

## APPENDIX C

# Business of Stansted Airport Limited

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## Introduction

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- C1 This appendix provides an overview of the current ownership and history of Stansted and the business of Stansted Airport Limited (STAL). In particular, it examines the:
- services that STAL provides to different users of Stansted; and
  - sources of STAL's revenue.

## The ownership of Stansted

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- C2 STAL is owned by Manchester Airports Group (MAG), following its recent sale by BAA. MAG is privately managed on behalf of its shareholders, with the major shareholders being:
- Industry Funds Management (IFM) – 35.5 per cent.
  - Manchester City Council – 35.5 per cent.
  - Nine Greater Manchester Councils – 29 per cent.<sup>1</sup>
- C3 In addition to STAL, MAG owns and operates Manchester, East Midlands and Bournemouth airports.<sup>2</sup>

## The development of Stansted

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- C4 Stansted's origins date back to the Second World War, when it was built to provide an airfield base for the army of the United States of America.

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<sup>1</sup> The nine Manchester councils who are shareholders are: the Borough Council of Bolton, the Borough Council of Bury, the Oldham Borough Council, the Rochdale Borough Council, the Council of the City of Salford, the Metropolitan Borough Council of Stockport, the Tameside Metropolitan Borough Council, the Trafford Borough Council and the Wigan Borough Council. Source: MAG, <http://www.magworld.co.uk/magweb.nsf/Content/AboutUsAndOurAirports> (accessed 14 June 2013).

<sup>2</sup> MAG also has a commercial property company (MAG Developments), and a number of car parking, airport security, fire fighting, engineering, advertising and motor transport businesses. Source: MAG, About us, <http://www.magworld.co.uk/magweb.nsf/Content/AboutUsAndOurAirports> (accessed 14 June 2013).

- C5 In 1980, the then British Airports Authority (later BAA) sought planning approval to develop Stansted. In 1991, the new terminal, aprons and taxiways at Stansted were officially opened. A further capacity increase would follow, supported by planning permission in 2002 for Stansted to handle around 25 million passengers per annum (mppa).<sup>3</sup>
- C6 In 2008, STAL gained planning permission to handle 264,000 air transport movements (ATMs), equivalent to a maximum capacity of 35 mppa within existing runway capacity constraints.
- C7 In the same year, in line with the policy outlined in the Government's White Paper, STAL submitted planning applications to build a second runway, terminal and associated facilities (with a proposed opening date of 2015).<sup>4</sup> However, in 2010, following a change in Government, the Government indicated that it would not permit further runway expansion at the designated airports<sup>5</sup> until its new airport strategy had been developed. STAL subsequently withdrew its planning application for a second runway.<sup>6</sup>
- C8 In March 2007, the Competition Commission (CC) launched an investigation into BAA's ownership of airports within the UK.<sup>7</sup> In 2009, the CC concluded that BAA's common ownership of airports in the southeast of England and lowland Scotland gave rise to adverse effects on competition.<sup>8</sup>

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<sup>3</sup> STAL, 'Airport history', available at: <http://www.stanstedairport.com/about-us/stansted-facts-and-figures/airport-history> (accessed 26 November 2012).

<sup>4</sup> STAL, 'Airport history', available at: <http://www.stanstedairport.com/about-us/stansted-facts-and-figures/airport-history> (accessed 26 November 2012).

<sup>5</sup> Department for Transport (DfT), 'Eversheds aviation seminar', available at: <http://www.dft.gov.uk/news/speeches/villiers-20101214/> (accessed 8 November 2012).

<sup>6</sup> STAL, 'Facts and figures', available at: <http://www.stanstedairport.com/about-us/stansted-facts-and-figures> (accessed 22 October 2012).

<sup>7</sup> CC, [http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2007/airports/pdf/core\\_terms\\_of\\_reference.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/inquiry/ref2007/airports/pdf/core_terms_of_reference.pdf) (accessed 6 March 2013).

<sup>8</sup> CC, [http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/non-inquiry/rep\\_pub/reports/2009/fulltext/545.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/non-inquiry/rep_pub/reports/2009/fulltext/545.pdf), p. 4 (accessed 6 March 2013).

- C9 The CC's study concluded that a package of remedies that would be effective included the divestiture of both Stansted and Gatwick to different purchasers and the divestiture of either Edinburgh or Glasgow airport.<sup>9</sup>
- C10 In January 2013, Heathrow Airport Holdings Limited (previously BAA) announced it was selling STAL to MAG. On 28 February 2013, the sale of Stansted to MAG was completed.<sup>10</sup>
- C11 In June 2013, MAG and easyJet announced a long-term deal that enables the airline to more than double its passenger numbers at Stansted from a current 2.8 million passengers to six million passengers a year over the next five years.<sup>11</sup> Additionally, in September 2013, MAG and Ryanair announced a ten-year growth agreement that allows Ryanair's passenger traffic at Stansted to grow by over 50 per cent, from 13.2 million in 2012 to over 20 million per annum in return for lower costs and more efficient facilities at Stansted.<sup>12</sup>

## Facilities at Stansted

- C12 This section describes the scale and disposition of Stansted's current facilities that fall within the airport area, as defined in section 66 – 68 of the CA Act.<sup>13</sup>

### The runway

- C13 Stansted's airfield contains the airport's single runway (3,048 metres long by 46 metres wide) south side twin parallel taxiways, a north side parallel taxiway and various aircraft holding points. When the airfield layout was planned very large aircraft were anticipated, and the airfield has the capability to accommodate the Airbus A380 and the Boeing 747-800.<sup>14</sup>

<sup>9</sup> CC, [http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/non-inquiry/rep\\_pub/reports/2009/fulltext/545.pdf](http://www.competition-commission.org.uk/assets/competitioncommission/docs/pdf/non-inquiry/rep_pub/reports/2009/fulltext/545.pdf), (accessed 6 March 2013).

<sup>10</sup> STAL, MAG completes its acquisition of Stansted Airport, available at: <http://www.stanstedairport.com/about-us/media-centre/press-releases/m.a.g-completes-its-acquisition-of-stansted-airport> (accessed 14 June 2013).

<sup>11</sup> STAL, easyJet sign long-term deal to double traffic at Stansted, available at: <http://www.stanstedairport.com/about-us/media-centre/press-releases/easyjet-sign-long-term-deal-to-double-traffic-at-stansted> (accessed 4 November 2013).

<sup>12</sup> STAL, MAG and Ryanair sign ten-year growth agreement at London Stansted, available at: <http://www.stanstedairport.com/about-us/media-centre/press-releases/mag-and-ryanair-sign-ten-year-growth-agreement-at-london-stansted> (accessed 4 November 2013).

<sup>13</sup> Sections 66 – 68 of the CA Act were outlined in detail in the paragraphs 4.22 and 4.23 of the Consultation.

<sup>14</sup> Source: STAL [3<].

## The terminal

- C14 Stansted has one terminal (around 46,450 square metres) and all arriving and departing passengers on commercial flights are processed there.
- For departing passengers, facilities include check-in, security, lounge areas, shops and catering facilities, and access to the tracked transit system for travel to some of the satellites.
  - On arrival, passenger facilities include immigration, baggage reclaim, and customs control and arrivals concourse with onward travel information areas.
  - The lower levels of the terminal are primarily used for baggage processing and other activities including plant rooms, offices, storage and deliveries.
- C15 Stansted was designed to serve a range of different airlines but most passengers that currently use this airport are not flying with full service carriers (FSCs). The CAA recognises that the distinction between low cost carriers (LCCs) and FSCs, particularly on domestic and short-haul routes, is becoming increasingly blurred. The services that airlines with different business models require from an airport operator are outlined in detail in appendix D.
- C16 According to information available to the CAA presently, within the terminal there is around 10,600 square metres of retail space, with approximately 60 retail clients operating around 80 retail outlets. Approximately 60 per cent of the retail space is located airside and most retail facilities are located in Stansted's passenger terminal building, supplemented by additional outlets located within the three boarding gate satellites.<sup>15, 16</sup>
- C17 MAG, as the new owner of STAL, announced a terminal transformation project in June 2013.<sup>17</sup> According to MAG, this project will help improve the utilisation of the terminal building to achieve a better customer experience, expand substantially airside retail space, reduce the amount of space in landside, as well as higher levels of operating and commercial performance.<sup>18</sup>

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<sup>15</sup> Source: STAL [redacted].

<sup>16</sup> This information may be somewhat dated as the terminal at Stansted is currently in the process of being redeveloped.

<sup>17</sup> [Stansted: Transport Secretary launches 80 million pound terminal redevelopment](#)

<sup>18</sup> Source: STAL [redacted].

### Aprons and satellites

C18 There are three satellite buildings at Stansted – Satellites 1 and 3 are currently used by international passengers and Satellite 2 is used by both international and domestic passengers. These three satellites provide departing passengers with gate room areas prior to boarding the aircraft and for arriving passengers a route to the terminal.<sup>19</sup>

### Aircraft stands

C19 The aircraft stands at Stansted can be configured so that they can be used for one large aircraft or two small aircraft. STAL indicated that it has 110 stands where all stands are used for small aircraft or 70 stands if its stands are used for a combination of large and small aircraft.<sup>20</sup>

### Surface transport facilities and car parks

C20 Key components of Stansted's surface access infrastructure are its rail links, rail station, bus and coach station, road network, car parks, hire car and taxi facilities, and pedestrian and cycle facilities.<sup>21</sup>

- The rail station, which has three platforms, is located beneath the terminal building and forecourt.
- The bus and coach station, which includes a waiting area for passengers, has 40 bays for scheduled bus and coach services, internal hotel shuttle buses and charter coaches. There are a further 20 bays in an adjacent bus and coach layover area.
- Car parks which provide around 26,000 car park spaces for short, mid or long stay. There is also a valet-parking car storage area. Facilities are also provided for other road-based users including car rental companies and taxis.<sup>22</sup>

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<sup>19</sup> Source: STAL [redacted].

<sup>20</sup> Source: STAL [redacted].

<sup>21</sup> This information is provided to provide context. Section 67 of the CA Act states that the definition of airport specifically excludes hotels (except those situated in a passenger terminal that is part of an airport), bus, tram and railway stations.

<sup>22</sup> Source: STAL [redacted].

## Cargo facilities

C21 The cargo centre at Stansted is an approximately 88,200 square metres facility immediately to the southwest of the passenger terminal which includes storage and handling buildings with full airside access to dedicated aircraft cargo stands. This makes this facility the largest dedicated air cargo facility in the south of England.<sup>23</sup> Depending on aircraft type, there are 10 to 16 dedicated cargo aircraft stands available, enabling the loading of freight on adjacent stand areas.<sup>24</sup>

## Aircraft maintenance

C22 Maintenance facilities at Stansted are on the north and south sides of the airport. The maintenance activities that typically occur are scheduled servicing, overnight maintenance and repair work.<sup>25</sup>

## Other facilities

C23 There are also a number of other facilities at Stansted, including:<sup>26, 27</sup>

- three hotels;
- two principal stand-alone office developments;
- a flight catering base;
- airport vehicle maintenance facilities;
- aviation fuel storage; and
- STAL's general aviation operations.

C24 The airport operator (STAL) also holds a number of residential properties that it acquired under blight schemes associated with the two generations of planning development (SG1 and SG2) at Stansted.<sup>28</sup>

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<sup>23</sup> Source: STAL [redacted]

<sup>24</sup> Source: STAL [redacted]

<sup>25</sup> Source: STAL [redacted].

<sup>26</sup> Source: STAL [redacted].

<sup>27</sup> This information is provided to provide context. Section 67 of the CA Act states that the definition of airport specifically excludes hotels (except those situated in a passenger terminal that is part of an airport), bus, tram and railway stations.

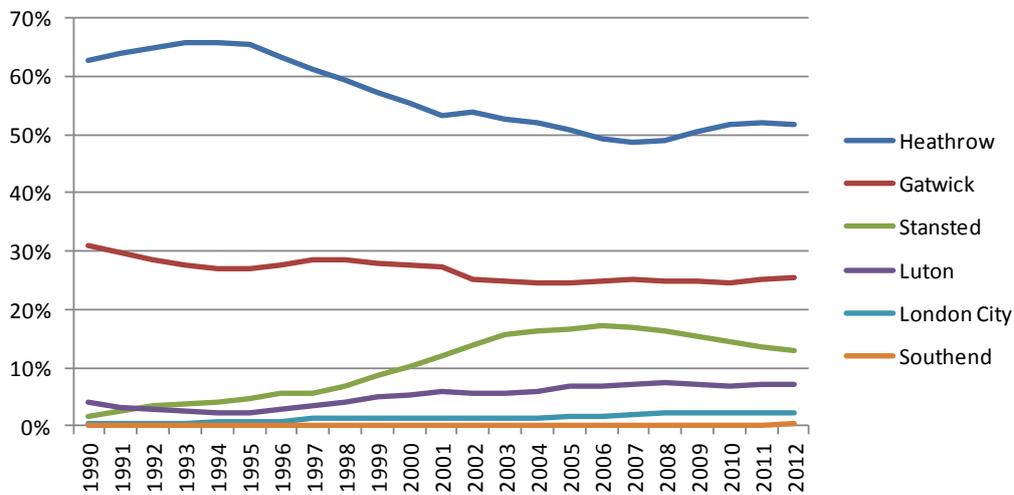
<sup>28</sup> Source: STAL [redacted].

## Stansted's traffic and customers

### Traffic trends

C25 In 2012, Stansted had 13 airlines each serving more than 10,000 passengers a year and was the third busiest London airport in terms of passenger numbers.<sup>29</sup> This is illustrated in Figure C.1 (below), which shows that in 2012 the airport accommodated around 13 per cent of London's passengers, compared to the 52 per cent achieved by Heathrow and the 25 per cent achieved by Gatwick.

**Figure C.1: London airports' share of passengers**

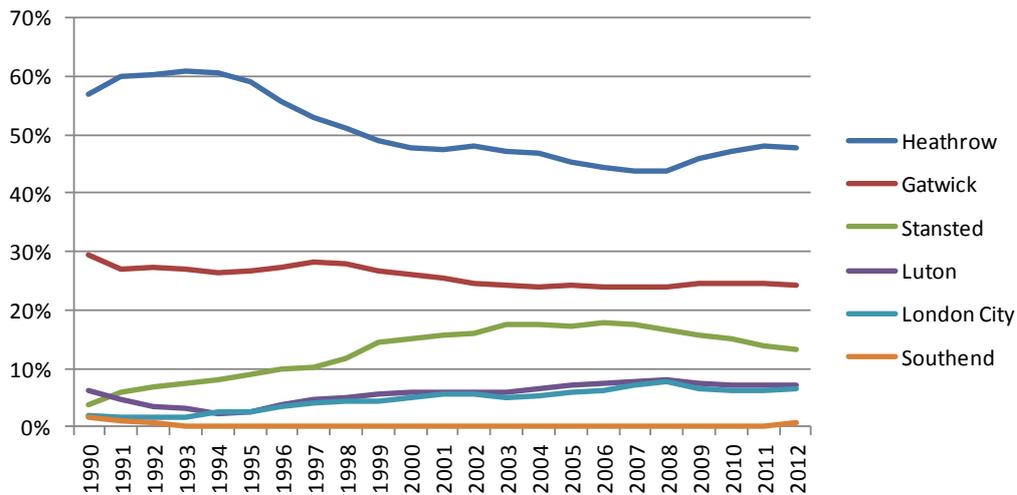


Source: CAA airport statistics

C26 Stansted was also the third largest London airport when measured by ATMs (see below). Figure C.2 shows that in 2012 the airport accounted for around 13 per cent of London's ATMs, compared to the 48 per cent achieved by Heathrow and the 24 per cent achieved by Gatwick.

<sup>29</sup> Source: CAA airport statistics.

**Figure C.2: London airports' share of ATMs**

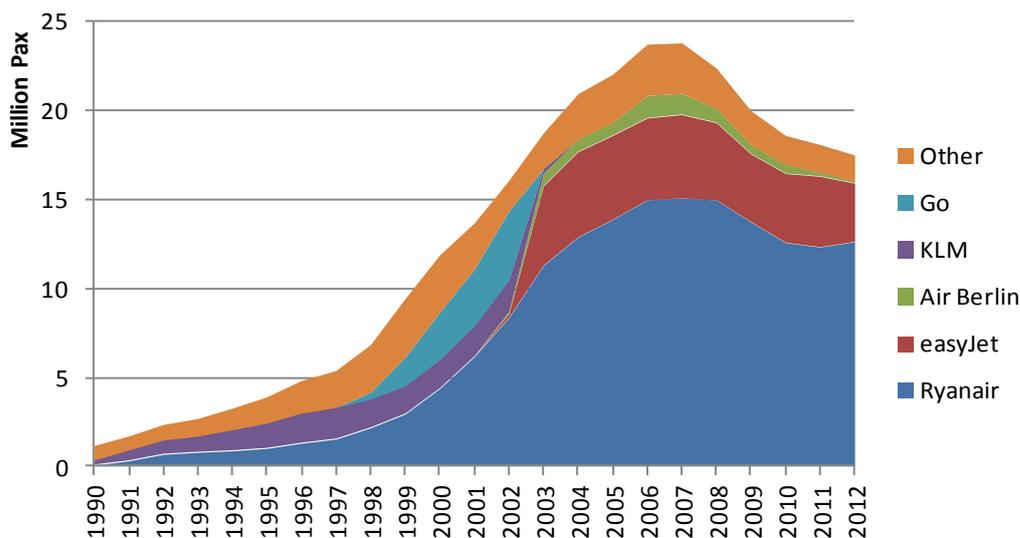


Source: CAA airport statistics

**Passenger airlines**

C27 In 2012, the airport served 17.4 million passengers (see Figure C.3). This figure shows that the airport experienced significant passenger growth up until 2007, where the airport reached a peak of 23.8 million passengers. Over this period, the macroeconomic climate and the expansion of Ryanair and easyJet’s UK operations were the key drivers of this growth.<sup>30</sup> Since the 2007 peak, the airport has experienced a decline of 6.3 million passengers.

**Figure C.3: Airline passenger numbers at Stansted**

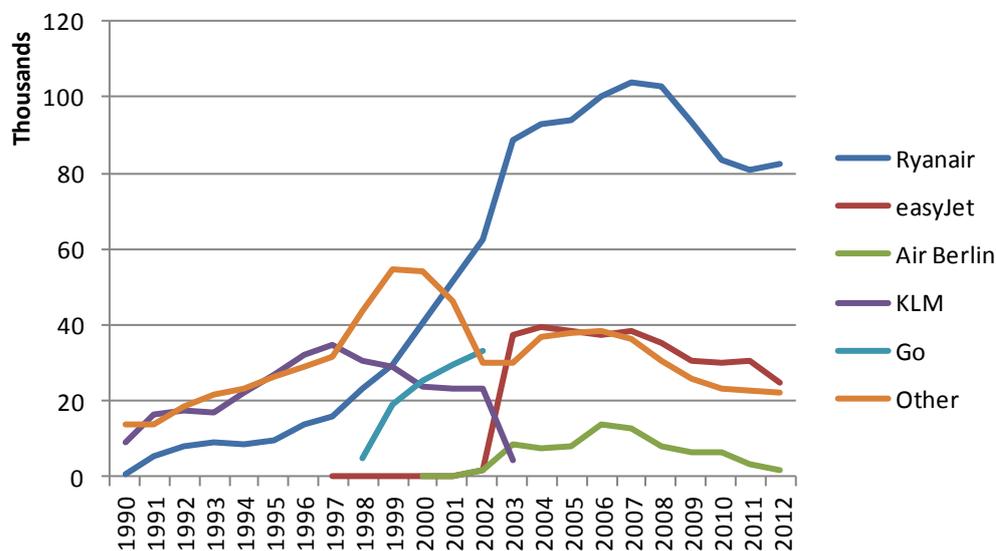


Source: CAA airport statistics

<sup>30</sup> The growth of Ryanair and easyJet’s operations at Stansted was supported by a number of long term deals the airport signed with these carriers in 2001 (and which, in general, expired in 2007).

- C28 Figure C.3 also shows that in 2012, Ryanair and easyJet comprised 91 per cent of the airport's passenger traffic (72 per cent Ryanair, 19 per cent easyJet). Other airlines present at the airport in 2012 include Thomson Airways and Germanwings, with 2 per cent of the airport's passengers each, and Pegasus, Thomas Cook and Air Berlin with 1 per cent of the airport's passengers each.
- C29 The strong presence of Ryanair and easyJet is also highlighted by Figure C.4. In particular, this figure illustrates that easyJet and Ryanair represented the vast majority of ATMs at Stansted with approximately 25,000 and 83,000 ATMs (respectively) in 2012.

**Figure C.4: ATMs at Stansted by airline**



Source: CAA airport statistics

Note: easyJet acquired GO in 2002 and Ryanair acquired Buzz in 2003.

- C30 Over the last five years the airport operator has been relatively unsuccessful at attracting (and keeping) new passenger airlines. While the airport operator managed to secure a number of new airlines, including Air Asia X, bmibaby and WOW, its success was relatively short lived, with carriers either moving to another UK airport or ceasing UK operations. Over the same period, the airport operator also lost a number of airlines that had been operating at Stansted, with the number of airlines at the airport that served more than 10,000 passengers a year falling from 35 in 2008 to 13 in 2012.<sup>31</sup> During 2013, MAG announced that Aegean and Air Moldova were going to launch services from Stansted.<sup>32, 33</sup>

<sup>31</sup> CAA airport statistics.

<sup>32</sup> STAL, New Athens Connection at Stansted for Summer 2013, available at:

## Cargo airlines

C31 Stansted has a number of cargo-only carriers operating out of it.<sup>34</sup> Based on 2012 data, 32 cargo-specific carriers used the airport. However, the CAA understands that a number of these carriers used the airport in a one-off manner rather than as part of a regular service. Of the 32 cargo airlines identified, the vast majority of the cargo-only flights are operated by ten companies:

- Fedex;
- British Airways World Cargo;
- UPS;
- Titan Airways;
- Jet2.com;
- ABX air;
- Asiana Airlines;
- Atlas Air;
- Martinair Holland; and
- TNT Airways.<sup>35</sup>

C32 In terms of air cargo tonnage, Stansted is the third most important airport in the UK, with 9 per cent of the total volume, behind Heathrow with 61 per cent and East Midlands with 12 per cent.

C33 However, there are differences in the type of carriers operating at each of the airports mentioned above. For example, Stansted (and East Midlands) currently have very little bellyhold cargo, due in part to this not typically being carried by LCCs. Conversely, these two airports are important for cargo-only operations. Figure C.5 shows Stansted's tonnage per carrier.

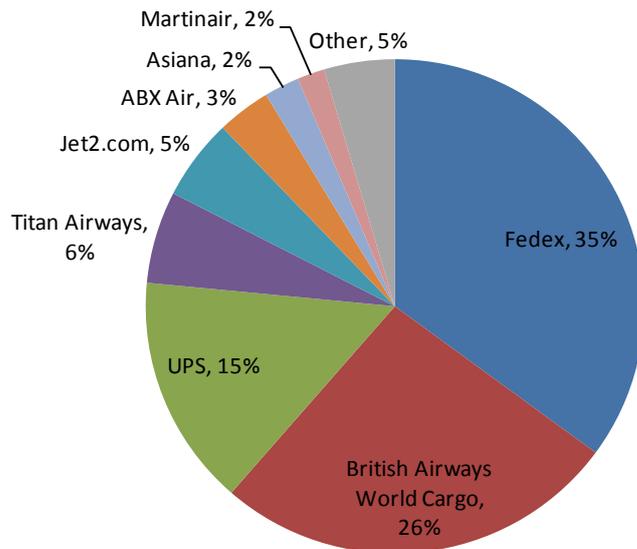
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<http://www.stanstedairport.com/about-us/media-centre/press-releases/new-athens-connection-at-stansted-for-summer-2013> (accessed 4 November 2013).

<sup>33</sup> STAL, New Airline for New Stansted Owners, available at: <http://www.stanstedairport.com/about-us/media-centre/press-releases/new-airline-for-new-stansted-owners> (accessed 4 November 2013).

<sup>34</sup> A cargo-only carrier is, in general, an airline that specialises in the transportation of cargo (freight and/or mail) rather than passengers.

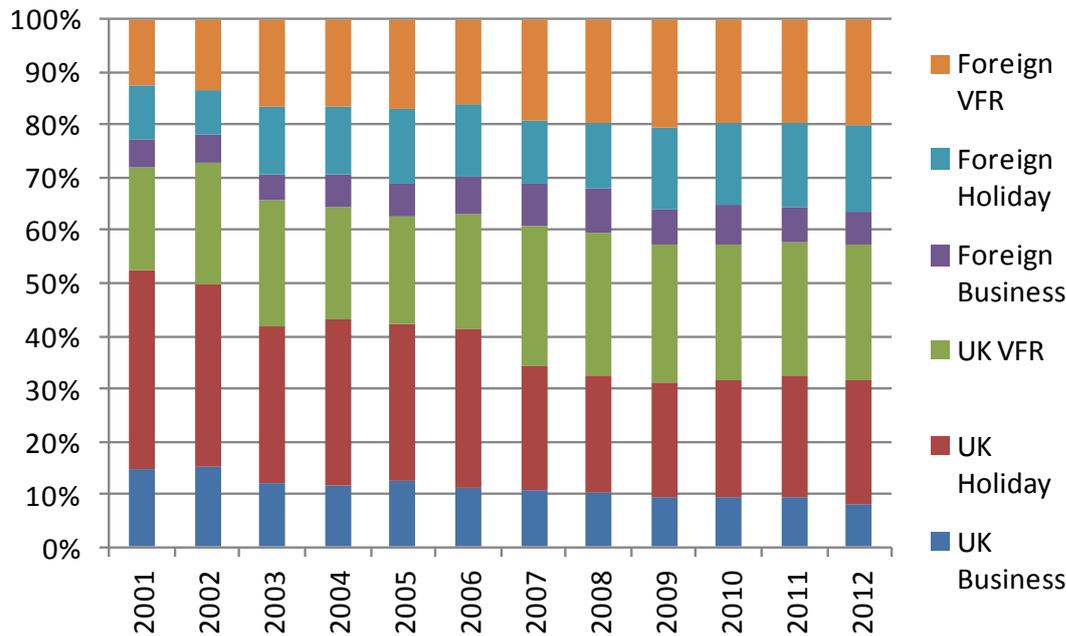
<sup>35</sup> Source: CAA airport statistics.

**Figure C.5: Stansted cargo tonnage per carrier (2012)**

Source: CAA airport statistics

### Passenger types

- C34 Stansted caters to all passenger types but it is particularly important to the non-business passenger segment, with the vast majority of passengers travelling for holidays and to visit friends and family (see Figure C.6).
- C35 Business travellers do use Stansted but only to a limited extent and the share of traffic by business travellers has declined over recent years (see Figure C.6). In particular, this figure shows that in 2012, about 85 per cent of the passengers at Stansted were using the airport for holidays and to visit friends and relatives, with business passengers accounting for just 15 per cent.

**Figure C.6: Stansted passenger residency and purpose**

Source: CAA Passenger Survey

## The development of Stansted

C36 The CAA considers that STAL will generate revenue from three main sources:

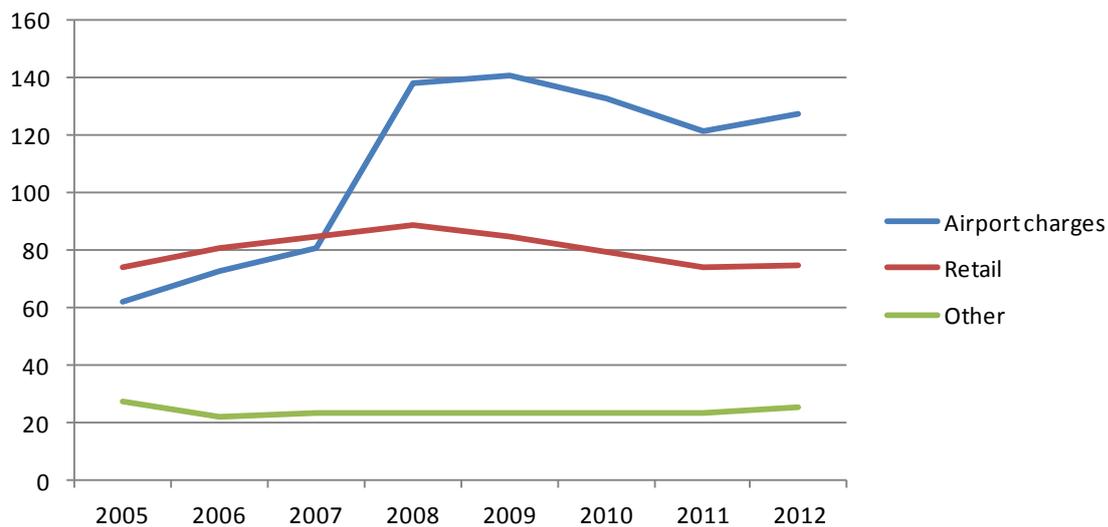
- airport charges, including charges on landing, charges on departing passengers and aircraft parking charges;
- commercial income, such as revenue from retail concessions (and associated retail revenue sharing arrangements), car parking and property; and
- other income, specifically income from non-regulated aeronautical charges (i.e. revenue from charges levied on airlines for other services, including the servicing of aircraft and the use of airport property and fuel).

C37 Figure C.7 shows the various revenues that STAL, under BAA ownership, received over the last seven years.<sup>36</sup> This figure shows that the revenue generated from airport charges has experienced a strong upward movement, with a significant increase in 2007, which is consistent with a

<sup>36</sup> This information has been taken from STAL's statutory accounts which are available online.

number of long-term (discounted) pricing contracts with airlines ending.<sup>37</sup> On the other hand, retail revenue (a component of commercial revenue) showed a modest increase in the three years to 2008 but has, in general, experienced a decline since then.<sup>38</sup> The revenue from other charges has remained relatively flat over the period.

**Figure C.7: STAL's revenues (£m, current prices)**



Source: STAL, Statutory Accounts

**C38** Stansted is an airport whose operator is subject to price controls until March 2014. The maximum airport charge that STAL is permitted to charge is based on:

- the CAA's assessment of an efficient level of costs;
- its view on the appropriate return of capital to be allowed; and
- how the resulting price cap would facilitate competition between airports.

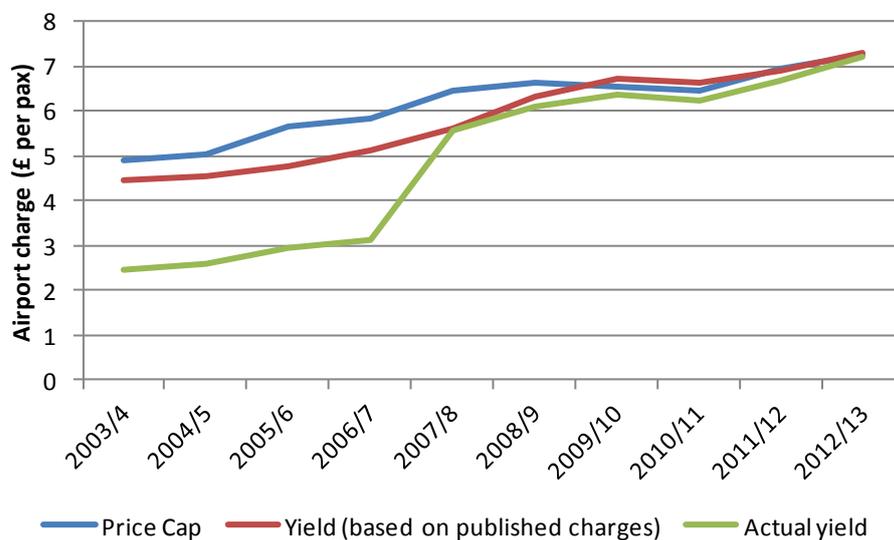
**C39** Through the 'single till' approach to regulation, users benefit from the co-funding of the airport operator's costs from commercial income generated (for example, retail and car parking revenues), thereby providing scope for the airport charges to be reduced.

<sup>37</sup> These contracts were struck after 11 September 2001, following the aviation downturn. They were struck at prices that were substantially lower than the prevailing price cap.

<sup>38</sup> Retail in this chart does not represent the commercial income outlined in paragraph C36 as it does not include, for example, revenue from property, which has been considered as part of 'Other'.

- C40 The actual airport tariffs that STAL has set have been published in its 'Conditions of Use', which are available on the airport's website.<sup>39</sup> By considering these charges and passenger numbers, weight of aircraft, noise levels etc, an estimate of an airport operator's revenue can be calculated. However, the charges outlined in the 'Conditions of Use' may not represent the charges that are actually paid by an airline, as an airport operator can enter into bilateral agreements with airlines that can result in lower charges being paid.
- C41 Figure C.8 outlines the regulated price caps that were set for STAL (under BAA) as well as the revenue yields that the airport operator has achieved over the period 2003/04 to 2012/13.

**Figure C.8: STAL's aeronautical revenues and revenue yields**



Source: CAA analysis of regulatory returns

- C42 Figure C.8 shows that since 2009/10, STAL (under BAA) set tariffs close to the cap. However, STAL had started pricing close to the cap from 2007/08 but that this excluded the correction factor (the K factor)<sup>40</sup> which resulted in the yield being slightly lower than the allowed price cap. The small difference between the actual revenue yield and the yield based on published charges indicates that the impact of any bilateral airline deals is

<sup>39</sup> [http://www.stanstedairport.com/media/4167/stal\\_conditions\\_of\\_use\\_%202013\\_14.pdf](http://www.stanstedairport.com/media/4167/stal_conditions_of_use_%202013_14.pdf) (accessed 19 August 2013)

<sup>40</sup> The correction factor (K) is a factor designed to address any over or under recovery of allowable yield that may have occurred in prior years. For example, in 2007/08 the airport operator's allowable yield was £6.437 per passenger when the K factor is excluded but £5.50 when the K factor is included.

small in comparison to overall charges. In 2011/12, this difference was only 3 per cent.

- C43 STAL also generates revenue from its cargo operations. Figure C.9 outlines the revenue and cargo tonnage that STAL (under BAA) achieved over recent years.

**Figure C.9: STAL cargo revenue per tonne**

	Income (£m)	Tonnage (m)	Income per tonne (£m)
2007/08	[3<]	0.23	[3<]
2008/09	[3<]	0.22	[3<]
2009/10	[3<]	0.22	[3<]
2010/11	[3<]	0.23	[3<]
2011/12	[3<]	0.23	[3<]

Source: STAL

### Airport charges

- C44 As outlined earlier, airport charges are typically comprised of three types of charges – charges on landing, departing passengers and aircraft parking – each of these is explored below.

#### Charges on landing

- C45 The charge on landing (and departure) of an aircraft is based on the weight of the aircraft, including its contents, and noise – with aircraft failing to meet set noise standards subject to a higher charge. At Stansted, a higher amount is also charged for aircraft landing at peak periods (1 April to 31 October) compared to off peak periods (1 November to 31 March).<sup>41</sup>

#### Charges on departing passengers

- C46 The charge on departing passengers is a charge that a passenger does not face directly as it tends to be paid by the airline. The level of this airport specific charge may be visible to the customer, as a component of the headline airfare.

<sup>41</sup> In addition, an Air Navigation Services charge per landing applies to all flights.

C47 As of 2008, STAL (under BAA) applied three different departing passenger charges based on the destination (and therefore the infrastructure and services) that the passenger was going to use. A rebate on these charges was offered if the passenger left from a remote stand. The level of passenger charges at Stansted over the past four years is illustrated in Figure C.10.

**Figure C.10: Charges on departing passengers 2008/09 – 2013/14 (£ per passenger)**

	Domestic	International	International (Republic of Ireland)	Remote stand rebate
2008/09	6.01	9.13	7.35	1.97
2009/10	6.13	9.30	7.50	2.00
2010/11	6.11	9.27	7.48	2.00
2011/12	6.50	9.86	7.95	2.13
2012/13	9.90	9.90	9.90	2.23
2013/14	10.50	10.50	10.50	2.37

Source: STAL, Conditions of Use, 2008/09 to 2013/14

C48 The structure of the airport passenger charges remained largely static over the period 2008/09 – 2011/12 but in 2012/13, STAL removed the distinction between domestic and international passengers to eliminate the differential in charges between domestic and international passengers. Consequently, all departing passengers now face the same (equalised) departing charge of £9.90 per passenger.<sup>42</sup>

C49 While this change to the departing charge represented a minimal increase in the international per passenger charge (less than 1 per cent), it represented a significant increase in the charge for domestic passengers (52 per cent increase) and for international (Republic of Ireland) passengers (25 per cent increase).<sup>43</sup> In 2013/14, the published departing passenger charge increased 6.1 per cent.

<sup>42</sup> Further information on airport charges is available at: <http://www.stanstedairport.com/about-us/doing-business-with-us/conditions-of-use> (accessed 1 November 2012).

<sup>43</sup> The airport operator has indicated that this change was introduced within the constraints of the CAA's price cap and was effectively revenue neutral to the airport operator.

## Aircraft parking charges

C50 Aircraft parking charges are the charges that the airport operator imposes for the parking of aircraft at the airport which, in general, are based on an aircraft's weight and the duration of stay.<sup>44</sup> Figure C.11 highlights the level of charge that the airport operator has imposed for this service over the last seven years.

**Figure C.11: Airport parking charges, 2007/08 to 2013/14, current prices**

	Not exceeding 15 metric tonnes	Over 15 tonnes	
	Per 24 hrs (£)	Per quarter hour (£)	Per metric tonne (£)
2007/08	98.00	2.79	0.18
2008/09	100.00	2.87	0.18
2009/10	102.00	2.94	0.18
2010/11	101.70	2.94	0.18
2011/12	108.14	3.13	0.19
2012/13	113.00	3.27	0.20
2013/14	119.89	3.37	0.21

Source: STAL, Conditions of Use, 2007/08 to 2013/14

## Cargo charges

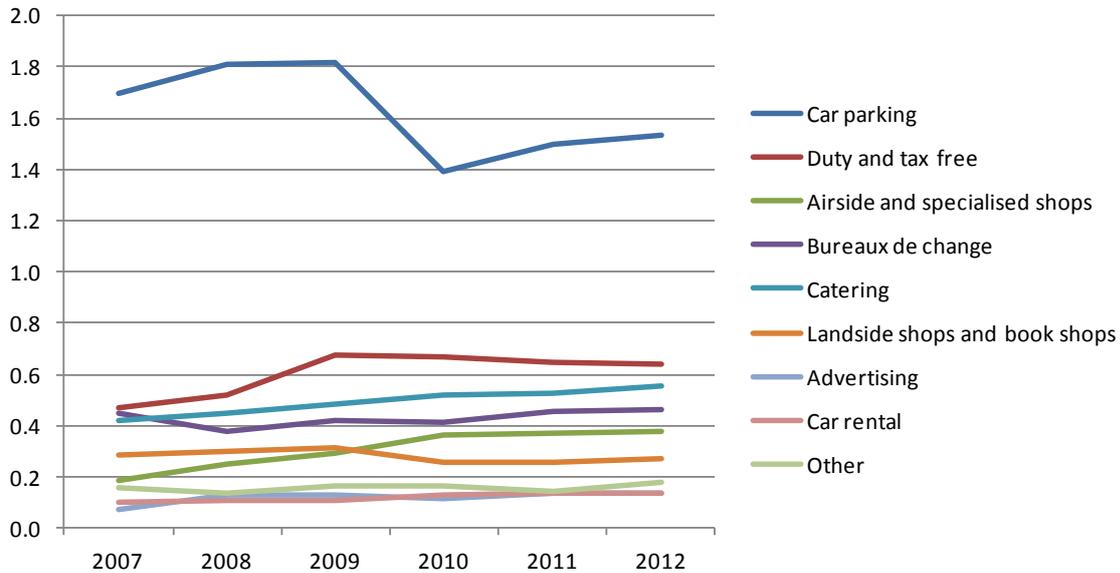
C51 As stated above, STAL can also provide infrastructure and infrastructure services to cargo-only carriers. This includes the provision of runway and apron space, as well as providing access to cargo handlers, access to warehousing facilities and infrastructure to allow the efficient onward transfer of cargo.

## Commercial income

C52 STAL generates revenue from a number of commercial activities including car parking, various (airside and landside) retail outlets and catering. The revenue per passenger that STAL (under BAA) has captured to date is illustrated in Figure C.12 (below).

<sup>44</sup> STAL, Conditions of Use, Including Airport Charges from 1 April 2011, available at: [http://www.stanstedairport.com/static/Stansted/Downloads/PDF/STN\\_Conditions\\_of\\_Use\\_2011-12.pdf](http://www.stanstedairport.com/static/Stansted/Downloads/PDF/STN_Conditions_of_Use_2011-12.pdf) (accessed 30 October 2012).

**Figure C.12: Commercial revenue per passenger, £ per passenger (current prices)**



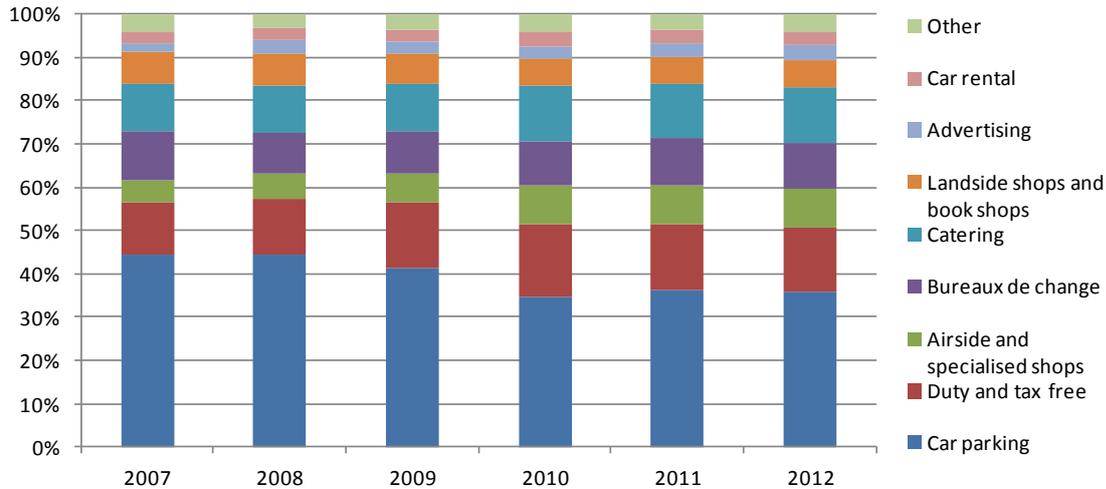
Source: STAL, Financial statements

C53 Figure C.12 suggests that:

- car parking revenue per passenger has declined over the period – a decline that the airport operator has attributed to a decline in domestic traffic, a decline in the ‘roll-up’ market and the migration of passengers to public transport;
- shopping (airside and landside) revenue per passenger has increased – a rise attributed to a number of shops experiencing double digit annual growth; and
- in general, a slight increase in the other measures.<sup>45</sup>

C54 Another way of examining the revenue that the airport operator has received can be seen by reference to Figure C.13, which shows, on a percentage basis, the various sources of STAL's commercial revenue (under BAA).

<sup>45</sup> Rationale for the various changes taken from information provided by STAL [§<].

**Figure C.13: STAL's sources of commercial income**

Source: STAL, Financial Statements 2008, 2009, 2011 and 2012

C55 In particular, Figure C.13 shows (among other things) that:

- car parking revenue has declined from around 44 per cent of the airport operator's revenue to around 36 per cent, with an average of around 39 per cent over the period examined;
- catering revenue has increased slightly from around 11 per cent to around 13 per cent, with an average of 12 per cent; and
- revenue from duty free, airside and specialised shops, and bureaux de change have all increased over the period and, on average, represent over 30 per cent of the airport operator's revenue.

C56 Given the relative importance of both retail and car parking to STAL's revenue (under BAA), the CAA explores both these issues in slightly more detail below.

C57 MAG, as the new owner of STAL, has indicated that it has a number of new initiatives with respect to both retail and car parking. The details of these high level initiatives and the impact that these may have on commercial revenue have not been submitted to the CAA for its consideration. However, MAG has indicated that they are expected to [redacted].<sup>46</sup>

<sup>46</sup> Source: STAL [redacted]

**Retail**

C58 Retail outlets are typically operated by a third party with the airport operator receiving a concession fee. The significant majority of concession agreements for terminal retail outlets work on the basis of a percentage of retail income that accrues to the airport operator, typically underwritten by minimum guarantees.<sup>47</sup> STAL (under BAA) told the CAA that it also makes arrangements with its retailers to ensure that the prices that are quoted are no more expensive than their equivalent on the UK high street.<sup>48</sup>

**Car parking**

C59 Under BAA, the commercial aspects of car parks were managed by STAL and it indicated that it uses yield management techniques to optimise revenue between the different car parks. The prices that are set are done so dynamically, that is they change to reflect market conditions, and discounted rates are available through pre-booking on the airport operator’s website. Figure C.14 shows the average transaction values that STAL (under BAA) achieved over the period 2007 to 2011.

**Figure C.14: Average transaction values and Stansted’s parking (2007 to 2011)**

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: STAL [REDACTED]

C60 In 2006, STAL (under BAA) introduced a £1 per vehicle fee for passenger pick-up, with the passenger pick-up area located adjacent to the short-term car park. In 2009, this charge was increased to £2 per vehicle. During this period STAL did not impose a passenger drop-off fee.

<sup>47</sup> Source: STAL[REDACTED].

<sup>48</sup> Source: STAL [REDACTED].

- C61 In November 2012, STAL (under BAA) introduced a number of changes to its car parking arrangements, including:
- Introducing a charge for passenger drop-off near the terminal.
  - Replacing the previous pick-up and drop-off areas that were close to the short term car parks with a 'pick-up and drop-off' area in the mid-term car park, from where passengers catch a bus to access the terminal building.
  - Introducing a new express set-down area, adjacent to the short-stay car parks, for customers willing to incur a charge.<sup>49</sup>
- C62 As per paragraph C57 above, MAG, as the new owner of STAL, has indicated that it has a number of new initiatives with respect to both retail and car parking, although the details of these are not yet fully known.

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<sup>49</sup> Source: STAL [redacted].