

Glossary

1991 MMC report	MMC 2 —BAA plc: <i>A report on the economic regulation of the South-East airports companies (Heathrow Airport Ltd, Gatwick Airport Ltd and Stansted Airport Ltd)</i> , 9 July 1991.
1996 MMC report	MMC 4 —BAA plc: <i>A report on the economic regulation of the London airports companies (Heathrow Airport Ltd, Gatwick Airport Ltd and Stansted Airport Ltd)</i> , 16 July 1996.
ABTA	Association of British Travel Agents Ltd.
ACARS	Aircraft communications and reporting system equipment.
ACL	Airport Coordination Ltd.
AEA	Association of European Airlines.
AEF	Aviation Environment Federation.
Aeronautical activities	Activities that are directly related to the aviation side of an airport's business. See also aeronautical revenues and commercial activities .
Aeronautical revenues	Revenues derived from aeronautical activities . The revenues encompass the income from both regulated charges and unregulated charges . See also commercial revenues .
AICC	Assets in the course of construction.
Air bridge	An adjusting covered walkway between a terminal gate/ pier and an aircraft. Air bridges are sometimes referred to as jetties.
Airport charges	Those charges defined by section 36(1) of the Airports Act . They are (broadly) charges levied on airlines in connection with the landing, parking or take-off of aircraft and charges levied on passengers in connection with their arrival at, or departure from, the airport by air.
Airport Companies	Refers collectively to HAL , GAL and STAL .
Airport Operator	Defined in the Airports Act as meaning the person for the time being having the management of an airport, or in relation to a particular airport, the management of that airport. The airport operators in the case of Heathrow, Gatwick and Stansted are respectively HAL , GAL and STAL .
Airports Act	The Airports Act 1986.
Airside	The area of an airport beyond security, passport and customs controls, accessible only to those specially authorized, eg passengers with valid boarding cards and airline, airport and other authorized staff.

ANS	Aerodrome navigation service. Ground control, see ATC .
AOC	Airline operators committee. A committee of representatives of each airline operating at an airport or terminal. It acts as one of the main points of contact between airlines and the airport for local operational and development issues.
AOPA	Aircraft Owners and Pilots Association.
APD	Airport passenger duty.
Apron	Airside area for the parking and manoeuvring of aircraft and ground handling . It does not include taxiways .
ART	Airside road tunnel.
ATA	Air Transport Association of America Inc.
ATC	Air Traffic Control—A service provided (in the UK mainly by NATS) for the control of aircraft flight movements in areas of controlled airspace (en-route ATC) and aircraft ground movement at an airport (ground control).
ATFM	Air traffic flow management. The method of controlling and attributing delays at a European level by the central flow management unit of Eurocontrol. It is based on restrictions to traffic flow requested by ATC service providers.
ATM	Air transport movement. Landing or take-off of an aircraft engaged in the transport of passengers, cargo and on commercial terms.
ATUC	Air Transport Users Council.
BA	British Airways Plc.
BAA	BAA plc. We use BAA to refer to the group and any company in the group as appropriate.
BAA (London) Airports	Heathrow, Gatwick and Stansted Airports.
BALPA	British Airline Pilots Association.
BAR UK	Board of Airline Representatives in the UK.
BATA	British Air Transport Association.
BAUA	Business Aircraft Users Association Ltd.
Bermuda 2	The Air Services Agreement between the US and UK Governments signed at Bermuda on 23 July 1977. Article 10 of Bermuda 2 was amended by the Exchange of Notes between the UK and UK Governments in 1994.
bmi	bmi british midland.
British Airports Authority	The forerunner to BAA .

BVRLA	British Vehicle Rental and Leasing Association.
C factor	A factor proposed for the charges formula, which would allow for BAA's capex .
CA 98	Competition Act 1998.
CAA	Civil Aviation Authority.
CAP599	The CAA's publication <i>Economic Regulation of BAA South Eastern Airports 1992–1997</i> , November 1991.
CAP664	The CAA's publication <i>Economic Regulation of BAA London Airports 1997–2002</i> , October 1996.
Capex	Capital expenditure on additions to fixed assets.
Capital value	A measure of asset value.
CAPM	Capital asset pricing model.
CC	Competition Commission.
Chapter 2 aircraft	An ICAO aircraft noise classification category for comparatively noisy aircraft which is still applicable to some older aircraft.
Chapter 3 aircraft	The ICAO aircraft noise classification category for the least noisy aircraft types.
Charge cap	Has the same meaning as price cap .
Charter service	A flight not operated as a regular scheduled service , sometimes on an ad hoc basis. Seats are often sold through an intermediary, such as a tour operator.
Check-in desks	Desks provided by the airport operator in the terminals at which outbound passengers complete preboarding requirements and deposit baggage to be conveyed in an aircraft's hold.
CIP	Capital investment programme.
CIP lounge/facilities	Facilities for commercially important passengers, ie passengers with premium-priced tickets.
CIPP	Continuous improvement of the project process. A BAA initiative to improve the cost-effectiveness of its CIP .
Civil Aviation Act	The Civil Aviation Act 1982.
CODA	Eurocontrol's central office for delay analysis.
Commercial activities	Airport activities that are not directly related to the aviation side of an airport's business, eg retail, duty-free sales, the letting of hotels and offices and provision of parking facilities.
Commercial revenues	Income derived from commercial activities .

Compounded value	The value at a point in time of past cash flows. Similar to NPV but cash flows are compounded forward using compounding factors.
Concessionaire	A business which is granted the right to trade at an airport in exchange for a turnover-related fee.
Cost of capital	The cost of capital is the minimum risk-adjusted rate of return that a project must earn in order to be acceptable to shareholders. The cost of capital is therefore the opportunity cost of funds provided to the firm.
Cost pass through	An arrangement where an airport can pass increase in specified costs directly through to users in the form of additions to charges between reviews.
CPR	Core process review.
CTA	Central terminal area. The central area at Heathrow, which includes Terminals 1, 2 and 3.
D Factor	A factor applied to the charges formula in Q3 to allow BAA to be compensated for the loss of EC duty-free and tax-free revenues.
DCF	Discounted cash flow.
Default price cap	A proposal by the CAA for dealing with cases where an airline had agreed to airport charges above the standard rate as part of a deal. Under the proposal, the excess would not be subject to the normal price cap .
DfT	Department for Transport. Previously DTLR , Department of the Environment Transport and the Regions, or DOT . The DfT manages government responsibilities for, inter alia, aviation and airports.
DGM	Dividend growth model.
DOCs	Direct operating costs.
DOT	The Department of Transport (now DfT).
DTLR	The Department of Transport, Local Government and the Regions (now DfT).
Dual till	A method for setting a price cap for airport charges which does not take account of the assets, costs and revenues relating to the commercial activities of an airport operator (as defined by the CAA) and relevant companies within its group but focuses only on the assets, costs and revenues relating to the aeronautical activities . This approach to setting the price cap is referred to by the CAA as the 'revised regulatory cost base' (RRCB).
EBITDA	Earnings before interest, tax, depreciation and amortization.

Economic efficiency	The CAA's proposed criterion to evaluate regulatory measures. A change increases economic efficiency if the beneficiaries of the taken measure could hypothetically at least compensate the groups negatively affected by it so that there is a net gain to society as a whole.
Economic rent	Economic rents arise where consumers' valuation of a unit of output is greater than the costs of producing it. In the case of airports, economic rents typically arise through capacity limits, locational advantages and the existence of diminishing returns to scale. Rents may also arise from restrictions in output by a monopoly supplier.
Equity beta	A parameter in the CAPM .
ERP	Equity risk premium. A parameter in the CAPM .
ERS	Early release stands. The first phase of the T5 development to be completed.
Europier	The pier serving European flights from Heathrow Terminals 1 and 2.
Exchange of Notes	The agreement between the US and UK Governments in 1994 formalizing the settlement of a dispute over aircraft landing charges at Heathrow. It amended Article 10 of Bermuda 2 .
FEGP	Fixed electrical ground power.
FRS	Financial reports standard.
FT	Financial Times.
FTE	Full-time equivalent.
GA	General Aviation .
GAL	Gatwick Airport Limited. The company which has the management of Gatwick Airport.
GASHCO	Gatwick Airport Service Hydrant Company Ltd.
General aviation	ATMs other than scheduled , charter , freight or military flights, eg private and business aircraft movements.
Grandfather rights	The right of an airline to continue to operate take-off or landing slots used on a consistent basis during the previous equivalent season.
Ground handling	Services provided to airlines at airports, including passenger and baggage handling, documents and load control, cargo and mail, ramp services , surface transport, catering services and security (excluding functions provided by BAA).
HACC	Heathrow Airport Consultative Committee.
HAL	Heathrow Airport Limited. The company which has the management of Heathrow Airport.

HALT	Heathrow Airport Licensed Taxis Limited.
HBS	Hold baggage screening. A process for the automatic X-ray screening of all baggage to be loaded into aircraft holds.
HCA	Historical cost accounting.
Heathrow Express	The fast rail service between London Paddington and Heathrow Airport.
HEOC	Heathrow Express Operating Company Ltd.
HMRI	HM Rail Inspectorate.
Hub airport	An airport used by airlines as a main base for connecting traffic where a significant proportion of passengers transfer between flights.
IATA	International Air Transport Association. The airlines' international trade association.
ICAO	International Civil Aviation Organisation. The international regulatory body for civil aviation; an agency of the United Nations.
Iceberg	Also known as T1 future concepts; a project to provide long-haul capacity in T1.
IMV	Initial market value.
IRR	Internal rate of return.
KLM uk	KLM uk Limited.
LACC	London Airport Consultative Committee.
LAL	The holding company of HAL is London Airports 1992 Limited and of GAL and STAL is London Airports Limited. Both holding companies are subsidiaries of BAA and are collectively referred to as LAL (formerly called South East Airports Limited).
Landside	That area of an airport which is open to the public generally.
LFC	Low-fares carriers. Also referred to as 'low cost', and 'no-frills' airlines.
Load factor	The proportion of seating capacity of an aircraft which is actually used.
Locational rent	The higher return that the owner or controller of a valuable location for activities can earn. For example, the owners of retail space on Oxford Street earn locational rents from the value of locating in such a desirable shopping district. This is a form of economic rent . The primary reason for the existence of scarcity rents is that the prime location cannot be extended. See CAA views.

London Area Airports	Heathrow, Gatwick, Stansted, Luton , London City, Southend.
Long run	The period over which all inputs, including capital, can be varied.
LRAC	Long-run average cost. Total annual cost (including capital costs) of supply per unit of volume. The unit of volume considered in this report is usually one passenger.
LRIC	Long-run incremental cost. Total annual cost (including capital costs) of supplying an increment of volume expressed per unit of volume. If the increment of volume is 1, LRIC=LRMC . The unit of volume considered in this report is usually one passenger.
LRMC	Long-run marginal costs . The additional cost incurred by the firm in producing an extra unit of output in the longer term when all inputs including capital can be varied. For airports this will include the costs of building additional capacity to meet future demand.
Luton	London Luton Airport.
Lynton	Lynton plc. A property company owned by BAA .
Man year	A measure of overtime working, each man-year representing 2,080 hours of overtime worked. The aggregated number of all overtime hours worked are divided by 52 to reduce the number to a weekly figure, and then by 40 to reduce it to the relevant number of man-years.
Manchester	Manchester Airport plc and its group of subsidiaries.
Marginal costs	The change in total cost resulting from a change in output.
Market-clearing level	The price at which demand is equal to the level of available supply (airport capacity).
MARS	Multiple Airport Ramp Service. A type of stand that accommodates two aircraft.
Maximo	BAA's maintenance management system.
Minimum connection time	The minimum time which a passenger needs to allow for transfers between flights. This is set down by the airport operator .
MMC	Monopolies and Mergers Commission. It has now been replaced by the CC .
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Monopoly rent	The higher profits that a monopolist earns through restricting supply to raise prices. This is a form of economic rent . See CAA views.
mppa	Million passengers per annum.
NATS	National Air Traffic Services Ltd. The company responsible for all en route air traffic control and for providing approach and visual air traffic control at many airports, including those of LAL .
NBV	Net book value.
NERA	National Economic Research Associates.
NES	The <i>New Earnings Survey</i> .
Non-binding price cap	A price cap that is set at such a level that the regulated company would not be expected to increase charges to the maximum level allowed.
Non-operational activity	An activity which falls within the single till , but outside the scope of operational activities ie which cannot be considered for the purpose of public interest findings (see Chapter 2). The main example is advertising.
North Terminal	Gatwick Airport's second terminal.
NPV	Net present value. The value at a point in time of future cash flows. The NPV is calculated by discounting future cash flows using discount factors. In this report discount factors are based on the cost of capital .
OFT	Office of Fair Trading.
OGSM	BAA 's objectives, goals, strategies and measures.
OMV	Open market value.
Open skies	An open skies agreement would allow the introduction of more competition on routes between two countries, without the restrictions imposed by bilateral agreements that limit the number of carriers operating between airports. This has been under negotiation between the UK and the US for many year with agreement still not reached.
Operational activity	An activity defined by section 36(1) of the Airports Act , as activities which are carried on wholly or mainly for the benefit of users of the airport (which include airlines and passengers), or as activities the revenue from which are wholly or mainly attributable to payments by such users. Examples include the provision of services such as check-in desks and baggage handling.
Operational income	Income that does not fall within the definition of airport charges but is derived from operational activities.
Opex	An airport's operating expenditure on the day-to-day running of the business (eg for staff, electricity etc).

Other operational activity	Used in BAA 's annual accounts to describe income that does not fall within the definition of airport charges but is derived from operational activities.
Pax	Passengers.
PCR	Profit centre reports.
People movers	Passenger lifts, goods lifts, escalators and passenger conveyors.
Pier	A fixed corridor which links the terminal to jetties or coaching gates to give passengers access to an aircraft.
PPC	Price path commitment.
Price cap	Ex ante specification, under section 40 (3) or (4) of the Airports Act , of the maximum increase in airport charges allowed in each year generally over a period of five years.
Price discrimination/ differentiation	Price discrimination implies that two varieties of a commodity are sold (by the same seller) to two buyers at different net prices, the net price being the price (paid by the buyer) corrected for the cost associated with product differentiation.
Price profiling	The development of charges over time. For example, the smoothing of adjustments in future prices to avoid any unacceptably large changes in price levels, while maintaining the present value of future charges to the airports.
Pricing formula	The formulae used to establish the price cap in each year of the quinquennium .
Q1	The first quinquennium after the privatization of BAA in 1987. It covers 1987/88 to 1991/92.
Q2	The second quinquennium , which covers 1992/93 to 1996/97.
Q3	The third quinquennium , which originally covered 1997/98 to 2001/02 but was extended to include 2002/03.
Q4	The fourth quinquennium , which will cover 2003/04 to 2007/08. One of our functions in this review is to recommend the maximum amount of airport charges that can be levied in this period.
Q5	The fifth quinquennium , which will cover 2008/09 to 2012/13.
Q factor	See Q term .
Q term	Term proposed by BAA and the CAA for inclusion in the pricing formula , relating charges to quality of service.
QA	A proposed component of the Q term to measure quality of service to airlines.

QD	A proposed component of the Q term to measure quality of service relating to airfield congestion delays.
QP	A proposed component of the Q term to measure quality of service to passengers.
QSM	Quality of service monitor. An internal quality of service passenger opinion survey carried out by BAA .
Quinquennium	A five-year period for which the CC is required to report on and recommend the maximum amounts that should be capable of being levied by BAA by way of airport charges . See Q1 , Q2 , Q3 , Q4 and Q5 .
RAB	Regulatory asset base. The final value used for setting price caps such that the company expects to earn a return (reflecting its cost of capital) on the RAB . Also known as RCV .
Ramp	The operational area adjacent to an aircraft on stand.
Ramp service	A ground handling service performed during an aircraft turn-around such as baggage handling, refuelling, cleaning, catering and the provision of FEGP .
RCV	Regulatory capital value.
Regulated charges	The charges at an airport that fall within the definition of airport charges . At the BAA Airports , these are charges on landing, charges payable per terminal departing passenger and aircraft parking charges. These charges are regulated by the price control system.
Revenue yield	The total revenue from the regulated charges divided by an output measure. The current airport charges conditions set a maximum limit on the total airport charges revenue per passenger.
RMS	Roster management system.
ROCV	Return on capital value.
RPI	Retail prices index.
RPI – X	See X factor .
RRCB	Revised regulatory cost base. A redefinition of the regulatory asset base that only takes into account those assets that correspond to the provision of monopoly airport services. See also Dual till .
RUCATSE report	<i>Runway Capacity to serve the South East</i> . The report of a working group set up by the DOT published in July 1993 and representing a wide variety of interests.
S factor	An adjustment applied within the current formula which allows BAA to pass on 95 per cent of the costs of additional government security requirements between reviews. The S factor is an application of a cost pass through .

SAL	Scottish Airports Ltd.
SASIG	Strategic Aviation Special Interest Group.
Scarcity rent	The additional profit a firm receives because it owns or controls a scarce resource. As demand attributes a high value to the resource, the willingness to pay for its use is higher than the costs of producing it. These are closely related to locational rents .
Scheduled service	A service publicly advertised by an airline through its issued timetables. Non-scheduled services are other flights by airlines carrying passengers or cargo, eg charter services .
SERAS	South East and East of England Regional Air Services study. A government study largely concerned with the future development of runway capacity.
Short run	The period over which the inputs of some factors, usually fixed assets, cannot be varied.
Single till	A method for setting a price cap for airport charges which takes account of the assets, costs and revenues of both ‘ aeronautical ’ and ‘ commercial ’ activities of an airport operator and relevant companies within its group.
Single-till principle	The principle underlying the regulation of airport charges , whereby the airport profits generated from other operational activities are used to offset the level of airport charges .
Slot	The time of arrival or departure allocated to an airline by ACL for the use of a runway at a congested airport.
SLA	Service level agreement. A form of agreement between BAA and individual airlines setting performance standards. With the exception of the baggage SLAs they are not legally binding
South Terminal	Gatwick airport’s original terminal.
Specified activities	Activities in respect of which the CAA placed on BAA a condition as to cost information in CAP599 .
Stack delay	Aircraft are delayed in the ‘stack’ if their rate of arrival exceeds the service rate of the airport system. The existence of the stack also allows controllers to select an aircraft sequence that maximises the flow rate onto the runway.
STAL	Stansted Airport Limited. The company which has the management of Stansted Airport.
Symmetrical mechanism	Allows for positive and negative payments if there is a gap between a previously defined standard and the actual amount.
T5	Terminal 5. New terminal currently under development at Heathrow.

Tariff basket	A basket of charges for regulated services used to calculate the average level of charges allowable under a price cap . The price cap is set with regard to the weighted average increase in the basket of charges. The weights allotted to different services are usually calculated using the revenue share of the previous period.
Taxiway	A marked route along which aircraft taxi between an apron and a runway.
TBI	TBI plc. The majority shareholder in Luton .
TIFGAH	Transfer infrastructure group at Heathrow. A consultative and approvals Group set up at Heathrow airport to govern the introduction and monitoring of the TSC .
TRANSEC	The Transport Security Division of DfT .
Transfer passenger	A passenger who changes, usually at a hub airport , from one aircraft to another, often of the same airline.
TSC	Transfer system charge.
TTS	Tracked transit system.
Turn-around	The preparation of an arriving aircraft for its next departure.
TW	Thames Water plc.
U factor	A possible term for inclusion in the pricing formula relating to greater or lesser increases than expected for un-regulated charges .
Unregulated charges	Charges for aeronautical activities at an airport that do not fall within the definition of airport charges . Examples at the BAA Airports are charges relating to baggage systems, check-in desks and utilities.
VCR	Visual control room.
Volume term	An automatic adjustment mechanism in the price cap to allow for variations in actual traffic compared to the forecasts used when setting the cap.
WACC	Weighted average cost of capital . The cost of capital applying to a company, taking account of the respective contributions of debt and equity to its financing. A WACC may be expressed in either pre-tax or post-tax terms.
W DFA	World Duty Free Americas Inc (previously Duty Free International Inc).
W DFE	World Duty Free Europe Limited.
X factor	The factor in the pricing formula which determines how maximum allowable charges will alter from year to year relative to movements in the RPI . X in a charges formula can be either a plus or minus quantity.