growth at the Airport and benefits to airport passengers while maximising HAL's contribution to meeting UK's air quality targets (and as such are likely to have a wider range of beneficiaries):
- 1.10.3.1 additional Crossrail services to the Airport (2-4 extra trains per hour for 6-8 trains per hour) (in addition to the current 4 express trains per hour); and
 - 1.10.3.2 Southern Rail Access to the Airport,
- and whilst the schemes listed at paragraphs 1.10.3.1 and 1.10.3.2 of this Part 5 currently have, in HAL's view based on discussions with delivery agencies to date, strong projected business cases and HAL has assumed in its Surface Access Strategy that these will be in place by approximately 2035, HAL and the Secretary of State each acknowledge that they are subject to extensive planning and assessment work by Network Rail, Transport for London, the Department for Transport and other stakeholders, which must take place before either scheme would be progressed (if either is progressed at all);
- 1.10.4 Surface Access Schemes desirable but in HAL's view not essential for relieving pressures on the wider network and facilitating easier journeys in the Airport area, with or without expansion:
- 1.10.4.1 M4 Smart motorway improvements (J3 to J12);
 - 1.10.4.2 HS2 Old Oak Common interchange;
 - 1.10.4.3 GWML electrification; and
 - 1.10.4.4 Piccadilly Line upgrade.

- 1.10.5 While there may be additional proposals for surface access schemes that emerge over time with relevance to the Airport, HAL and the Secretary of State each acknowledge these do not form part of HAL's Surface Access Strategy or the Scheme at the date of this Statement of Principles.
- 1.10.6 The Surface Access Schemes referred to in this paragraph 1.10 of this Part 5 represent HAL's position on what it needs the relevant authorities to provide for delivery of the Scheme. HAL acknowledges that to date the Government has not endorsed this position.
- 1.11 HAL will undertake scoping works with Highways England to identify opportunities for synergies in the delivery of M25 expansion works and M25 J10-16 improvements alongside the surface access works needed for the Scheme and agree appropriate terms for delivery. HAL acknowledges that Highways England has not yet endorsed the position in relation to M25 expansion works and M25 J10-16 improvements.
- 1.12 HAL confirms that its Surface Access Strategy:
- 1.12.1 will accommodate continuing use of the Colnbrook Freight Branch as part of the Scheme;
 - 1.12.2 will, subject to paragraph 1.10.1 of this Part 5, identify the most appropriate method of provisioning for the M25 Tunnel through joint working with Highways England, seeking to minimise any unnecessary disruption to M25 users;
 - 1.12.3 is dependent upon delivery by third parties (including but not limited to the delivery of Key Dependencies and Dependencies (as referred to in Part 3 (*Key Principles - Key Delivery Milestones*))); and
 - 1.12.4 has been prepared and designed on the basis that it is compatible with the current milestones referred to in Part 3 (*Key Principles -Key Delivery Milestones*).
- 1.13 HAL and the Secretary of State each acknowledge that the Government in its role as an enabler can assist in facilitating the engagement by relevant delivery bodies and/or public authorities (having regard to each of their respective statutory responsibilities, where relevant) in the development of HAL's Surface Access Strategy. HAL will provide details from relevant delivery bodies and/or public authorities to confirm the assessment of their plans and share these with Government.
- 1.14 HAL believes that its surface access strategy, as outlined above, will offset increased road traffic and congestion caused by the expansion of the Airport by improving public transport connection for Airport users and achieving a greater public transport mode share. HAL acknowledges that in the event that expansion of the Airport, or expansion combined with increases in background population and employment growth, causes significant additional congestion on roads around and leading to the Airport, it may need to consider other demand management measures which could include enhanced parking arrangements, a congestion, emissions or cordon charge. HAL acknowledges that some of the causes and possible solutions are not within its gift to control alone and, therefore, commits to working with other local and national transport authorities to develop and implement appropriate solutions if they become necessary in the future.
- 1.15 HAL will also work with other transport authorities on wider issues and policies which may affect the road network surrounding the Airport, such as a potential extension of the low

emission zone or other proposals as outlined in Part 6 (*Key Principles - Mitigation and Compensation Measures*).

Further contributions

- 1.16 HAL acknowledges that Government and other relevant stakeholders may seek from HAL an appropriate contribution to the relevant capital and/or other costs in line with existing policy (as referenced in this paragraph 1.16 and paragraph 1.8 of this Part 5) relating to the costs of upgrading or enhancing (and where appropriate, a contribution to direct cost increases for maintenance costs on the basis of a commuted payment only, in all cases, in accordance with existing practice for such costs) road, rail or other transport networks or services where there is a need identified in the relevant National Policy Statement, Development Consent Order or other policy document prepared and adopted by the Government to cope with additional air passengers and Staff travelling to or from an expanded Airport pursuant to delivery of the Scheme. Subject to paragraph 1.17 of this Part 5, the costs would include:
- 1.16.1 development costs of any surface access scheme; and
 - 1.16.2 construction, operation, maintenance (limited to commuted maintenance payments only in accordance with established industry practice) and renewal costs of any surface access scheme; and
 - 1.16.3 the costs of mitigating any consequential effects of a surface access scheme; and, provided that where a surface access scheme has a wider range of beneficiaries, the Government, HAL and other relevant stakeholders will consider any appropriate and necessary additional public funding on a case-by-case basis but the Government gives no assurances on the outcome of this consideration. HAL may also present alternatives to the surface access scheme for the Government to assess that would not require a public contribution or, if it is not possible to provide an alternative that requires no public contributions, that would require materially less public contribution; and
 - 1.16.4 Government may seek an appropriate contribution from HAL to any surface access scheme that has a demonstrable benefit to Airport users, through the usual process, in accordance with existing policy and within the regulatory framework.
- 1.17 HAL and the Secretary of State both acknowledge that the costs referred to in paragraph 1.16 of this Part 5 to be contributed by HAL are subject to confirmation from the CAA that such costs can be appropriately recovered under the regulatory framework (to include such cost commitments to the RAB and/or as otherwise appropriate) as applied to the Scheme by the CAA.

CAA Framework

- 1.18 HAL and the Secretary of State each acknowledge the existing CAA regulatory and policy framework for airport contributions to off-airport surface access, particularly as outlined in the CAA Statement in September 2015, Q5 Price Decision March 2008, the Airports Policy Update May 2006 and the Airports Review Policy Issues, Regulatory Criteria for Surface Access Costs December 2005. HAL and the Secretary of State each acknowledge that the CAA:
- 1.18.1 welcomes the support from the Government, passengers, airports and some airlines for its proposed approach to enabling airport operators to contribute equitably to those surface access schemes, provision of which is necessary for or

a condition of, future airport development, and to obtain reasonable remuneration through airport charges for doing so. The CAA also reaffirmed that its proposed policy would apply to a broad range of potential surface access schemes, where an airport operator could demonstrate that investment was necessary to secure airport expansion, and would not be limited to surface access schemes within or even directly adjacent to an airport's boundary;

- 1.18.2 is in agreement that the application of cost-sharing principles may be complex for particular schemes, depending on the nature of the investment, the local circumstances and the benefits to non-airport users. CAA also established an expectation that airport operators consult with airline users on such proposals before submitting them to the CAA;
- 1.18.3 has a criteria for establishing an airport operator contribution, in particular:
 - 1.18.3.1 overall cost benefit for airport users;
 - 1.18.3.2 cost minimisation;
 - 1.18.3.3 direct users' cost attribution; and
 - 1.18.3.4 users' reasonable interests and proportion of benefits to users.

Government Investment Decisions

- 1.19 HAL acknowledges that Government investment decisions on infrastructure or network operations for the transport corridors serving the Airport will continue to be made within the wider transport industry planning and franchising cycles having regard to regulatory constraints (including state aid considerations), and HAL has assumed (subject to and as set out in Part 3 (*Key Principles - Key Delivery Milestones*)) that the Government will as soon as reasonably practicable and to a timeframe that is compatible with enabling HAL to submit its DCO application by **March 2020** inform HAL of the processes, methodologies and timescales for its investment planning processes and other related fiscal events that could determine future investment planning commitments, provided always that the Secretary of State will as appropriate provide sufficient information as is reasonable in the circumstances following the Government decision on relevant wider transport interfaces and the level of commitment thereto to help inform HAL in developing and submitting its DCO application.

Part 6: KEY PRINCIPLES - MITIGATION AND COMPENSATION MEASURES

1. GENERAL PRINCIPLES

- 1.1 This Part 6 sets out HAL's position on its mitigation and compensation measures as at the date of this Statement of Principles and is not intended to override any National Policy Statement, the policy and/or planning processes (including, for the avoidance of doubt, any public consultations) that will necessarily need to be followed by HAL and the Secretary of State to enable expansion after a Government conclusion on the preferred scheme has been communicated to HAL in accordance with paragraph 1 of Part 1 (*Principles Relating to Key Areas of Scheme Development and Implementation*).
- 1.2 HAL is committed to working with the local community surrounding the Airport and beyond to minimise disruption and inconvenience and maximise the benefit of delivery of its Scheme.
- 1.3 HAL will deliver without prejudice to the principles in this Part 6:
 - 1.3.1 any measures that it has committed to delivering as set out in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*); and
 - 1.3.2 any additional pledges made by HAL to the public not captured in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*) that are given after the date of this Statement of Principles.

2. AIRPORTS COMMISSION RECOMMENDATIONS

- 2.1 HAL and the Secretary of State both acknowledge that the Airports Commission has recommended that expansion at the Airport be taken forward as part of a broader package that addresses environmental, social and economic impacts. HAL acknowledges that the Secretary of State is considering these recommendations as part of its review process.
- 2.2 HAL acknowledges that the Airports Commission's final report made a number of recommendations in relation to HAL's Scheme, including the eleven (11) major measures listed in Airports Commission's Final Report, July 2015 - pages 10 and 11, "*A Balanced Approach to Expansion*", and other additional measures that should be taken forward, in parallel with the approval, construction and operation of any new capacity at the Airport, to address its impacts on the local environment and communities (the "**AC Measures**").
- 2.3 HAL confirms it is strongly supportive of the intent behind the AC Measures to address the impact of Airport expansion on the communities and the environment. HAL also confirms it will pursue the implementation of the intent of the AC Measures in partnership with Government, other stakeholders and/or local communities. HAL and the Secretary of State have identified a number of areas where the details of implementation of the AC Measures will require further work. HAL accepts and the Secretary of State acknowledges that for a number of the AC Measures the primary role in the implementation and actual decision to implement resides appropriately with Government rather than with HAL.
- 2.4 HAL has confirmed to the Secretary of State that the AC Measures do not pose an impediment to planning, development, funding and implementation of the Scheme, although HAL and the Secretary of State both acknowledge that further detail is needed to implement the AC Measures and the specific recommendations of the Airports Commission.
- 2.5 In particular, HAL has communicated to Government its proposals on each of the eleven (11) major measures referred to in paragraph 2.2 of this Part 6, as summarised in its press release

dated 11 May 2016, which are as follows, which HAL acknowledges that the Secretary of State has not endorsed:

<p>NIGHT FLIGHTS. "Following construction of a third runway there should be a ban on all scheduled night flights in the period 11:30 pm to 6 am"</p>	<p><i>Meeting the Airports Commission</i> The introduction of a legally binding ban on all scheduled night flights for six and a half hours (as recommended by the Airports Commission) from 11 pm to 5:30 am when the third runway opens.</p> <p><i>Exceeding the Airports Commission</i> We will support the earlier introduction of this extended ban on night flights by Government as soon as the necessary airspace has been modernised after planning consent for the third runway has been secured.</p>
<p>NOISE ENVELOPE: "A clear 'noise envelope' to be agreed, and legally enforced"</p>	<p><i>Meeting the Airports Commission</i> Consult on and establish a clear and legally binding noise envelope for the third runway that will give certainty to local people.</p> <p><i>Exceeding the Airports Commission</i> We will support the introduction of an independent noise authority, and a system for the independent regular review of the noise envelope framework and targets to incentivise a reduction in aircraft noise over time.</p>
<p>RESPITE: "Predictable respite to be more reliably maintained"</p>	<p><i>Meeting the Airports Commission</i> Maintain more predictable periods of respite and publish a publicly available timetable of respite for different areas under the flight path so local people know exactly when no planes will fly over their homes.</p> <p><i>Exceeding the Airports Commission</i> We will ensure there will be some respite for everyone living under the final flight path by using advances in navigational technology. We will consult and provide options on our proposals to alternate use of the runways.</p>

<p>PROPERTY COMPENSATION: "Compensate those who would lose their homes at full market value plus an additional 25% and reasonable costs. Heathrow should make this offer available as soon as possible."</p>	<p><i>Meeting the Airports Commission</i> Compensate those who would lose their homes at full market value plus an additional 25% above their unblighted market value plus legal fees, stamp duty and moving costs. We will introduce the full scheme after receipt of planning consent. We will extend this offer to a further 3,750 properties close to the compulsory purchase zone, offering local residents the option to move to a new home. After a Government decision has been taken, we will introduce a Hardship Scheme.</p>
<p>COMMUNITY COMPENSATION: "Heathrow should spend more than £1bn on community compensation. In addition, a new aviation noise charge or levy should be introduced to ensure that airport users pay more to compensate local communities"</p>	<p><i>Meeting the Airports Commission</i> Spend over £1bn on community compensation (noise and property) and support the introduction of a scheme to ensure that airport users pay to compensate local communities for the impacts of the airport.</p> <p><i>Exceeding the Airports Commission</i> We will begin funding compensation for local communities from the day when planning consent is granted and we will work with local authorities to ensure we help those most severely affected.</p>
<p>COMMUNITY ENGAGEMENT BOARD: "Establishment of a Community Engagement Board, under an independent Chair, with real influence over spending on compensation and community support and over the airport's operations"</p>	<p><i>Meeting the Airports Commission</i> Establish an independent Community Engagement Board, under an independent Chair, which will have real influence over how Heathrow meets these conditions.</p> <p><i>Exceeding the Airports Commission</i> We will set up this new Board after the Government approves Heathrow expansion. We would propose a number of the members are those who have campaigned for the best possible deal for local residents.</p>
<p>INDEPENDENT AVIATION NOISE AUTHORITY: "Creation of an independent aviation noise authority with a statutory right to be consulted on flight paths and other operating procedures."</p>	<p><i>Meeting the Airports Commission</i> Back the creation of an independent aviation noise authority with statutory powers.</p>

<p>PROVISION OF TRAINING AND APPRENTICESHIPS: "Provision of training opportunities and apprenticeships for local people so that nearby communities benefit from jobs in constructing and operating the new infrastructure"</p>	<p><i>Meeting the Airports Commission</i> Provide training opportunities and apprenticeships for local people so that nearby communities benefit from jobs in constructing and operating the new infrastructure.</p> <p><i>Exceeding the Airports Commission</i> Immediately following a Government decision to expand Heathrow, we will establish an Education and Skills Taskforce that will identify how best to develop the airport's future skilled workforce and to create a legacy for UK infrastructure projects. We will double the number of apprenticeships at Heathrow to 10,000 by the time the runway is operational. We will work with local councils and communities to ensure that as many as possible of the 40,000 new jobs at the airport go to those living nearby, aiming to end youth unemployment in those Boroughs closest to the airport.</p>
<p>MODE SHARE: "Incentivisation of a major shift in mode share for those working at and arriving at the airport, through measures including new rail investments and a continuing focus on employee behaviour change. A congestion charge should also be considered."</p>	<p><i>Meeting the Airports Commission</i> Incentivise a major shift in mode share for those working at and arriving at the airport through measures including new rail investments and a continuing focus on employee behaviour change and including the consideration of a congestion or emissions charge.</p> <p><i>Exceeding the Airports Commission</i> An increase in the number and frequency of trains; our commitment to increase the routes and regularity of bus and coach services serving local employees; and our support for local cycling will mean that there will be no more airport related traffic on the roads after the new runway opens than today.</p>

<p>AIR QUALITY: "Additional operations at an expanded Heathrow must be contingent on acceptable performance on air quality. New capacity will be released when it is clear that air quality at sites around the airport will not delay compliance with EU limits."</p>	<p><i>Meeting the Airports Commission</i> Additional operations at an expanded Heathrow will be contingent on acceptable performance on air quality and will be in accordance with air quality rules. New capacity at an expanded airport will not be released unless we can do so without delaying UK compliance with EU air quality limits.</p> <p><i>Exceeding the Airports Commission</i> We will create an ultra-low emissions zone for airport vehicles by 2025. We will develop plans for an emissions charging scheme for all vehicles accessing the airport to encourage low-emission technology and fund sustainable transport. To provide further confidence, we propose that the Environment Agency be given the role of an independent aviation air quality authority, to provide transparent scrutiny of our plans.</p>
<p>FOURTH RUNWAY: "Ruling out any fourth runway. The government should make a commitment in Parliament not to expand the airport further."</p>	<p><i>Meeting the Airports Commission</i> Accept a commitment from Government ruling out any fourth runway.</p>

- 2.6 HAL acknowledges that the Secretary of State is considering further recommendations proposed by the Airports Commission as part of its review process in addition to the recommendations referred to in paragraph 2.2 of this Part 6, namely:
- 2.6.1 whether Government will take forward the Airports Commission's recommendation for an Independent Aviation Noise Authority with which HAL will cooperate if required to do so by Government and/or such Independent Aviation Noise Authority;
 - 2.6.2 whether Government should take forward the Airports Commission's recommendation for a Community Engagement Board with which HAL will co-operate if required to do so;
 - 2.6.3 whether Government will take forward the Airports Commission's recommendation that there will be no fourth runway at the Airport;
 - 2.6.4 whether Government should introduce a noise levy or charge at major UK airports to ensure that airport users pay more to compensate local communities. A levy should not impose undue or unfair costs at any airport;
 - 2.6.5 whether further consideration is required to the treatment of air passenger duty as an important feature of a sustainable aviation sector in which those benefiting directly make a contribution to wider society benefits;
 - 2.6.6 how and whether increased business rates revenue from Airport expansion which

may be retained locally could be best distributed across impacted areas; and

- 2.6.7 whether Government should introduce public service obligations on an airport-to-airport basis and use them to support a widespread network of domestic routes at the Airport.
- 2.7 HAL notes the Airports Commission's recommendation that promises that the Airport makes to local communities should be legally binding and acknowledges that Government continues to consider delivery routes for any requirements and/or conditions that it may attach to its preference for a particular expansion scheme and that Government will consider as appropriate whether and how the measures mentioned in this Part 6 should be made legally binding in due course.
- 2.8 HAL and the Secretary of State are, as at the date of this Statement of Principles, in discussions in relation to the delivery of a community compensation fund as an alternative to a noise levy (and in addition to existing HAL's Commitments). HAL has confirmed to Government that: (i) it is supportive in principle of such a community compensation fund provided that such fund is clearly defined in scope and directly connected to the mitigation of the environmental impacts of expansion; (ii) the quantum of such a fund would need to be proportionate and take into account all other appropriate measures (including but not limited to HAL's Commitments as envisaged in its Scheme) having regard to the parameters envisaged by the Airports Commission, but in all circumstances, ensuring such a fund could be capable of being accommodated within HAL's Scheme (it being noted that an amount for such a fund is not included in the Indicative Funding and Financial Plan or estimated aeronautical charge); and (iii) any fund would need to be subject to more formal consultation with the local community to best determine the most appropriate way of establishing, governing and distributing such a fund.

3. ENVIRONMENTAL, AIR QUALITY, CARBON AND NOISE

- 3.1 HAL has put together its Scheme with the aim to create the world's most environmentally responsible hub airport. HAL acknowledges that airport expansion should only take place within sustainable limits. HAL's objective of environmental responsibility goes beyond specific conditions from the Airports Commission or any applicable legal requirements. The Secretary of State acknowledges that Government has a role in addressing air pollution and other environmental issues, as referenced in paragraph 3.4 of this Part 6, which will be relevant to HAL in progressing HAL's objectives. HAL remains committed to and will seek to minimise the environmental impacts of its Scheme in a manner which balances HAL's social, environmental, economic, regulatory and commercial objectives and statutory obligations.
- 3.2 HAL will in addition to any requirements in the planning process, design as part of the development and elaboration of the Scheme:
- 3.2.1 management schemes for the minimisation of environmental impacts from the Airport, and the aviation and surface traffic associated with its use and/or with the Scheme, including nitrogen oxide emissions, particulate matters, carbon emissions, noise emissions and waste;
- 3.2.2 schemes for the protection of the quality of surface and ground waters, the efficient use of water resources and the minimisation of flood risk at or in the vicinity of the Airport; and
- 3.2.3 schemes for the mitigation of adverse impacts of the Scheme on biodiversity,

habitats, landscape and townscape,

such schemes to be drawn up on the basis of utilising the best available techniques or such other standard as may be legally required and in a manner consistent with HAL's social, environmental, economic, regulatory and commercial objectives and statutory obligations.

- 3.3 HAL and the Secretary of State will collaborate to identify additional requirements specific to the Scheme and/or the operation of the Airport that may be imposed in the course of the authorisation of the Scheme, or subsequently by the Government (including requirements and restrictions imposed under the Civil Aviation Act 1982, (as amended from time to time)) for the purposes of:
- 3.3.1 meeting existing legislative requirements;
 - 3.3.2 meeting international and EU obligations;
 - 3.3.3 giving effect to recommendations of the Airports Commission, where appropriate; and
 - 3.3.4 providing for the enforcement or better enforcement of obligations undertaken by HAL pursuant to management schemes and other schemes drawn up under paragraph 3.2.1 of this Part 6.
- 3.4 HAL is committed to work with the Secretary of State, CAA, industry partners and local stakeholders to deliver progress and consensus where possible on key issues such as noise, air quality and climate change emissions. HAL will take a responsible, leading role in community consultation on these issues in appropriate partnership with Government, the CAA and others. In particular, HAL acknowledges tackling air pollution is a priority for Government to provide for a cleaner, healthier environment benefiting people and the economy. In December 2015, the Department for Environment, Food and Rural Affairs published its plan, entitled "Tackling nitrogen dioxide in our towns and cities", to improve air quality in the UK and in particular to meet the NO₂ limit values set out in the Ambient Air Quality Directive 2008/50/EC in the shortest possible time. HAL and the Secretary of State acknowledge that the implementation of the UK Air Quality Plan for NO₂ and progress toward compliance will inform the implementation of the Scheme.
- 3.5 HAL is committed to the carbon strategy set out in paragraph F of Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*).

4. OTHER BENEFITS

Domestic connectivity

- 4.1 HAL has stated publicly that if it were to expand the Airport it believes that the benefits of expansion would extend to the whole of the UK. The Secretary of State and HAL both acknowledge the importance of fostering good domestic connectivity for the UK through the establishment of a more extensive and competitive route network of domestic connections once new capacity becomes available, whilst also recognising that HAL has limited influence over the introduction of new domestic routes. HAL also re-confirms its own commitments made during the Airports Commission process on domestic connectivity which are set out in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*).
- 4.2 HAL is confident that as a result of the measures described in paragraph 4.1 of this Part 6 there will be increased domestic connectivity at the Airport, the number of domestic routes at

the Airport are likely to increase from 8 to 16 (including crown dependencies) and 8 to 14 (excluding crown dependencies).²

- 4.3 Whilst HAL acknowledges that the Government has not yet taken any decision on this, the Secretary of State may develop options for use of Public Service Obligations (“PSOs”) and other mechanisms to maximise the benefit of new airport capacity for the UK regions. HAL will work jointly with the Secretary of State on these changes in whatever form they take.
- 4.4 HAL proposes to work together with the Secretary of State and local stakeholders to develop a plan to continue to support and enhance domestic aviation connectivity and to maintain and support new and existing routes to other UK airports.

Jobs and apprenticeships

- 4.5 HAL proposes to work together with the Secretary of State and local stakeholders to develop a plan to support jobs and economic growth throughout the UK. HAL intends to set out how it proposes to secure such benefits in an action plan covering investment in local skills, training and apprenticeships as well as investing in the supply chain throughout the UK.
- 4.6 HAL's public commitments on jobs and apprenticeships are set out in paragraph B of Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*).

Other benefits

- 4.7 HAL will develop plans with relevant stakeholders (as appropriate) to identify opportunities, subject to the distribution of appropriate land holding rights, to expand freight handling capability within the Airport boundary.

5. MISCELLANEOUS

- 5.1 Without prejudice to the principles in this Part 6, HAL will meet valid claims made by third parties for amounts payable pursuant to the statutory basis for compensation in relation to the Scheme under section 149 of, and Schedule 13 to, the Town and Country Planning Act 1990 (as amended from time to time) including valid claims made by third parties for amounts payable pursuant to the statutory basis for compensation in relation to the Scheme pursuant to paragraph 25 of that Schedule 13 (but only insofar as any such claims made under that Section and Schedule directly relate to proposals for or in relation to the Scheme prepared, sponsored and/or adopted by HAL or the Secretary of State) provided always that the costs associated with such claims are fully recoverable through the RAB and upon CAA confirmation of such recoverability in accordance with paragraph 1.5.1 of Part 3 (*Key Principles - Key Delivery Milestones*) HAL will enter into such appropriate contractual arrangement in respect of the delivery of such commitment.
- 5.2 HAL further acknowledges that the Secretary of State reserves the right to amend, reject and/or add to any AC Measures (as defined in paragraph 2.2 of this Part 6) and/or requirements whether proposed by the Airports Commission or set out in Appendix 4 (*HAL's*

² Domestic routes from the Airport have increased from 7 to 8 since the publication of the AC's Report with the addition of Inverness.

Public Commitments on Mitigation and Compensation Measures) or not or as part of the relevant National Policy Statement, Development Consent Order or otherwise from time to time in consultation (as appropriate) with HAL and/or, where required by legislation, as a result of the exercise of the Secretary of State's public functions.

- 5.3 The Secretary of State acknowledges that the Secretary of State's conclusion on amending, rejecting and/or adding to any AC Measures (as defined in paragraph 2.2 of this Part 6) and/or requirements in accordance with paragraph 5.2 of this Part 6 and/or the further recommendations referred to in paragraph 2.6 of this Part 6 may impact on HAL's overall business case and/or HAL's risk profile in relation to the implementation of the Scheme.
- 5.4 As part of implementation of the Scheme and the delivery of HAL's proposals on each of the AC Measures referred to at paragraph 2.5 of this Part 6, HAL:
- 5.4.1 will in developing its application for development consent consult on:
- 5.4.1.1 options for a noise envelope framework setting controls on aircraft noise, to be legally secured through the DCO and preparation of the noise envelope framework to include proposals to incentivise the reduction of aircraft noise over time and a mechanism for regular independent review;
- 5.4.1.2 proposals that will ensure there will be some respite for everyone living under the final flight paths and consultation on alternative use of the runways. HAL's position is that its ability to offer some respite for everyone living under the final flight paths is contingent upon: (i) sufficient support for respite in the National Policy Statement or if not designated at the time of consultation, the draft National Policy Statement; and (ii) timely delivery of changes to airspace management (as contemplated in Part 3 (*Key Principles - Key Delivery Milestones*)); and
- 5.4.1.3 developing plans for emissions charging schemes. HAL's position is that its ability to deliver an emissions or congestion charging scheme through the DCO may be contingent upon express policy support for such a proposal (including within the National Policy Statement, or if not designated at the time of consultation, the draft National Policy Statement);
- 5.4.2 will work with the Government, following the Government conclusion to proceed with HAL's Scheme as the preferred scheme, to:
- 5.4.2.1 if considered appropriate by Government (and HAL acknowledges that as of the date of this Statement of Principles that the Secretary of State has not taken any decision in respect of the Airports Commission's proposal for an independent Community Engagement Board and continues to consider whether or not to take such proposal forward), establish an independent Community Engagement Board which shall be subject to consultation with local community and the existing community engagement groups (including Local Focus Forum and Community Noise Forum) to determine integration with existing groups;
- 5.4.2.2 establish an Education and Skills Taskforce;

- 5.4.3 propose that night flight restrictions imposed prior to and during the operation of the Scheme should be introduced by the Secretary of State pursuant to section 78 of the Civil Aviation Act 1982, and is of the view that such restrictions can only be introduced following the introduction of parallel approaches at the Airport, following timely delivery of changes to airspace management (as contemplated in Part 3 (*Key Principles - Key Delivery Milestones*));
- 5.4.4 in delivering HAL's commitments on noise insulation referenced in paragraph 2.5 of Part 6 and set out in Appendix 4 (*HAL's Public Commitments on mitigation and Compensation Measures*), HAL shall administer its noise insulation offer in phases over a period of twenty years beginning at least one year before operations on the new runway begin, starting with those homes most affected.
- 5.5 In delivering HAL's commitments on property compensation referenced in paragraph 2.5 of Part 6 and HAL's Commitments on property compensation set out in Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*), HAL shall (subject to paragraphs 5.6 and 5.8) provide:
- 5.5.1 the compensation to be paid to owner-occupiers of residential properties and/or small business premises that are required for the Scheme and are the subject of compulsory acquisition powers (or proposals for compulsory acquisition powers) will be an amount comprising:
- 5.5.1.1 the full Unaffected Open Market Value of the property assessed in accordance with the Compensation Code;
- 5.5.1.2 a home loss payment being an amount equal to 25% of the full Unaffected Open Market Value;
- 5.5.1.3 stamp duty costs equivalent to the amount of stamp duty that would be payable on the purchase of a property of the same value as the full Unaffected Open Market Value of the property;
- 5.5.1.4 reasonable moving costs and reasonable legal fees;
- 5.5.2 the compensation offer described in paragraph 5.5.1 of this Part 6 will be extended to a further 3,750 (approximately) owner-occupiers of residential properties located within the Wider Property Offer Zone, so as to give owner-occupiers of residential properties within the Wider Property Offer Zone the option to move to a new home.
- 5.6 HAL will introduce a scheme or schemes to implement the Property Compensation Offer and under the terms of such scheme or schemes compensation will be payable by HAL to eligible property owners after planning consent has been granted for the Scheme and its construction has begun. HAL intends to enter into appropriate contractual arrangements (**REDACTED**) with property owners who are eligible for the Property Compensation Offer.
- 5.7 HAL has confirmed to local representatives that in relation to HAL's extended eligibility of its noise insulation offer to include community buildings within the 60dB LAeq (16 hour) contour it is estimated that an additional 27 schools would become eligible beyond those already eligible under its existing scheme, at a cost of around £40m.
- 5.8 After the Government announces its conclusion to proceed with a National Policy Statement in favour of the Scheme pursuant to Part 1 (*Principles Relating to Key Areas of Scheme*

Development and Implementation), HAL will introduce an assistance scheme for property owners facing significant hardship as a result of having a compelling need to sell their property but having been unable to do so, except at a substantially reduced price, as a direct result of HAL's proposals for the Scheme.

5.9 For the purposes of this paragraph 5, the following definitions apply:

“**Compensation Code**” means the statutory provisions, as interpreted by relevant case law, in relation to the assessment of compensation for the compulsory acquisition of land.

“**Property Compensation Offer**” means the compensation as described in paragraph 5.5.1 and 5.5.2 of this Part 6 (*Key Principles – Mitigation and Compensation Measures*).

“**Unaffected Open Market Value**” means the amount which the land if sold in the open market by a willing seller might be expected to realise, ignoring any increase or diminution in value which is directly attributable to the prospect or the carrying out of the Scheme.

“**Wider Property Offer Zone**” means the approximate area shown bounded **purple** on the web-link³, being an area within which approximately 3,750 eligible properties are situated that will be in close proximity to the extended airport boundary but will not need to be acquired compulsorily for the Scheme.

³ <http://your.heathrow.com/newpropertycompensation/>

Part 7: KEY PRINCIPLES - DEBT AND EQUITY

1. KEY PRINCIPLES

- 1.1 HAL acknowledges that, in accordance with its Scheme and subject to HAL Scheme Conditions, it will provide its own financing and will require no specific financial assistance in relation to the Scheme from the Secretary of State or any other Government body and that the Scheme is capable of being privately financed, with no need for any specific Government financial support within the regulatory framework as contemplated in Part 4 (*Key Principles - Regulatory Framework*). For the avoidance of doubt, this principle shall not prevent HAL, where it is eligible to do so, from accessing Government support which is generally available to private entities.

2. INDICATIVE FUNDING AND FINANCIAL PLAN

Subject to paragraph 5 of the Introduction, HAL currently envisages, as at the date of this Statement of Principles, that the funds required to deliver its Scheme will be secured in accordance with the Indicative Funding and Financial Plan (as defined in paragraph 5.3 of the Introduction). The Secretary of State and HAL both acknowledge that the Indicative Funding and Financial Plan is likely to be updated and amended from time to time by HAL as a direct result of the elaboration, development and/or adjustments of the Scheme.

3. EQUITY LETTER BY SHAREHOLDERS

- 3.1 The Equity Letter attached at Appendix 2 (*Equity Letter*) sets out the support of HAL's shareholders as described in further detail therein.

4. CHANGE OF OWNERSHIP

- 4.1 [PARAGRAPH REDACTED]

- 4.2 [PARAGRAPH REDACTED]

5. FINANCIAL ADVISER LETTER OF SUPPORT

The Financial Adviser Support Letter attached at Appendix 3 (*Financial Adviser Letter of Support*) sets out the level of confidence of HAL's financial adviser in respect of the HAL's ability to seek and put in place the required debt financing for the purposes of delivering the Scheme.

Part 8: KEY PRINCIPLES - FINANCIAL ROBUSTNESS

1. KEY PRINCIPLES

- 1.1 HAL intends to finance the Scheme and, subject to HAL's Financial Conditions, to adhere to the following principles in relation to its financial robustness in order to maximise the prospects of successful delivery of the Scheme:
- 1.1.1 HAL remains sufficiently financially robust to deliver the Scheme successfully;
 - 1.1.2 HAL intends to target an A- rating for its Class A debt and a BBB band rating for its Class B debt which in HAL's view will ensure sufficient financial robustness to support delivery of the Scheme;
 - 1.1.3 HAL intends to source sufficient term debt to support the delivery and financing of the Scheme;
 - 1.1.4 to the extent that term debt is not in sterling and to the extent required under applicable financing documents, HAL intends to put in place cross-currency swaps; and
 - 1.1.5 HAL intends to source sufficient undrawn liquidity facilities or keep sufficient cash on balance sheet to satisfy the rating agency requirements and to follow HAL's existing prudent treasury management practice.

APPENDIX 1: SCHEME

HAL intends to progress its expansion proposal in line with the intents as submitted by it to the Airports Commission, subject to changes and/or refinements as outlined below, and to Part 2 (*Key Principles - Scheme Design*). In doing so HAL expects expansion should be guided by the following objectives and principles to enable it to:

1. Connect all of Britain to global growth.
2. Play its part for the Airport's local communities and the environment.
3. Deliver fast to get shovels in the ground by 2022.
4. Fund expansion under a long term, predictable and transparent framework.
5. Deliver expansion within current regulatory and legislative tools.
6. Privately fund expansion backed by major long term investors.

The scheme is defined as the Heathrow North West expansion option as outlined in this Appendix.

The Scheme also includes a number of steps to minimise or mitigate the impacts or spread the benefits of expansion such as publically announced compensation packages referred to in Part 6 (*Key Principles - Mitigation and Compensation Measures*) and Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*). The proposal is generally assumed to be the scheme as submitted to and evaluated by the Airports Commission, with final configuration and construction of the Scheme subject to changes and/or refinements as outlined below.

Subject to the matters dealt with in this wider Statement of Principles, HAL confirms its intention to develop a new full length runway, with new terminal and other handling capacity sufficient for the Airport to deliver 740,000 ATMs per annum, forecast to serve up to 130 million passengers per year. On current planning assumptions, and subject to policy and planning processes, HAL plans for the runway to open in 2026. The additional capacity provides the Airport with the necessary capacity to meet forecast traffic need for at least the next 25 years. The incremental investment to construct this Scheme and related property purchases, compensation and mitigations is currently forecast to require a £16.4 billion capital outlay between 2019 and 2035 (as noted in HAL's submission to the Airports Commission in 2015).

The Scheme as currently planned will in HAL's opinion provide the UK with one of the world's leading hub airports with improved passenger experience and materially increase the UK's long haul connectivity, links from airports in the English regions and nations of the UK to the expanded hub and cargo capacity. HAL also confirms the scheme will deliver the various community and environmental initiatives as proposed to the Airports Commission or confirmed subsequently in the engagement process as set out in Part 6 (*Key Principles - Mitigation and Compensations Measures*) and Appendix 4 (*HAL's Public Commitments on Mitigation and Compensation Measures*).

HAL confirms that the Scheme as currently envisaged encompasses all the on Airport development required, as well as all local road, civil engineering and environmental works immediately beyond the Airport perimeter directly linked to the Airport's expansion.

The main components of the masterplan for the Airport as currently envisaged as of December 2015 are described in more detail below.

Airfield

A new 3,500m long third runway is proposed to the north west of the existing airport. The runway is separated from the existing northern runway by 1,035m. This should enable all three runways to operate independently from each other at full capacity. A 3,500m runway is of sufficient length to accommodate all departures or arrivals. The masterplan recognises that landing aircraft do not require as long a runway as departing aircraft. As a result the landing length is reduced to 2,800m through in-setting the landing thresholds. This, in conjunction with other new processes such as 3.5 degree steeper approaches and new quieter aircraft, will in HAL's opinion reduce the noise impact by approximately 30% compared to today.

The 3,500m long runway enables the use of all three runways to be alternated, thus providing periods of departing and landing aircraft respite to all members of the communities closest to the Airport.

A new taxiway network is planned to link the new runway to the rest of the Airport. The ability to operate any aircraft from any runway should reduce the amount of taxiing across the Airport. An important aspect of this is the introduction of "around-the-end-taxiways" (ATETs) to the west of the existing northern runway (which will become the central runway in future). The ATETs are located far enough to the west of the centre runway (which will have its take-off length reduced to 3500m) to enable all aircraft, including A380s, to taxi uninhibited past the end of the centre runway, without reducing the capacity of the runway.

A new apron is proposed between the new third runway and centre runway. The apron is planned to provide approximately 5000m of new aircraft stand frontage which would provide capacity for approximately 35mppa. In the current design, the new Apron 6 is aligned east-west with passengers processed through a single satellite approximately 1400m long x 45m wide.

Terminals

Terminal infrastructure is currently planned to be developed over time around a Heathrow West and Heathrow East – simplifying, consolidating and modernising the Airport buildings. In the current design, a new terminal is proposed to the west of the existing Terminal 5, which would handle approximately 35mppa. The terminal is located, in the current design, close to Terminal 5 in order to create the integrated Heathrow West and thus maximise the existing links to public transport infrastructure along the "spine" between Terminal 2 and Terminals 5 such as Crossrail, Heathrow Express and London Underground Piccadilly Line. The terminal would serve the new satellite on the northern apron through an automated people mover (tracked transit system (TTS)) and automated baggage links. The terminal would also have short-haul aircraft stands on its western face adjacent to new taxiways that provide air traffic controllers with greater flexibility to route aircraft around the airfield. The TTS and baggage links will be designed to extend to connect with rest of the airport and provide a faster and more convenient hub product for airlines and passengers, with minimum connection times between the central three terminal buildings expected to be reduced to 45 minutes for intra and 60 minutes for inter terminal transfers.

Surface Access

One of the key surface access drivers for the 3R masterplan is to have no more airport cars on the roads. This is planned to be achieved through providing improved public transport links that will target an increase public transport mode share to at least 50% by 2030 and at least 55% by 2040. The proposed masterplan assumes that the two Western Terminals should share rail and LUL stations, with the existing Terminal 5 multi-storey short stay car park and forecourt extended to serve both terminals. The Western landside campus is planned to be accessed from M25 Junction 14 to the south, with traffic leaving the campus exiting to the north through M25 Junction 14a. In both cases the roads will need to pass underneath twin taxiway bridges to access the site. A section of the M25 is currently planned to be in a tunnel underneath the new runway with existing connection points to the M4 being maintained.

The third runway and northern apron are currently planned to result in the current landside facilities to the north west of the Airport needing to be relocated. New access from M25 Junction 14 along the south-west and into Terminal 2 via a new Southern Road Tunnel, are currently planned to be created. Future carpark development is assumed to make use of multi-storey or decked facilities, where appropriate, in order to reduce land take. New parking to the west of the centre runway (accessed from the Heathrow West site) and to the south west of the Airport on the Cemex site by Stanwell.

Land-use Zones

New zones of offices, hotels and ancillary infrastructure have been highlighted on the masterplan in order to replace displaced facilities or to meet increased demand from a third runway. The full extent of this development will be determined through the formal planning process. At this stage, a new commercial development zone is proposed to the west of Heathrow West, plus more intensive use of the land currently along the A4 Bath Road which will now be between the runways. A number of these sites could be connected in the future by a personal transport system (akin to the existing Pod system at T5) in order to reduce the need for buses on Airport roads. New cargo infrastructure is planned to be developed on the existing site on the south side of the Airport which with other local developments would enable in HAL's opinion the Airport to handle up to 3 million tonnes per annum.

Mitigation Sites

The 3R NW masterplan features a significant amount of mitigation to offset the environmental impact. As part of this the Colne Valley Way will be re-routed to the west, along with the creation of enhanced flood storage, green space and community facilities. Noise bunding, noise walls and planting are all currently proposed to help to lessen the impact on local communities. The new improved 3R masterplan will limit housing loss to 750 properties and enable the preservation of the Grade I listed Tithe Barn and Grade II* listed St Marys Church in situ in Harmondsworth.

Scheme Refinement

The details of the specific construction and configuration of the Scheme, or related mitigations and activity, will be subject to changes and/or refinements resulting from (including but without limitation): (i) consultations and further community and industry consultation; (ii) legal, regulatory and safety requirements; (iii) legal policy and planning process (including, as set out within the National Policy Statement prepared by Government on airport capacity); (iv) technological and operational enhancements; (v) improvements to spatial planning and environmental effects; and/or (vi) required by the further elaboration, design development and optimisation, detailed engineering and design work or adjustments by HAL, as well as normal commercial adjustments as contemplated in this wider Statement of Principles. These changes and/or refinements may include (but are not limited to) different phasing or timing of some infrastructure, particularly terminal or related infrastructure developed after the runway opens.

APPENDIX 2: EQUITY LETTER

[EQUITY LETTER REDACTED]

APPENDIX 3: FINANCIAL ADVISER LETTER OF SUPPORT

Date: [*Original Letter Date Stamped: 21 June 2016*] 2016

To: The Secretary of State for Transport ("SoS")
1/27, Great Minster House
33 Horseferry Road
London, SW1P 4DR

STRICTLY PRIVATE AND CONFIDENTIAL

Dear Sir

AVIATION CAPACITY PROGRAMME - FINANCIAL ADVISER LETTER OF SUPPORT FOR HEATHROW AIRPORT LIMITED

1. INTRODUCTION

- 1.1 We, BNP Paribas, acting through our Energy and Infrastructure group for EMEA (the "**Financial Adviser**"), are delighted to have been working with Heathrow Airport Limited (the "**Promoter**") and supporting the Promoter's proposal in respect of the delivery of additional aviation capacity in the South East of England (its "**Proposal**").
- 1.2 The Airports Commission has made a recommendation in favour of Heathrow Airport Northwest Runway scheme to deliver additional aviation capacity in South East of England, together with a package of measures.
- 1.3 It is our understanding that the Promoter will enter into a Statement of Principles with the SoS in the form attached to this letter (the "**Statement of Principles**") setting out the basis on which, were its Proposal to be preferred by the SoS for the purposes of delivering additional aviation capacity in the South East of England, the Promoter would deliver such capacity. This letter of support is subject to the principles, acknowledgements, conditions and/or statements set out in the Statement of Principles and to paragraph 5.1 below, and is intended to support the Promoter's Proposal regarding the procurement of debt funding for the purposes of delivering the Proposal.

2. DUE DILIGENCE AND ANALYSIS

- 2.1 As part of our role as Financial Adviser to the Promoter, we have undertaken the following detailed work, analysis and evaluation in order to come to the opinions set out in paragraph 3 of this letter:
 - 2.1.1 detailed review of the current financing arrangements of the Promoter including all relevant debt and swap instruments;
 - 2.1.2 detailed review of the current rating agency treatment and methodology for the Promoter;
 - 2.1.3 evaluated the impact of stress cases we believe the rating agencies would run;
 - 2.1.4 detailed review of the Promoter's funding and financial plans in relation to the Proposal provided by the Promoter to the SoS during the engagement process ("**Indicative Funding and Financial Plan**");

- 2.1.5 desktop review of the current and historical financing markets and quantum of debt available from these markets based on our extensive knowledge of the debt markets;
 - 2.1.6 detailed review of the financial forecasts of the Proposal as well as stress cases for the Proposal; and
 - 2.1.7 developing a financial model in relation to the Proposal and appropriate sensitivities.
- 2.2 To perform the detailed work, analysis and evaluation identified in paragraph 2.1 above, we have relied upon both information we received from the Promoter and publicly available information.

3. STATEMENT OF SUPPORT

3.1 Based on:

- 3.1.1 the information we have reviewed (as referred to in paragraph 2.1 above);
- 3.1.2 our detailed involvement in the Promoter's development of the financial aspects of its Proposal, including all related work, analysis and evaluation that we have undertaken; and
- 3.1.3 paragraph 3.3 below,

we are pleased to confirm that we are highly confident that the current anticipated debt financing required for the Proposal can be successfully sought and put in place.

3.2 We are also of the opinion that:

- 3.2.1 the Promoter will (subject to market and other conditions) be able to target and maintain an A- rating for its Class A debt and a BBB band rating for its Class B debt;
- 3.2.2 the Promoter will be able to source sufficient term debt;
- 3.2.3 to the extent that term debt is not denominated in sterling and, to the extent required under financing documents that the Promoter will need to put in place cross-currency swaps, we believe these will be available;
- 3.2.4 the Promoter will be able to source sufficient undrawn liquidity facilities or keep sufficient cash on balance sheet to satisfy rating agency requirements and on the basis they follow HAL's existing prudent treasury management practice they will have sufficient liquidity to maximise the prospects of the successful delivery and financing of the Proposal; and
- 3.2.6 the Scheme is capable of being privately financed with no need for Government support, within the existing regulatory framework and having regard to Part 4 (*Key Principles - Regulatory Framework*) of the Statement of Principles,

in each case, subject to paragraph 3.3 and in accordance with the general terms of the Statement of Principles.

3.3 The opinions referred to in paragraphs 3.1 and 3.2 are, in each case, given as at the date hereof, and are based on:

- 3.3.1 the Promoter's Indicative Funding and Financial Plan to support the delivery of the Proposal;
- 3.3.2 in our opinion, there being no event or circumstance (including any material adverse change or the continuation of any circumstance) which, in our opinion, has adversely affected or could adversely affect:
- (a) the business, condition (financial or otherwise), operations, performance, assets or prospects of the Promoter or any member of its group since the date of this letter, or their ability to perform their respective obligations under any of their respective finance documents; or
 - (b) the international or any relevant domestic syndicated loan, debt, bank, capital or equity market(s),
- during the period from the date of this letter to the date of signing of the finance documents for the financing relating to the Proposal;
- 3.3.3 review of the current and historical financial market conditions and quantum of debt currently available in these markets based on our extensive knowledge of these markets and our expectations of market conditions for a transaction of this size and nature going forward;
- 3.3.4 our sector expertise and knowledge of the Proposal after six months' of work with the Promoter;
- 3.3.5 our due diligence on the information referred to in paragraph 2.1 above, and on the assumption that such information remains true and correct; and
- 3.3.6 the anticipated positive feedback from the rating agencies (based on their current rating methodologies) to the approach of the Financial Adviser and the Promoter towards the proposed funding for the purposes of delivering the Proposal.

4. ACKNOWLEDGMENT

- 4.1 We acknowledge and agree that the Government has not yet come to a conclusion on its preferred scheme or how best to mitigate on the impacts on communities of expansion. The entering into the Statement of Principles by the SoS does not create an expectation that the Scheme is preferred by the SoS or Government.
- 4.2 We acknowledge and agree that the principles, commitments and deliverables referred to in the Statement of Principles will only apply in the event the Scheme is the proposal preferred by the SoS and the Promoter is notified of such by the SoS in writing.

5. STATUS OF LETTER

- 5.1 Except in relation to paragraph 6, this letter shall not create any legal relationship between the Financial Adviser and any other person, and does not constitute a legally binding commitment by the Financial Adviser or offer to arrange, underwrite or commit to any transaction or financing by the Promoter or any of their respective affiliates or subsidiaries in respect of the Proposal. The Financial Adviser does not assume a duty of care or any liability to any person in respect of the issuance of this letter. This letter does not bind the Financial Adviser, the Promoter, the SoS or Government.

5.2 Without prejudice to paragraph 5.1 above, we confirm that the signatory of this letter is duly authorised to issue this letter in accordance with the Financial Adviser's procedures for internal governance and approval.

6. CONFIDENTIALITY

6.1 We will keep this letter and the matters referred to herein confidential before, during and after the Promoter's engagement with the SoS in relation to the Proposal, except:

6.1.1 to the extent required by law or pursuant to any order of court or other competent authority or tribunal;

6.1.2 to the extent required by any relevant investment exchange regulations or the regulations of any other recognised market place which regulations (in either case) are binding upon any party;

6.1.3 when made to the Promoter and/or the Promoter's professional advisers who are bound to such party by a duty of confidence which applies to any confidential information disclosed.

6.2 We acknowledge and agree that the Freedom of Information Act 2000 ("FOIA") (as amended from time to time) and Environmental Regulations Act 2004 ("EIR") (as amended from time to time) apply to all information that the SoS holds and, as such, any requests for information under FOIA or EIR received by SoS will be responded to (subject to consideration by the SoS of information that is commercially sensitive or otherwise exempt from disclosure by FOIA or EIR).

6.3 We also acknowledge and agree that the SoS may otherwise publically disclose this letter (in consultation with us), only as part of its conclusions in relation to additional aviation capacity in the South East of England.

Yours faithfully

Signed by)
for and on behalf of BNP Paribas:)
)

Signature _____
[REDACTED]

APPENDIX 4: HAL'S PUBLIC COMMITMENTS ON MITIGATION AND COMPENSATION MEASURES

As set out in Part 6 (*Key Principles - Mitigation and Compensation Measures*), these are HAL's Public Commitments which have not been endorsed by the Government. Such public commitments are subject to further elaboration and amendment and HAL will continue to work with local communities in accordance with the relevant National Policy Statement, Development Consent Order and consultation processes set out in the Planning Act 2008.

In the course of developing its proposal HAL has set out a number of public commitments to ensure that the Scheme will be taken forward in a responsible manner, in particular with respect to the local communities directly affected by expansion and in a manner that will deliver benefits both at a local level and at a national level in-keeping with its mission as a hub for the entire country.

A. Overarching Commitments

In its document entitled "Taking Britain Further"⁴, HAL stated the following:

"If government supports a third runway at Heathrow, we will:

1. Connect Britain to economic growth by enabling airlines to add new flights to fast-growing markets
2. Connect UK nations and regions to global markets by working with airlines and government to deliver better air and rail links between UK regions and Heathrow
3. Protect 114,000 existing local jobs and create tens of thousands of new jobs nationwide by developing our local employment, apprenticeships and skills programmes and supporting a supply chain throughout the UK
4. Build more quickly and at lower cost to taxpayers than building a new airport by building on the strength the UK already has at Heathrow
5. Reduce aircraft noise by encouraging the world's quietest aircraft to use Heathrow and routing aircraft higher over London so that fewer people are affected by noise than today
6. Lessen noise impacts for people under flight-paths by delivering periods of noise respite with no aircraft overhead and providing noise insulation for people in high-noise areas
7. Treat those most affected by a third runway fairly by ensuring compensation greater than market value is offered to anyone whose home needs to be purchased
8. Keep CO₂ emissions within UK climate change targets and play our part in meeting local air quality limits by incentivising cleaner aircraft, supporting global carbon trading and increasing public transport use

⁴ http://www.heathrow.com/file_source/Company/Static/PDF/Companynewsandinformation/taking_britain_further.pdf

9. Increase the proportion of passengers using public transport to access Heathrow to more than 50% by supporting new rail, bus and coach schemes to improve public transport to Heathrow
10. Reduce delays and disruption by further improving Heathrow's resilience to severe weather and unforeseen events"

In its document "The Promise of Heathrow"⁵, HAL made the following more detailed commitments in respect of employment and training opportunities, the economy, exports and the environment:

1. "Heathrow expansion will double the number of apprenticeships across the airport to 10,000 and extend programmes to champion employability skills training in schools
2. Heathrow expansion will create more than 120,000 new jobs and has the potential to end youth unemployment in the five local Heathrow boroughs
3. Heathrow expansion will help rebalance the UK economy by connecting all of the UK's regions and nations to growth markets
4. Heathrow expansion will enable a significant increase in UK exports to close the gap between the UK and our European competitors
5. Heathrow expansion will keep CO₂ emissions within UK climate change targets, meet local air quality limits and cut the number of people affected by noise by at least 200,000"

On 11 May 2016, HAL announced that it will meet and, in most cases, exceed the conditions set out in the Airports Commission's recommendation for Heathrow expansion⁶.

Also on 23 May 2016, HAL launched the Heathrow Manifesto, entitled "Heathrow. Our Manifesto for Britain"⁷.

HAL has also confirmed to Government the following commitments on certain other specific issues:

B. Jobs, skills and apprenticeships

1. As set out in HAL's document "The Promise of Heathrow" and in HAL's response to the Airport Commission's Conditions,⁸ HAL:
 - a. will launch an independent Education, Employment & Skills Taskforce whose remit will include establishing the skills required to build and operate the Airport
 - b. will continue with its existing initiatives to promote careers and develop the links with the local community that will help future employability, including Heathrow Sustainability Partnership and Heathrow Academy

⁵ <http://your.heathrow.com/wp-content/uploads/2014/05/The-Promise-of-Heathrow.pdf>

⁶ <http://mediacentre.heathrow.com/pressrelease/details/81/Expansion-News-23/6296>

⁷ <http://mediacentre.heathrow.com/pressrelease/details/81/Expansion-News-23/6296>

⁸ <http://mediacentre.heathrow.com/pressrelease/details/81/Expansion-News-23/6296>

- c. recognises the opportunity to contribute to the long term construction skills base in the UK, and will engage a construction delivery partner in order to ensure HAL are delivering to meet current needs and close the skills gaps within the construction sector; and
- d. would set out its offer on jobs, skills and apprenticeships in more detail following a decision to prefer its scheme for Airport.

C. Domestic Connectivity

In its response to the report produced by the National Connectivity Task Force⁹, HAL undertook to pursue a number of steps to ensure the benefits of Airport expansion are felt throughout the UK. In particular, Heathrow made the following commitments:

“From 1 January 2017, HAL intends to introduce a £10 reduction on all domestic passenger charges, which is equivalent to greater than one third of the current charge levied against domestic passengers. HAL will use this new structure of charges as the basis for negotiations going forward and will seek to retain charges for domestic services for the longer term.”¹⁰

"We will review our charging structure to play our part in improving the commercial viability of existing domestic routes and implement any changes in January 2016."¹¹

"We will work with any organization that proposes to operate RAF Northolt as a satellite aerodrome for new regional routes in the interim."

“We will offer to enter into a partnership with airport operators and the relevant local authority, devolved administration, chamber of commerce or LEP of each airport that currently has a service to Amsterdam Schiphol (but not to Heathrow) to collaboratively approach airlines with a view of securing a route to Heathrow once a new runway has opened. We will also extend this offer to those airports that are currently connected to Heathrow but desire more frequent and better-timed connections.”

“We will commit £10m to a Heathrow Route Development Fund to provide a start-up financial package for new domestic routes that remain unconnected after new capacity has become available to give them the chance to establish themselves and develop. The total fund could support up to 5 new domestic routes over three years”

“We will ask the Government to secure a new approach to Public Service Obligation routes that recognises the importance of global aviation connectivity and re-designate PSOs to an expanded Heathrow.”

⁹ http://www.heathrow.com/file_source/Company/Static/PDF/Companynewsandinformation/Heathrow_Response_to_the_NCTF_FINAL.pdf

¹⁰ HAL conducted a consultation (See: http://www.heathrow.com/file_source/Company/Static/PDF/Partnersandsuppliers/Airport-Charges-Consultation-Document-2April2015.pdf)

¹¹ Please note following consultation of the airlines, this change will now take place in 2017.

“Achieving long-term certainty of access may require a co-ordinated programme of legislative, policy and operational decisions by government, Heathrow and the industry. Heathrow is committed to working with government, airlines and RNCD stakeholders to identify the necessary changes required at national and/or EU level to deliver greater levels of security for domestic connections into Heathrow through a robust, transparent and appropriate mechanism.”

D. Commitments to Local People

D1. Property compensation

Having consulted extensively with the local community, HAL has developed a comprehensive offer of compensation to those affected by airport expansion. HAL made the following statement:

“In response to (this) public feedback, Heathrow is:

- confirming its intention to offer 25% above market value compensation plus legal fees, plus stamp duty costs for anyone whose home will be compulsorily purchased;
- extending this scheme to cover homeowners in close proximity to the new airport boundary whose homes do not need to be compulsorily purchased;
- giving people the choice of remaining in their homes or moving out of the area and receiving compensation;
- announcing the scheme now and including a 25% above market value premium to avoid blight to property prices and keep the local property market buoyant;
- proposing a single, simple and easy-to-understand flat rate of 25% above market value compensation rather than different bands of compensation for different communities;
- applying the proposal to homeowners in Poyle, Colnbrook, Brands Hill, Harmondsworth, Sipson, Harlington and Cranford Cross rather than having scheme boundaries that cut across communities.

People also said they want local villages to retain a vibrant local community feel. Where Heathrow purchases a property from a homeowner it will refurbish and sound insulate the property before reselling it on the open market.

This will give those people who want to leave the area the option of doing so but ensure those who remain still live in a functioning community.

The offer is subject to regulatory approval by the CAA. Approximately 3,750 homeowners’ properties would be eligible for compensation under the revised scheme.”

D2. Noise (inc. noise insulation offer)

In order to address concerns about aircraft noise, HAL has committed¹² to

“a noise insulation offer that goes above and beyond UK policy requirements, expands on Heathrow’s previous proposals and is comparable to those offered by other European hub airports.

In total, Heathrow estimates that over £700 million could be spent through this insulation package, an increase of over £450 million from that previously offered by Heathrow in its May 2014 submission to the Airports Commission, and an increase of over £610 million from its previous proposals for a third runway.

The scheme is based on two newly designated insulation zones, and residents would be eligible regardless of whether they experience noise under existing flight paths or will be newly affected by noise from a new runway.”

HAL has confirmed in its document entitled "Taking Britain Further"¹³ and "Heathrow's Blueprint for noise reduction"¹⁴:

1. its continued commitment to its noise insulation offer (above);
2. its focus is on managing and reducing noise levels by working collaboratively with industry stakeholders to incentivise and promote the use of quieter aircraft, improve the application of quieter operating procedures, accelerate the phasing out of the remaining noisiest aircraft, applying the principles of the ICAO Balanced Approach alongside effective community collaboration and engagement;
3. its commitment to exploring further options for innovative operational procedures to reduce noise;
4. its commitment to working with stakeholders and affected local communities on its approach to noise management, including through community noise groups, the Heathrow Noise Forum and Heathrow Community Noise Forum;
5. that one of the key design features that it will continue to apply to its expansion proposal is the minimisation of noise impacts, and in particular:
 - that with an expanded Airport the overall number of people exposed to noise will be lower than it is today;

¹² <http://your.heathrow.com/heathrow-unveils-new-world-class-insulation-scheme/>

¹³ http://www.heathrow.com/file_source/Company/Static/PDF/Companynewsandinformation/taking_britain_further.pdf

¹⁴ http://www.heathrow.com/file_source/HeathrowNoise/Static/heathrow_noise_blueprint.pdf

- noise minimisation proposals that go beyond the requirements of the Aviation Policy Framework dated March 2013;
 - predictable and reliable respite, maintaining the principle of runway alternation providing periods without overflight for every community overflown;
 - total number of people affected by night flights reduced when compared with today;
6. that it will also work to minimise the ground-based noise issues arising from expansion, such as aircraft on the ground, road traffic and construction noise and vibration.

D3. General environmental commitments (including cooperation with local authorities)

HAL has published a Responsible Heathrow strategy¹⁵ to illustrate how it will manage and reduce its impact on the environment. In particular through the course of 2014 and 2015 it has published blueprints on noise, air quality and surface access with specific actions on each which it is also committed to delivering.

[PARAGRAPH REDACTED]

E. AIR QUALITY

As part of its oral evidence to the Environmental Audit Committee (Nov 2015) HAL set out how a “triple lock” guarantee would address the air quality surrounding the Airport, should Heathrow be allowed to expand. The three elements of the triple lock are:

- (1) **Meeting our existing commitment to improve air quality by not increasing the amount of airport-related vehicles on the road:** by supporting improved surface access that would increase the number of people, both passengers and employees, using public transport and encouraging and incentivising the use of new technology and cleaner vehicles. This will include new rail lines to the north, east and west of Heathrow that will be transformational and put Heathrow at the heart of an integrated transport system.
- (2) **Ensuring further options are ready to be introduced if required to reduce traffic:** in its plans for expansion Heathrow has identified a number of options available to improve air quality that can be implemented if needed, including for example an airport congestion charge.
- (3) **Binding our commitment:** by guaranteeing that new capacity at an expanded airport will only be released when it is clear that the airport’s direct contribution to

¹⁵ http://www.heathrow.com/file_source/Company/Static/PDF/Communityandenvironment/Responsible_Heathrow_Policy.pdf

improving air quality will not directly delay compliance or directly cause non-compliance with the United Kingdom's legal air quality obligations.¹⁶

F. Carbon

F1. Operational Impacts

HAL has confirmed through its document "Taking Britain Further"¹⁷ and HAL's Surface Access Blueprint¹⁸ that HAL:

1. is committed to playing its role in addressing carbon emissions and will continue its strategies to manage and cut CO2 emissions, such as through the Energy Demand Management programme and carbon efficient infrastructure in its terminals;
2. will continue to invest in technology and transport to help others make more carbon efficient choices, such as the zero emission PODs or employee car share scheme;
3. will target a reduction in its carbon footprint of 29% by 2030;
4. will stand behind the commitments made in its submission to the Environmental Audit Committee¹⁹, including:
 - a. subject to the necessary changes in airspace design, eliminating routine stacking of aircraft over London (which reduces fuel use and emissions);
 - b. designing the airport to reduce holding on the ground and to ensure aircraft once landed, and before take-off, are held for minimum necessary time;
5. when a new runway is operational, will reduce carbon emissions from aircraft by:
 - a. encouraging airlines to shut down an engine during taxi;
 - b. supporting on-going technological developments and innovation including industry research into the use of alternative fuels for aircraft;
 - c. implementing an Ultra-Low Emissions Zone (ULEZ) - through Heathrow's Blueprint For Reducing Emissions HAL has committed to implementing vehicle standards in line with the ULEZ airside by 2025 establishing emissions standards for Heathrow

¹⁶ Note: See more at: [HTTP://MEDIACENTRE.HEATHROW.COM/PRESSRELEASE/DETAILS/81/EXPANSION-NEWS-23/5267#STHASH.APEUMBJG.DPUF](http://mediacentre.heathrow.com/pressrelease/details/81/expansion-news-23/5267#STHASH.APEUMBJG.DPUF)

¹⁷ http://www.heathrow.com/file_source/Company/Static/PDF/Companynewsandinformation/taking_britain_further.pdf

¹⁸ Reducing traffic: a new plan for public transport, Heathrow Airport Limited, July 2015 http://your.heathrow.com/wpcontent/uploads/2015/07/Heathrow_Surface-Access_Blueprint-2015-16.pdf

¹⁹ See <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/environmental-audit-committee/the-airports-commission-report-carbon-emissions-air-quality-and-noise/written/23915.html>

buses and coaches aligned with London's Ultra Low Emissions Zone.

F2. Construction Impacts

HAL has confirmed through its document "Taking Britain Further"²⁰ that HAL:

1. will integrate carbon considerations throughout the planning and design stage to minimise emissions as far as possible;
2. follow the Mayor of London's *Supplementary Planning Guidance on Sustainable Design and Construction* and on *The control of dust and emissions from construction and demolition*;
3. manage carbon emissions during construction by:
 - a. using recycled and/or low carbon construction materials;
 - b. maximising the use of locally sourced materials and minimising transport distance;
 - c. encouraging use of public transport for staff (including through a worker transport scheme);
 - d. using sustainable transport methods for construction materials and plant;
 - e. learning best practice techniques from other major infrastructure projects such as HS2, Terminal 5, the Olympics, Thames Tideway and Crossrail.

F3. Freight

HAL has confirmed through its document "Taking Britain Further"²¹ that HAL will work with the Freight Transport Association (FTA) and local authorities to minimise freight traffic.

²⁰ http://www.heathrow.com/file_source/Company/Static/PDF/Companynewsandinformation/taking_britain_further.pdf

²¹ http://www.heathrow.com/file_source/Company/Static/PDF/Companynewsandinformation/taking_britain_further.pdf