



HOUSE OF COMMONS

LONDON SW1A 0AA

Airports Commission
Sanctuary Buildings
20 Great Smith Street
London
SW1P 3BT

23 May 2014

Dear Sir/Madam

I refer back to my previous submissions, and again emphasise that land in and around the Thames Estuary, particularly to the north side of the Hoo Peninsula, is strongly protected by UK and EU law and UN conventions. Since you have already determined that there are three other options which are credible and merit further detailed consideration, building at the Thames Estuary site would be unlawful as a precondition for this is that there should be no alternative.

Building an airport in the Thames Estuary is also likely to be financially unfeasible due to the phenomenal and extraordinarily uncertain costs involved in the construction of a new airport in the Thames Estuary.

Such an enormous infrastructure project could not realistically be privately financed. Construction of a new airport, as opposed to the expansion of existing infrastructure at Heathrow or Gatwick, cannot offer any predictable return on investment. Any private financing for a Thames Estuary Airport would have primarily to come from banks and debt capital markets, yet the asset against which such funds would be secured would remain speculative for well over a decade before the airport was functioning and earning any revenue to even begin to service its debt financing.

It is clear that providing finance for the Thames Estuary Airport through the sale and redevelopment of Heathrow is not a tenable method of funding the project. The sequencing involved in building an Estuary Airport is such that money could not be extracted from Heathrow until after the site is closed, and the airport could not close until the Thames Estuary Airport is fully operational. Planning for financing which will not be available for perhaps 20-30 years is an unworkable model. It is also notable that in Hong Kong the closed airport still remains undeveloped.

Even if there were any prospect of a contribution from private funding, all parties agree that the project would require a very substantial public subsidy, previously suggested as a figure in the region of £65bn on the basis of the Commission's £82-112 billion overall estimate. The costs seminar involving city analysts and industry experts which I chaired at Westminster on 16 May 2014 reached an overall cost estimate of approximately £148 billion, implying public subsidy of over £100 billion given the estimates of maximum private financing capacity to which the Commission has referred.



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Aside from the almost certainly insuperable difficulties that this figure would present the exchequer, the taxpayer, and the political process, a subsidy of this magnitude would constitute an unprecedented instance and scale of State Aid. This would at a minimum require lengthy consideration by the EU Commission before construction of the airport could begin, and money spent to design and prepare for that could be wasted if spent in advance.

If State Aid is found to distort competition in a way which is harmful to citizens and companies in the EU, then the State Aid would likely be found to be illegal. Again, because of the need to show such aid to be 'necessary', the exception hurdle is likely to be insurmountable since the Commission has already identified three other options as credible alternatives. Further, the Mayor of London in promoting this project, has explicitly done so on the basis that he believes such a state-backed project would be for the UK to prevail in competition with hub airports based in Paris, Frankfurt and Amsterdam. Schiphol in particular would have great incentive to invest very significant resources in legal and political efforts to prevent such a state-backed Thames Estuary airport.

In order to make a return on the investment made in a Thames Estuary Airport, the landing charges levied would need to be at least around 2.5 to 3 times those charged at Heathrow. I had previously estimated that a Thames Estuary airport would add an additional £50 to the price of each plane ticket and others have estimated a total per person charge of £70 being required. As Heathrow's landing charges are already some of the most expensive in the world, such charges would make a Thames Estuary Airport highly uncompetitive, whether contrasted with European hubs or airports in the Gulf States. This combined with the destruction or international flight of business based around proximity to Heathrow would both undermine the UK's hub aviation status and greatly harm the UK economy.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'M Reckless'.

Mark Reckless MP
Member of Parliament for Rochester and Strood