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From: patmcd904@orange.net **'Patrick McDonnell'**
CC: bridgetcampbell14@yahoo.com 'Bridget Campbell'
Date: 4/26/2007
Re: Government Aid To Terminal 5

- What is Government Aid?

"Government Aid" is help given to businesses by the government. Government Aid comes in many different forms. This Aid is usually given to companies to persuade them to start up in areas of low employment, so that the area's employment percentage will rise, helping to make the surrounding area, and possibly the country, more prosperous. By helping firms set up in "deprived" areas, the government hope to get their money back, through the "Multiplier Effect". If the business is set up, and prospers, more trade, and therefore money, is brought to the area, along with more people. These people earn more money through businesses in the local area, and they spend their money in the local area. These businesses are now more prosperous, and they must pay "Business Tax" to the government. The more prosperous a business is, the more they must pay. This is the Multiplier Effect, and how the government get their money back.

Government Aid can be given through money, but also other forms. These include simple things such as Planning Permission, which is just allowing the construction of the project to take place. Other types of Government Aid include laying down an "Infrastructure", by building road links and rail links to link the new building or project to the surrounding area. The government can also help by building houses in the surrounding area for the workers who may eventually go to work at the site, and "in" the finished product.

Government Aid is usually focused on businesses that start up in "Assisted Areas", Inner Cities, and Small Businesses.

Assisted areas are areas that suffer from high unemployment and lack of opportunities. There are two types of assisted area, "Development Areas", that are in need of the most help, and "Intermediate Areas", that need somewhat less help. Grants are given to businesses to start up in these areas to improve the local quality of life, to get local people off the "dole", and eventually, the area will become more prosperous, and money will get back to the government through taxes, and through less "dole expenditure".

Inner Cities are areas in the inner city (what a surprise) with widespread poverty, high unemployment and lack of business. In 1980, the government attempted to modernize and improve inner city areas in the United Kingdom, by rebuilding, repairing, or redesigning the infrastructure, public buildings and facilities, in the hope that businesses would set up in the "new" areas. This first took place in Merseyside and the London Docklands in 1981. The London Docklands has been a great success. Also, the government try other methods to attract firms to these areas. One of these methods is by creating "Enterprise Zones". Businesses that set up in Enterprise Zones get many valuable benefits such as not having to pay business rates, 100% tax allowances for new buildings and easier planning permission. These benefits last for 10 years. By the end of 1996, there were seven Enterprise Zones, but no plans to create new ones.

Small businesses are provided with more help than larger firms, because they can take on workers made redundant by larger businesses. Small firms account for around 97% of the 3.6 million businesses in Great Britain. Small businesses are given "Regional Investment Grants", given to firms with up to 25 employees in "Development Areas". "The Small Firms Loan Guarantee" is given to small firms without enough security to obtain a bank loan. It can guarantee between 70-85% of a loan of up to £250,000 for up to seven years.

- How could the current government help Terminal 5?

Heathrow Airport may get government aid in many different forms, as explained above.

The government could provide aid for the construction of Terminal 5 through a cash grant. However, as explained above, the government only supplies cash grants to companies that really need it or companies that set up in poorer areas. BAA's proposed site for Terminal Five is neither, and the surrounding areas, such as the Thames Valley, are quite prosperous.

The government could first give the Terminal Five project planning permission, so that construction may actually begin. This would greatly benefit BAA, as they could begin work on the Terminal. I think that planning permission will be given, because the government allowed BAA to build the Paddington Rail Link, and it would be pointless to build a new rail link for no real reason.

After doing this, the government could create an "infrastructure", by putting down road and rail links, such as the Paddington Rail Link, which was financed by BAA themselves, linking the new Terminal to the nearby area. Although the rail link has already been built, the BAA could ask the government to improve public transport services around the area and to add stability and reliability to the currently poor service, which would also provide better public transport services nationwide, to help congestion around the airport, and help people get to their flights on time. This could also help local workers get to their workplace quickly and efficiently. Also, the government could help Terminal Five by building new houses for these new workers that will come to live in the area if the Terminal is built.

- In reality, what type of aid will be given to Terminal 5?

BAA are paying for the construction of Terminal Five themselves, so it is highly unlikely that the government will help BAA in the financial department. Also, BAA paid for the construction of the Paddington Rail Link, which linked the new Terminal to Central London, so it is also very unlikely that the government will assist BAA through additional rail links. It is also very unlikely that the

government will create road links to Terminal Five, because it is already in a densely populated area, and therefore already has road links.

The only way I can see BAA getting aid from the government in the construction of Terminal Five is through simple Planning Permission, which has been hardest to obtain so far. The grant of Planning Permission will allow BAA to begin construction of Terminal Five.

However, now airlines worldwide are looking for aid from the nations governments, as the decrease in demand for flights has affected each major airline, including KLM and British Airways, who have had to lay off 7,000 workers. This decrease in demand has been caused by the terrorist attack on the United States. This drop in demand has been repeated in almost every airline, on almost every route flying to or nearby the United States, with many planes being "nearly empty" according to some pilots. Although this is bad news for Heathrow, this is also bad news for Amsterdam, as the slump is likely to hit most airports worldwide, with people being afraid to fly, in case terrorists hijack their flights.

It seems that the BAA may have to ask for Government Aid, because of a loss of money, indirectly because of this terrorist attack. The airlines that operate in BAA controlled airports are losing money due to the drop in demand, and shares in these companies are being sold en masse, and are therefore losing value. This means that shares in BAA are also losing value and are being sold, and this is causing BAA to drop in value and therefore lose money.

If the Britain's government does aid the BAA and British airlines, the BAA will only be able to use this to recover from the decline in share value, and not the construction of the new terminal, so I cannot see this affecting Amsterdam Airport too much.

Michael Keating

