



SPECIFICATION

Terms of Reference for Heathrow, Gatwick, Stansted Employment Cost Study

Background

The Civil Aviation Authority (CAA) is currently considering the most appropriate regulatory arrangements to put in place when the present price controls expire in March 2014. As part of this work the airports and airlines at each of the three airports subject to economic regulation: Heathrow, Gatwick and Stansted, are undertaking a process of constructive engagement (CE) on potential price caps for the next regulatory period (Q6) using a RAB-based framework.

One of the key building blocks of a RAB-based price control is operating costs. Employment costs are a major contributor to operating costs. As an input to CE the CAA is seeking advice on the level of unit employment costs that each of the regulated airports currently achieves and the prospects, if the airports were operated efficiently, over the five years from 2014/15. This will assess how staff costs and terms and conditions at each of the regulated airports compare to similar organisations in size and complexity. The study will provide a robust evidence base to inform the CAA in setting the price control for the regulated airports and allow airlines and the airport to have an independent source to assess staff costs.

Much of the information provided by the regulated airport for the report is likely to be confidential. However a full confidential copy of the final report will be made available to the relevant contracting parties (with suitable redactions) and public copy (again with suitable redactions) will be made available to all interested stakeholders and published on the CAA's website. This process will be governed through appropriate NDA's with the airports.

It is anticipated that this study will be undertaken using published data, data provided by the airports themselves and data held or collected by the Contractor. Where possible reference should be made to unit employment costs at other European airports, UK airports and appropriate UK organisations.

Requirements

The consultancy will examine:

- for each major staff category and level at the airport including security and central support services, the current wage and other employment costs (including pensions), benchmarked against relevant comparators data from local/regional labour markets;
- trends in wage and other employment costs over time including details of recent collective pay settlements;
- the current absence and turnover rates, and their impact on overall employment costs, again using benchmarking data where relevant;
- the current use of overtime and shift working, and the impact of this on overall employment costs; and
- the assumptions on employment costs set out within each airports Q6 operating cost projections set out in the relevant business plan.

It is anticipated that the Contractor will make extensive use of benchmarking analysis and data for the relevant labour markets, combined with an assessment of any factors specific to the operation of the airport in order to ensure a comparable benchmarking exercise. In particular, the Contractor should have regard to the size of employment by the airport relative to its respective local labour markets, any staff or service quality requirements and the requirements for airport employees to be security cleared to work at the airport, and any impacts these may have on employment practices and costs. The Contractor should also consider the potential impact of flexible working, intercompany recharges and contracting out impact on the relevant employment cost benchmarks.