

APPENDIX B

Glossary

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| ACD | Airport Charges Directive. EU Directive 2009/12/EC sets out the rules for the setting of airport charges at European airports with over five million passengers. |
| ACI | Airports Council International. |
| ACL | Airport Coordination Limited, which is responsible for slot allocation at certain airports in the UK. |
| ACMI | Aircraft Crew Maintenance Insurance; this is a form of aircraft leasing where all the operational requirements are leased. |
| ACR | Airport Charges Regulations 2011 the transposition of Directive 2009/12/EC into domestic law. See ACD. |
| Aeronautical revenue(s) | Revenue(s) derived from aeronautical activities. The revenues encompass the income from both regulated charges and unregulated charges. |
| AGR | Airports (Groundhandling) Regulations 1997. |
| AA86 | Airports Act 1986. |
| Airport charges | Charges that are, in general, levied on airlines in connection with the landing, parking or taking off of aircraft and charges levied on passengers in connection with their travel at, or departure from, the airport by air. |
| Airports Commission | Set up by the Government in 2012, this commission is examining the need for additional UK airport capacity and is to recommend to the Government how this can be met in the short, medium and long term. Its final recommendations are due in 2015. This commission is chaired by Sir Howard Davies. |
| Airport operator | As defined in section 72(1) of CA Act – a person who is the operator of an area that consists of or forms part of an airport. |
| AOC | Heathrow Airline Operators Committee. |
| ASQ | ACI Airport Service Quality. |
| ATC | Air Traffic Control. |
| ATMs | Air transport movements. Landing or take off of an aircraft |

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| | engaged in the transport of passengers and cargo on commercial terms. |
| ATRS | Air Transport Research Society. An independent organisation that produces amongst other things benchmarking reports for the airport sector. |
| ATS | Aviation Technical Services. |
| BA | British Airways. |
| BAA | BAA Plc (previously the British Airports Authority) refers to the BAA group and any company in the group as appropriate. Since 15 October 2012, BAA has operated under the name of Heathrow Airport Holdings Limited. |
| Based carrier | A based carrier is a carrier that has aircraft based at an airport. A base consists not only of overnight parking of aircraft but the home destination of the crew and in some cases maintenance of the aircraft. |
| BAWC | British Airways World Cargo (a subsidiary of BA) now part of IAG Cargo. |
| BAHL | Birmingham Airport Holdings Limited. |
| BIS | Department for Business, Innovation & Skills. |
| bmibaby | An airline that has ceased trading following its takeover by IAG/BA. The last bmibaby flight took place on 9 September 2012. |
| CA1982 | Civil Aviation Act 1982. |
| CA98 | Competition Act 1998. |
| CAA | Civil Aviation Authority. |
| CA Act | Civil Aviation Act 2012. |
| CAB | Civil Aviation Bill 2012. |
| CAA Passenger Survey | A survey undertaken by the CAA to obtain information about air travellers and the determinants of the travel market. |
| capex | Capital expenditure. |
| CAT | Competition Appeal Tribunal. |
| CBP | Countervailing buyer power. |
| CC | Competition Commission. A public body responsible for investigating mergers, markets and other enquiries related to |

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| | regulated industries under competition law in the UK. Responsibilities are assumed by the Competition and Markets Authority from 1 April 2014. |
| CE | Constructive Engagement. |
| CED | Charge elasticity of demand. |
| Cellophane Fallacy | Refers to the trap of defining an inappropriately wide market definition in conducting a SSNIP where the price used for the analysis are above the competitive price level. The reverse occurs in defining an inappropriately narrow market definition where prices used are below the competitive price level. |
| Charter airlines/services (charters) | Charter airlines, as opposed to scheduled airlines, rent the entire aircraft as opposed to selling individual seats. Seats on the aircraft are then often sold through an intermediary, most commonly a tour operator as part of a packaged holiday. |
| CIP | capital investment plan |
| CMA | Competition and Markets Authority. |
| Commercial activities or RCP activities | Activities at an airport that are not directly related to the aeronautical services provided by an airport operator. These activities include retail, duty-free sales, letting of commercial premises such as hotels and offices, and provision of car parking facilities. |
| Commercial revenues | Income derived by an airport operator from commercial activities. |
| Conditions of Use, CoU | The terms and conditions published by the airport operator under which the operator's facilities and services at an airport can be accessed/used by airlines. |
| Core area | The land, buildings and other structures used for the purposes of the landing, taking off, manoeuvring, parking and servicing of aircraft at the airport; the passenger terminals; and the cargo processing areas as specified in section 5(4) of CA Act. |
| Consumers Rights Bill 2013 | Sets out a simple, modern framework of consumer rights. |
| CTAIRA | An independent air transport consultancy. |
| DfT | Department for Transport. |
| Directive 96/67/EC or GHD | Groundhandling Directive. |

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| Davis Langdon, DL | Davis Langdon (now Aecom), independent consultancy. |
| Downstream market | The market at the next stage of the production/distribution chain. |
| EA02 | Enterprise Act 2002. |
| EBITDA | Earnings Before Interest, Taxation, Depreciation and Amortisation. |
| EC | European Commission. |
| EE | Europe Economics – an independent economic consultancy. |
| Empirical Methods | CAA's empirical methods for assessing behaviour, performance & profit of an airport operator. |
| ERG | European Regulators Group. |
| Frontier Economics | An independent economic consultancy. |
| FSC | Full Service Carriers. While there is no formal definition, typical characteristics of an FSC include facilitation of connecting services or transfers, multiple service classes with meals and/or baggage allowance included in the ticket price. |
| GAL | Gatwick Airport Limited – the operator of Gatwick Airport. |
| GACC | Gatwick Airport Consultative Committee. |
| Gatwick Q6: notice of the proposed licence | CAA, Economic regulation at Gatwick: notice of the proposed licence, January 2014. |
| Government White Paper 'Airport Policy' | The White Paper 'The Future of Air Transport' published on 16 December 2003. This document set out a strategic framework for the development of airport capacity in the UK over the following 30 years, against the wider context of the air transport sector. |
| GSS | Global Supply Systems. |
| Guidelines | The CAA Guidance on the Assessment of Airport Market Power published in April 2011. |
| HAL | Heathrow Airport Limited – the operator of Heathrow Airport. |
| Helios | Helios, independent consultancy. |
| HoT | heads of terms |
| Hub airport (or hub) | An airport in which the airlines, typically FSCs, operate flights to maximise the ability for passengers to connect between |

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| | flights. |
| IDL | international departures lounge |
| Inbound carrier | An airline that has its base located at an airport other than that under consideration. |
| Initial Views | The documents, published by the CAA in February 2012, set out the CAA views on the market power held by the operators of Heathrow, Gatwick and Stansted. These views reflect the evidence that was available to the CAA at that time. |
| LACC | London (Heathrow) Airline Consultative Committee. |
| LBC Licence/ licence-backed commitments | GAL's proposed commitments to airlines backed by a licence and monitoring framework |
| LLAOL | London Luton Airport Operations Limited. |
| LCC | Low Cost Carriers. While there is no formal definition, typical characteristics of an LCC include direct point-to-point flights, no connecting services or transfers, a single class of service with no frills, greater use of secondary airports, ticket sales carried out directly by airlines, short-haul flights to allow fast turnarounds, and a simplified fleet structure. |
| LCY | London City Airport. |
| LF | Leigh Fisher – an independent management consulting firm. |
| LGW | Gatwick Airport. |
| LHR | Heathrow Airport. |
| Long haul | For the purposes of this assessment, any flight lasting five hours or more (although the CAA recognises that service provision may vary according to a range of factors, not just flight duration). |
| LPA | Local Planning Authority. |
| LRIC | Long Run Incremental Cost. |
| LRAIC | Long Run Average Incremental Costs. |
| LSACL | London Southend Airport Company Limited |
| LTN | Luton Airport. |
| MAG | Manchester Airports Group PLC – owner and operator of Manchester, Stansted, East Midlands and Bournemouth Airports. |

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| Manston | Manston Airport |
| mppa | Million passengers per annum. |
| Market power | The power to influence market prices, output, innovation, the variety or quality of goods and services, or other parameters of competition on the market for a significant period of time. Market power is not absolute but a matter of degree, and is dependent on the circumstances of the market(s) concerned. |
| 'Minded to' consultation (the Consultation) | Refers to the May 2013 CAA assessments of market power at Gatwick airport. |
| MIR | Market Investigation Reference. |
| MTOW | Maximum takeoff weight. |
| MPT | Market Power Test as defined in section 6 of the CA Act. |
| NAPALM | A passenger allocation model for airports that recognises the constrained nature of airport capacity. |
| Networked airline | Airlines that operate on a hub-and-spoke basis rather than point-to-point. The networks of these airlines tend to permit a greater number and frequency of routes as the profitability of the route does not depend solely on point-to-point demand but also the ability of the airline to connect passengers between flights. |
| NMA or NMa | Netherland Competition Authority. |
| O&D | Origin and destination generally used to describe a flight on which passengers are either boarding or disembarking at particular stops (as distinct from those remaining on the aircraft to go to another destination or connecting). |
| OFT | Office of Fair Trading. |
| OFT 403 | OFT market definition guidelines. |
| OFT 415 | OFT Assessment of market power guidelines. |
| Open Skies | The EU-US Air Transport Agreement that was signed on 25 and 30 April 2007 was provisionally applied from 30 March 2008 for all EU Member States. It allowed European airlines to fly without restrictions from any point in the EU to any point in the US. It ended the restrictions imposed by the UK-US Bermuda II agreement which severely limited the airports from which airlines could fly between the UK and the US. |
| opex | Operating expenditure – the costs associated with operating |

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| | a business. This includes costs such as maintenance, staffing and pensions costs. |
| P2P | Point-to-point. Any flight that takes a passenger nonstop from point of origin to destination is a point-to-point flight. Point-to-point services do not eliminate hubs; they reduce the need to change aircraft at an intermediate airport. |
| PED | Price Elasticity of Demand. |
| Price cap | Refers to the CAA's regulation of airport operators which caps the maximum revenue yield per passenger that the airport operator can obtain via its airport charges. |
| Quinquennium | A five-year period for which price caps are set. |
| Q4 | The fourth quinquennium which covered April 2000 to March 2008. For Stansted Q4 was extended to March 2009. |
| Q5 (+1) | The fifth quinquennium, which covered April 2008 to March 2013 for Heathrow and Gatwick airports, and April 2009 to March 2014 for Stansted airport. The control periods for Heathrow and Gatwick airports were subsequently extended by one year (referred to as Q5+1) to March 2014. |
| Q6 | The sixth quinquennium, which for Gatwick covers April 2014 to at least March 2019. |
| Q6 Initial Proposals | Documents that set out the CAA's initial proposals for the appropriate economic regulatory framework for the operators of Heathrow, Gatwick and Stansted that will apply when the present regulatory arrangements expire in March 2014. |
| Q6 Final Proposals | Documents that set out the CAA's final proposals for the appropriate economic regulatory framework for the airports operators of Heathrow, Gatwick and Stansted that will apply when the present regulatory arrangements expire in March 2014. |
| QSM | Quality of Service Monitor. An internal quality of service passenger opinion survey carried out by the relevant airport operator. |
| RAB | Regulatory Asset Base – the regulated value of the regulated company. It is updated by investment and depreciation. The fair return to the airport operator is based on a return on the RAB. |
| RBB Economics | An independent economic consultancy. |
| RCP | Retail and car park. |

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| Regulated charge(s) | The charges at an airport that fall within the definition of Airport Charges. These charges are regulated by the price cap. |
| ROCE | Return on Capital Employed. |
| RPI | Retail Price Index. |
| SACC | Stansted Airport Consultative Committee. |
| Scheduled service(s) | A service publicly advertised by an airline through its issued timetables. Non-scheduled services are other flights by airlines carrying passengers or cargo, e.g. charter services. |
| SDG | Steer Davies Gleave, an independent economic consultancy. |
| Short haul | For the purposes of this assessment, any flight lasting less than 5 hours (although service provision may vary according to a range of factors, not just the duration of the flight). |
| SG1 | Stansted Generation 1. This is a project that consisted of four main sub-programmes relating to capacity, security, sustainability, and asset replacement. It envisaged that Stansted will be able to handle 35 mppa. |
| SG2 | Stansted Generation 2. This project involved the construction of a new runway terminal at Stansted. It envisaged that these assets would (if completed) have become operational around 2015. |
| Single till | A method used 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. |
| Slots | Landing and departure rights for airlines at airports. These are administered for certain UK airports by ACL. |
| SMP | Substantial Market Power. This can be likened to what the European Court has defined as a dominant market position: 'a position of economic strength enjoyed by an undertaking, which enables it to prevent effective competition being maintained on the relevant market by affording it the power to behave to an appreciable extent independently of its competitors, customers and ultimately of its consumers.' |
| SQR | Service Quality Rebate. This is a scheme under which an airport operator is required to pay rebates when specified service standards are not achieved. |
| SSNIP and SSNIP test | Small but significant non-transitory increase in price. SSNIP test (also known as the hypothetical monopolist test) |

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| | is a framework used for market definition that analyses the effects of a five to ten per cent price rise. |
| STAL | Stansted Airport Limited. |
| TDRs | Traffic Distribution Rules. |
| Test A | The relevant operator has, or is likely to acquire, substantial market power in a market, either alone or taken with such persons as the CAA considers appropriate. This test is set out in section 6(3) of the CA Act. |
| Test B | Competition law does not provide sufficient protection against the risk that the relevant operator may engage in conduct that amounts to an abuse of that substantial market power. This test is set out in section 6(4) of the CA Act. |
| Test C | For users of air transport services, the benefits of regulating the relevant operator by means of a licence are likely to outweigh the adverse effects. This test is set out in section 6(5) of the CA Act |
| TFEU | Treaty on the Functioning of the European Union. |
| Transfer passenger | A passenger who changes, often at a hub airport, from one aircraft to another to reach their final destination. |
| Transit passenger | A passenger who remains on an aircraft as it makes a stop to either refuel or collect/drop off passengers. |
| Upstream market | The market at the previous stage of the production/distribution chain. |
| VAA | Virgin Atlantic Airways. |
| VFR | Visiting Friends and Relatives. |
| VTOL | Vertical takeoff and landing. |
| W pattern | A flight pattern where the aircraft flies from its base to a non-base destination and then flies to another (non-base) destination before returning to its base. |
| York Aviation | An independent air transport consultancy. |