Terminal Transformation Project

Airline consultation document – March 2013

FOREWORD

by Andrew Harrison, Managing Director

Stansted is a great airport with great people; and importantly great infrastructure. The acquisition of Stansted Airport by M.A.G is strategically important for the Group as well as for Stansted. Now that the airport is in new ownership, there is a great opportunity to upgrade Stansted's facilities to achieve our vision of becoming the best airport in London. We have developed exciting plans that will transform the passenger experience in two key areas; the terminal and car parking.

How airlines and passengers use our facilities has changed dramatically in recent years with far fewer passengers using check-in facilities or putting baggage in the hold. At the same time, time people now spend more of their time in the departure lounge than they did five years ago. This Terminal Transformation project will update the terminal in ways that respond to these trends and also bring some of the sparkle back to Stansted.

We believe that transforming the way the terminal operates is a critical element in our short to medium-term strategy to win passengers back to Stansted; both for existing airlines and to put the airport in the strongest competitive position to attract new ones. The two fundamental aspects of the project – enlarging the departure lounge and installing a new security search area – will create a more efficient process that enhances the passenger experience.

Crucially, we will work hard to ensure the project does not disrupt Stansted's record of excellent on time performance. Our goal will be to minimise the inconvenience to the operation and passengers through every phase of the project. Importantly, we will be building on our track record, experience and knowledge gained from similar projects at Manchester Airport.

The aim of this consultation is to outline the objectives and the strategy for the project, and to seek feedback on the proposed option for the Terminal Transformation. We want to engage with our airlines to seek their views and feedback, and this will be taking place on two levels – operational and strategic. My ask of you is for you to give us your feedback and to work with us through this project so we can deliver as a team what I believe will be nothing less than a transformation of the terminal and a vastly improved experience for both our key business partners and our passengers.

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SECTION 1 - INTRODUCTION

Purpose of this document

Following the acquisition of Stansted by Manchester Airports Group in February 2013, we are taking forward new proposals to re-develop the terminal building. The aim of the project will be to provide passengers with a significantly better departures experience. The name we have given to this project is the Terminal Transformation ("TT") project.

Consultation with users is an important part of any major project, and we are keen to engage airlines both the merits of the development proposals and how the project should be delivered. The purpose of this consultation document is to inform engagement with airline users on the project and to seek views on our proposals.

The document is organised as follows:

- **Section 2** sets out the context for the project, identifies the key improvements in the passenger experience that we are targeting and outlines our strategy for delivering them.
- **Section 3** sets out the range of options that we evaluated for the project, and explains how we reached our view on the proposed option.
- **Section 4** provides further detail on the expected costs and benefits of the proposed option for the project, and sets out a high level delivery programme.
- **Section 5** identifies a number of key issues where we would particularly welcome airline views on the proposals.

We recognise the role that airlines, handling agents and other organisations operating at Stansted will play in the development and delivery of these plans. In addition to this consultation, we would like to establish a joint TT Working Group with airport users to provide a forum for this engagement. Further details are outlined in Section 4.

Consultation programme

Effective consultation on the project is important to ensure the proposals are clearly understood by airlines and that our decisions are properly informed by airline views. To achieve this, we are proposing the following consultation programme for the project:

Date	Event/milestone
28th March 2013	Airline briefing on proposals - initial opportunity for airlines to provide views on the proposals, and for questions and discussion.
mid April 2013	Follow-up consultation meeting - further opportunity for airlines to provide views on the proposals, and for

questions and discussion.

| 30th April 2013 | Close of consultation - written responses to consultation. |

How to provide feedback

Please send written responses to the consultation to Xenia Hudson (xenia_hudson @stanstedairport.com) by 30th April 2013. We will also make a note of airline views at the consultation meetings and take these into account in our decision making.

We would like to meet with airlines who would like to discuss the proposals on a bilateral basis during the consultation period. To arrange a meeting, or if you would like any further information on this consultation, please contact Matt Allen (matt_allen@stanstedairport.com or 07818 011869).

SECTION 2 - THE NEED FOR TRANSFORMATION

Context

M.A.G's recent acquisition of Stansted will see the airport in new ownership for the first time in nearly three decades. Since the opening of the new terminal in the early 1990s, Stansted has played a key role in supporting the development of low-cost air travel in the UK and Europe, and has seen significant growth in passenger numbers over this period.

M.A.G's vision for Stansted is to make it London's best airport. To achieve this will require a combination of operational improvements, targeted investment and commercial agreements with airlines to drive passenger growth. Under new ownership, we will be seeking to reverse the recent decline in traffic and return volumes to their previous peak as soon as possible, and then looking to drive further growth towards the full capacity of the airport's single runway.

Almost all of Stansted's passengers fly on low cost airlines. In recent years, low cost airlines have made their operating models more efficient by innovating their products and processes, for example by through the use of web-based check-in and introducing separate charges for checked-in baggage. These innovations have fundamentally changed the way passengers travel through Stansted's terminal facilities, compared with five years ago:

- **Check-in** – A much smaller proportion of passengers now use traditional check-in facilities at Stansted. Figure 1 shows that 90 per cent of departing passengers at Stansted used check-in or bag drop facilities in July 2007. By July 2012 this figure had fallen to 50 per cent. The equivalent figure for February 2013 was 40 per cent. This means that the amount of space needed for check-in facilities (for a given volume of passengers) is much lower now than it was before.

Figure 1 – Percentage of departing passengers using check-in or bag-drop
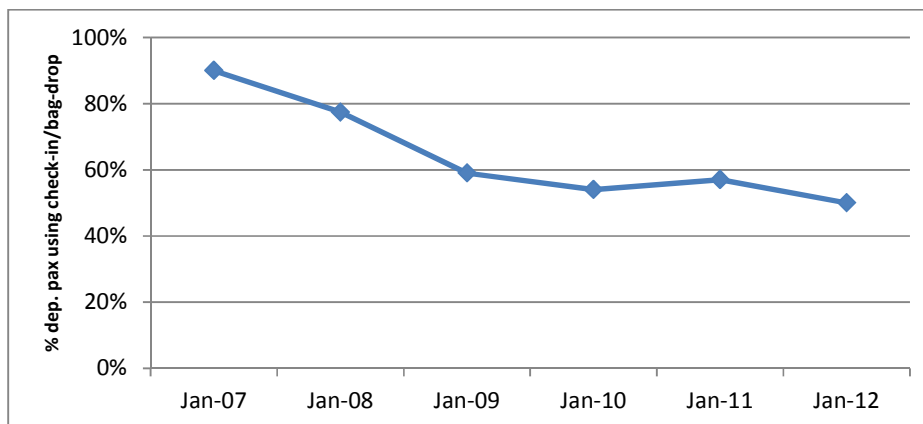
- **Central search demand profile** – Because many passengers do not use check-in or bag-drop facilities, a much high proportion now come straight to Central Search with a self-generated boarding card. This creates more pressure on Central Search facilities at peak times because passenger flows are not regulated by the processing capacity of check-in facilities in the way that they were five years ago.

- **Central Search processing** – A much higher proportion of passengers now carry their main item of luggage in the cabin of the aircraft. This means these items need to be screened and searched by hand, significantly increasing the processing demands on the Central Search area.

- **Departure Lounge -** Because a high proportion of passengers no longer dwell in landside areas at Stansted, much more of their time is spent airside in the Departure Lounge. This point is illustrated by Figure 2 which shows that average dwell time in landside areas and Central Search has declined by eight minutes since 2010, while the average time spent in the Departure Lounge has increased by two minutes.

Figure 2 – Average dwell times
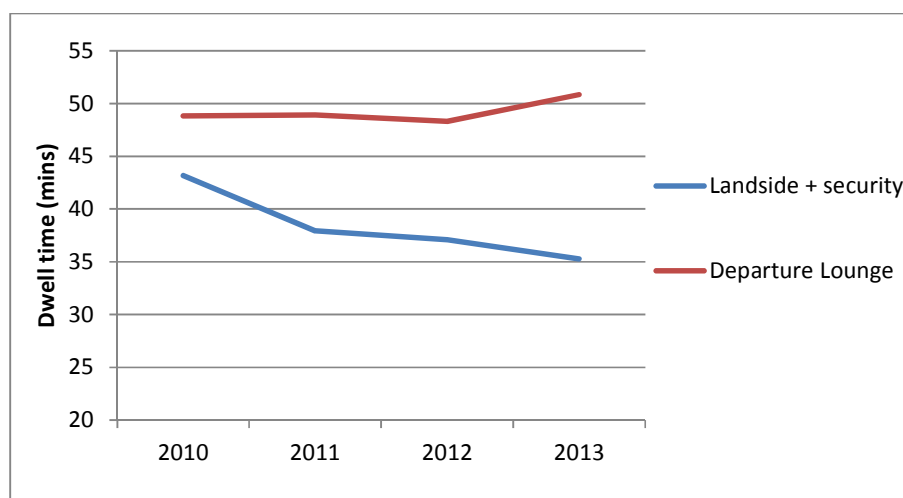
- **Departure Lounge crowding and seat availability** – The pressure on Departure Lounge facilities as a result of increased passenger dwell times has contributed to a decline in passengers' rating of crowding levels and seat availability. This is illustrated by Figure 3 which shows that QSM scores for Departure Lounge crowding and seat availability reduced from 4.00 in 2008 to 3.29 in 2012 and from 4.04 in 2008 to 3.50 in 2012, respectively.

**Figure 3 – QSM rating of Departure Lounge crowding and seat availability**
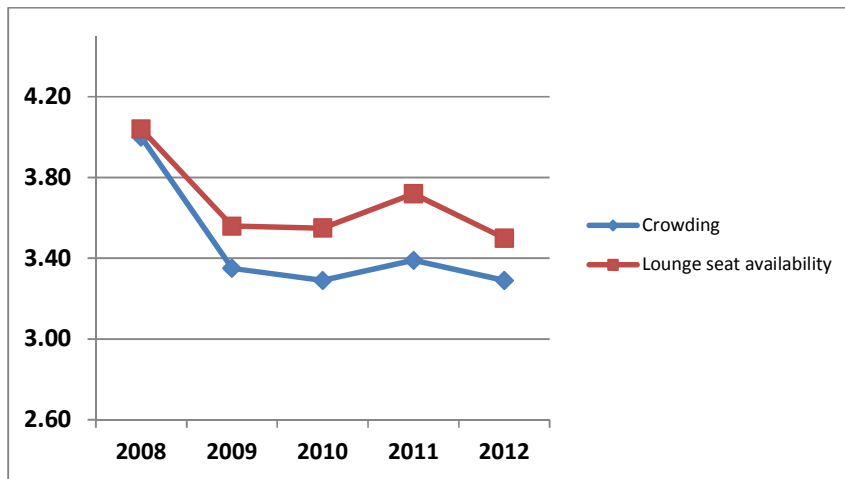
Another important factor is Stansted's recent performance in generating commercial revenue from departing passengers. Over the last few years retail yields have marginally declined in real terms, with 2011 down by 4 per cent against 2009, reflecting strong competition from on-line and High Street retailers.

In particular, the trend for passengers to spend more time airside at Stansted has meant that many landside commercial outlets on the departures side of the terminal have struggled to attract sufficient footfall to remain open. As a consequence, a number of these facilities have closed, and those that remain open do not perform as well as equivalent outlets in airside areas.

Stansted's Departure Lounge, in terms of passenger circulation and commercial space, is relatively small when compared with the facilities available at other UK and European airports. For example, our research has identified that in terms of retail space per passenger, Stansted's Departure Lounge is one of the smallest amongst its peer group. Figure 4 shows that Stansted has around 670m^2 of airside retail space for each million passengers of throughput; the average from the peer group shown below is 1100m^2 - 60 per cent more than at Stansted.

Figure 4 – Airside retail space per mppa at UK and European airports
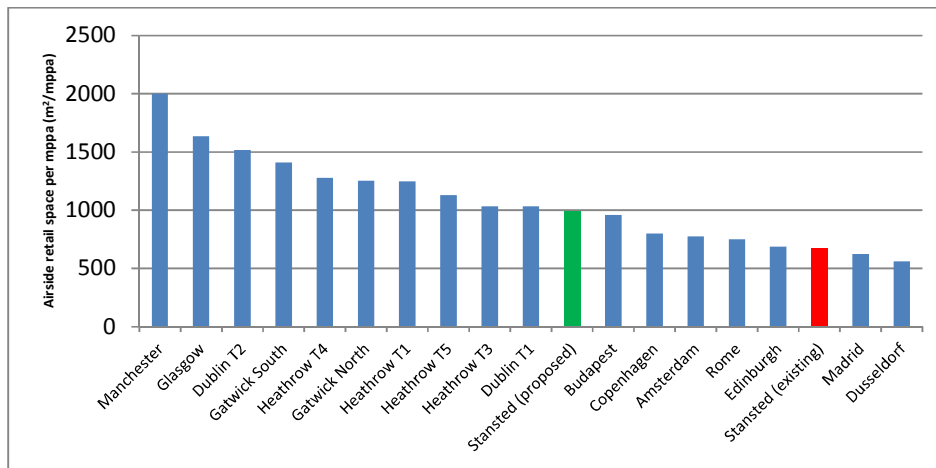
We have also looked at the airside retail space available at other UK airports and terminals, and compared this with annual passenger throughput and peak departure flows in these facilities. Table 5 shows that Stansted's current terminal has the highest peak departure flow of any UK terminal (4,600 departing passengers per hour), but one of the smallest airside retail footprints.

Table 1 – Peak departure flows and airside retail space at UK airports

Airport	Total Pax	Departing Pax	Airside Retail Space (sqm)	OBC Departing Capacity (pax per hr)	OBC Actual (pax per hr)	Airside Space per pax per hr at Capacity (sqm)
Heathrow T1	13,800,000	6,900,000	8,622	2,200	2,200	3.92
Heathrow T4	9,900,000	4,950,000	6,318	1,650	1,650	3.83
Heathrow T3	19,400,000	9,700,000	10,037	3,000	2,900	3.35
Gatwick South	17,800,000	8,900,000	12,553	3,800	3,800	3.30
Heathrow T5	26,300,000	13,150,000	14,864	4,500	4,300	3.30
Manchester T1	8,691,655	4,345,828	9,908	3,000	2,500	3.30
Gatwick North	16,000,000	8,000,000	10,024	3,500	3,500	2.86
Glasgow	6,858,268	3,429,134	5,600	2,200	2,200	2.55
Stansted (Proposed 2015)	19,100,000	9,550,000	10,660	5,500	5,500	1.94
Dublin T1	11,244,000	5,622,000	5,800	3,400	3,000	1.71
Dublin T2	7,496,000	3,748,000	5,692	3,500	3,000	1.63
Stansted (Existing)	17,800,000	8,900,000	5,980	4,600	4,600	1.30
Edinburgh	9,383,695	4,691,848	3,225	2,800	2,200	1.15

NB:
Departing Pax numbers taken from 2011 CAA Data and airport own web sites.
Airside Retail Space is known intelligence from the airports themselves, existing retail operators or intel from the Internet.
Where exact airside retail space is uncertain, the 'known' overall Terminal retail space is split 80/20% to determine an airside retail number.
Stansted and Dublin T1 have lowest dwell time due to a dominance of Ryanair (estimated dwell of 45 minutes versus 60 minute average of others).

M.A.G has relevant experience of delivering similar projects at Manchester Airport, having invested £100m in Terminal Transformation projects across all three terminals between 2008 and 2010. M.A.G is also currently undertaking a similar scheme at East Midlands Airport.

Each transformation at Manchester saw a major investment in new Security facilities along with a reconfiguration of retail and catering space.   As with Stansted, the projects were a direct response to changing customer demands and a requirement to enhance the passenger experience by providing a greater quantity and quality of airside space and improved dwell.

Manchester's Transformation strategy was informed by the findings of research conducted by MORI to help understand the factors that negatively impact passengers' perceptions of service quality within their 'end to end' airport journey. The research identified a number of major stress points within car parking, check-in and Security, as illustrated in Figure 5.

Figure 5 – Stress curve pre and post transformation
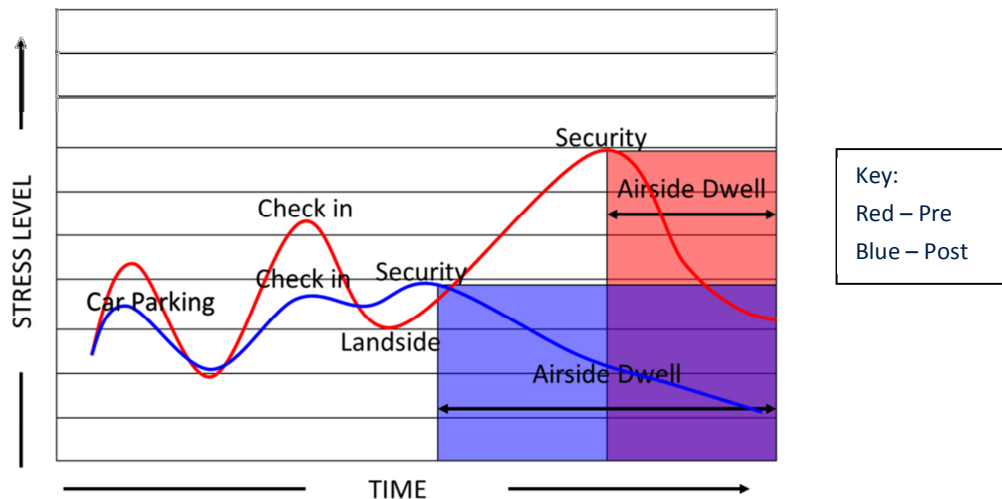
Through investment, Manchester's Transformation strategy addressed the underlying drivers of stress by clustering the 'airport processes' back-to-back, and enabling passengers to go airside as soon as possible in their journey where they become more relaxed. The flagship scheme at Manchester's Terminal 1 in 2008 transferred most of the retail space to an airside environment. Before the redevelopment 61 per cent of the retail space was airside; as a result of the redevelopment the figure has increased to 81 per cent. This change helps to signal to passengers that they should go to the Departure Lounge as early as possible, removing a key source of passenger confusion within the airport and improving the passenger experience.

The Transformation also focused on improving airside facilities for passengers and increasing the variety of products and services available. This understanding was used in the design of the airside departure lounge which has been configured in zones that address the changing mindset of passengers as they move through the airport.   Figure 6 summarises the findings of research into customers' conscious priorities when choosing an airport and how this list changes when at the airport. The subconscious priorities drive customer satisfaction and were used to identify areas of focus during the construction phase to ensure passengers' main 'hygiene factors' were prioritised.

Figure 6 – Customer priorities when choosing an airport and then whilst at the airport

Conscious priorities (stated ranking)		Subconscious priorities (derived ranking)	
Security	1	Overall cleanliness	1
Baggage reclaim	2	Staff courtesy and friendliness	2
Ease of getting to the airport	3	Overall comfort	3
Airport buses	4	Information	4
Check-in	5	Toilets	5
Car parks	6	Shops	6
Information	7	Security	7
Staff courtesy and friendliness	8	Refreshments	8
Ease of finding your way around	9	Airport buses	9
Overall cleanliness	10	Ease of finding your way around	10
Toilets	11	Baggage reclaim	11
Baggage trolleys	12	Currency exchange	12
Taxis	13	Car parks	13
Overall comfort	14	Roads within the airport complex	14
Immigration	15	Immigration	15
Customs	16	Check-in	16
Refreshments	17	Ease of getting to the airport	17
Currency exchange	18	Customs	18
Roads within the airport complex	19	Baggage trolleys	19
Business/executive lounges	20	Taxis	20
Shops	21	Business/executive lounges	21

Overall, the result of the Transformation is an improved airport operation, with an enlarged airside lounge and passengers enjoying increased airside dwells time in a positive mindset. The benefits of Transformation can be measured in terms of passenger satisfaction and financial performance. Both measures saw a step-change in performance following the investment programmes. For example, customer satisfaction (which includes all aspects of the customer journey) improved from 3.49 to 3.90, as shown in Figure 7. In terms of retail performance, the retail yield per passenger increased by up to 20 per cent following the Transformation schemes.

Figure 7 – Passenger satisfaction before/after Manchester Transformations

Overall Passenger Satisfaction
Rolling 4 quarter average score 2006 – 2010

Against this background, and taking the lessons from the experience of similar developments at Manchester, the next section of the consultation document sets out our objectives and strategy for the Terminal Transformation project, and then outlines the option development and evaluation process to demonstrate how we arrived at our view of the proposed new layout.

SECTION 3 - TRANSFORMATION OPTIONS

Objectives for the project

We believe there is significant scope to improve the utilisation of the terminal building to achieve a better customer experience, as well as higher levels of operating and commercial performance. We have, therefore, considered the case for investing in a project to re-develop the departures end of the terminal building to transform the passenger experience for departing passengers.

Our objectives in developing proposals for the project have been:

- **to improve the departing passenger experience** – this will be critical to attract more airlines and passengers, and support our vision to become London's best airport;
- **to improve the efficiency of security processing in Central Search** – the project should deliver a better passenger experience and reduce operating costs per passenger;
- **to improve Stansted's overall departure lounge and retail offer** – the project should grow the level of retail income per passenger, fund the improvements in passenger experience and put us in a stronger competitive position to attract airlines.
- **to deliver the transformation quickly** – securing the benefits of the project as soon as possible will put us in the best position to drive passenger growth over the next few years;
- **to avoid disruption to 'business as usual'** – it is important to our airlines and passengers that we continue to deliver a good standard of service during the re-development process.

Our Transformation strategy

Our strategy for the transformation project can be summarised as follows:

- reconfigure the terminal so that the allocation of space better reflects the way departing passengers currently use airport facilities;
- shift the landside/airside boundary to reduce the amount of redundant space in the landside environment;
- relocate and redevelop the Central Search area to provide a better customer experience, improved efficiency and differentiated products for families and passengers on business.
- use the new airside space to create a larger Departure Lounge, incorporating a 'decompression' zone, enlarged seating areas and a walk-through retail environment to optimise retail performance.

Option development

Based on the overall strategy for the Terminal Transformation project, a design team produced eight layout options using the following core principles:

- increase throughput of Central Search to improve passenger experience.
- reduce the amount of landside retail space;
- provide sufficient and suitable dwell areas for passengers in the Departure Lounge;

- improve the retail income by introducing the model implemented at Manchester Airport;
- create a zoned airside retail offer for passengers in the Departure Lounge;
- create a walk-through duty free store;
- provide sufficient retail space for 5,000 departing passengers per hour; and
- maintain operational capabilities of other functions.

The options fell into two distinct groups:
- six options that would retain the current orientation of the Central Search area but relocate the facilities either to the east or west of the current position; and
- two options involving a more radical redevelopment of the Terminal with the relocation and reorientation of the Central Search area to the west end of the building orientated in a north/south direction.

Table 2 shows the eight Transformation layouts considered at the option evaluation stage.

Table 2 – Transformation layout options

Option	Summary description	Airside retail space	Indicative NPV
Option 1	Expand Retail and Central Search by transferring current landside retail outlets into airside retail.	8,580m^2	£2.8m
Option 2	Expand Retail eastwards into Baggage Reclaim Hall	9,680m^2	£6.9m
Option 3	Expand Retail 7.5 metres southwards into Central Search no change to the Baggage Reclaim Hall	8,930m^2	£4.9m
Option 4	As Option 3 plus moving Central Search southwards by 7.5 metres	10,330m^2	£9.7m
Option 5	Central Search moved 15 metres southwards but no expansion of retail into Baggage Reclaim Hall	9,950m^2	£12.5m
Option 6	As Option 5 plus expansion of retail into Baggage Reclaim Hall	11,450m^2	£14.0m
Option 7	Relocate Central Search to west end of Terminal, reorientated north/south using existing equipment	10,900m^2	£14.4m
Option 8	As Option 7, but with new security lane equipment	10,900m^2	£14.4m

The design concepts for the layout options summarised in Table 2 above are shown in Appendix 1.

Option evaluation

As highlighted in Section 2, the current level of space in the Departure Lounge is considered to be sub-optimal both from both a passenger experience and retail performance perspective. A key requirement of the Terminal Transformation project was to create an airside environment capable

of accommodating 5,500 departing passengers per hour to provide future headroom for growth in peak hour passenger flows.

The retail space needed to handle 5,500 departing passengers per hour was assessed, using the comparator data shown in Table 1, to be at least 10,000m². Measured in terms of space per passenger at peak the current provision equates to 1.3m² per departing passenger (based on 4,600 departing passengers per hour and 5,980m² of airside retail space). Combining our target of 5,500 departing passengers per hour with a higher level of space per passenger (1.94m² per passenger), creates a requirement for 10,660m² of airside retail space.

Table 2 shows that some options provide less than 10,000m². These options were not taken forward for further evaluation because they did not provide the necessary level of airside retail space considered optimal for the scheme.

The remaining options were grouped into two broader categories:
- those with an Central Search orientated in an East-West direction in the centre of the terminal floor plan;
- and those with a Central Search orientated in a North-South direction along the West elevation of the terminal.

A more detailed optioneering exercise was undertaken to evaluate the performance of the two categories of options against a set of weighted evaluation criteria to identify a preferred development option.

- **Financial performance**
  We calculated the Net Present Value (NPV) of each development option, taking account of the expected capital cost of the development option, plus the net incremental cashflows (operating costs and commercial revenues) from the operation of the new facilities. Given the importance to airlines and shareholders of delivering a scheme with a positive NPV, this was judged to be a key criterion in the overall evaluation of the options. Table 2 provides indicative NPV estimates for the different layout options.

- **Disruption**
  We used this criterion to consider the level of disruption that would be associated with major redevelopment work in an operational Terminal building. All of the East-West options were assessed to have a severe impact on Baggage Reclaim Hall necessitating the relocation of four baggage carousels, and a high level of impact in the Check-in area because of the need to modify three of the four islands. The North-South options would require the removal of one Check-in island in its entirety, and may potentially require the baggage carousel in the Domestic reclaim area to be relocated and the Domestic Arrivals route to be relocated or re-routed.

On balance, the North-South options were considered to outperform the East-West options because of the lower level of operational disruption during the construction period.

- **Retail Income potential**

  Our initial view of the development phasing suggested that the development of the North-South options would defer the point at which it would be possible to secure a higher level of airside retail income by one year relative to the East-West options. However, we considered there to be sufficient scope in the detailed phasing programme to enable us to mitigate most of this income impact associated with the North-South options. Given the very small difference in performance of the two families of options, we did not use this criterion to differentiate between the East-West and North-South options.

- **Deliverability**

  We assessed that the North-South options would need an amount of space equivalent to the current Central Search area to be taken out of use to facilitate construction. Furthermore, the phased relocation of Central Search equipment for these options would require two separate Central Search areas to be operated simultaneously during the development. The development phasing associated with the East-West options appeared to be somewhat simpler, largely because the development would be delivered in a series of incremental steps. However, the significant changes to existing baggage systems required to deliver the East-West options meant there would be considerable delivery risk associated with these schemes.

  Overall, we considered the East-West and North-South options to perform equally well in terms of deliverability, even though the issues associated with them would be different. Given the very small difference in performance of the two families of options, we did not use this criterion to differentiate between the East-West and North-South options.

- **Futureproofing – Central Search**

  We considered the relative performance of the East-West and North-South options in terms of the ability in the future to expand the Central Search area. It was considered that it would be feasible to expand Central Search for both sets of options, if this were necessary in the future. Given the very small difference in performance of the two families of options, we did not use this criterion to differentiate between the East-West and North-South options.

- **Futureproofing – Retail**

  We considered the potential for each of the options to accommodate a possible future expansion of airside retail facilities in the Departure Lounge. The East-West options had limited potential to accommodate an expansion of airside retail because growth to the north and east could only be achieved by extending the terminal building, and expansion to

the south would require significant re-configuration of the Check-in area. A small amount of additional space to the West could be gained by relocating Domestic arrivals facilities.

The North-South options provide more potential to expand the airside retail facilities in the Departure Lounge. The relocation of two baggage carousels in Baggage Reclaim would create an additional 900m^2 of airside retail space to the east. To the south, the departure lounge could extend further into the check-in area without significant further reconfiguration, and the extension southwards of Central Search to the front elevation of the terminal building would allow further expansion of the Departure Lounge.

Overall, the North-South options were considered to outperform the East-West options by a considerable amount because of their greater potential for future expansion.

- **Passenger experience – Operations**
  We assessed the relative passenger experience of the East-West and North-South options. The North-South options were considered to provide passengers with better sight-lines to Central Search, and a better passenger flow to the Central Search. However, this was offset by the fact that the access point to Central Search would be at one end of the facility, rather than centrally located as it would be in the East-West options. On balance, the East-West options were considered to perform better than the North-South options by a small amount.

- **Passenger experience – Retail**
  We considered whether the passenger experience from a retail perspective would be better for either the East-West or North-South options. It was assessed that both options provide a good 'retail journey' for passengers. However, the East-West option tended to result in 'squarer' proportions for airside retail facilities. In this respect, the North-South options were considered to outperform the East-West options by a small amount because they would provide a longer, narrower space with a more convenient walk-through for passengers.

Option summary

Table 3 summarises the output from the optioneering and option evaluation process. The table shows that the North-South options outperformed the East-West options, particularly in terms of their financial performance.

Table 3 – Output from the evaluation of North-South and East-West options

Criteria	Weighting	North-South options		East-West options	
		Score	Score x weight	Score	Score x weight
Financial	80%	10	80%	8.8	70%
Disruption	5%	7	3.5%	4	2%
Retail income potential	-	-	-	-	-
Deliverability	-	-	-	-	-
Futureproof – operations	-	-	-	-	-
Futureproof – retail	5%	8	4%	2	1%
Customer Experience – operations	5%	5	2.5%	6	3%
Customer Experience – retail	5%	6	3%	5	2.5%
Total			**93%**		**78.5%**

Proposed option

Based on the evaluation exercise outlined above, we are proposing to take forward the development of a North-South option. Of the two North-South options, Option 7 envisaged the re-use of the existing security equipment, whereas Option 8 involved the purchase of new security equipment for installation in the new Central Search area. The current Central Search equipment is relatively new and its performance is considered to be satisfactory. Consequently, we are proposing to adopt Option 7 as the layout for the Terminal Transformation project.

The principal benefits for passengers of the proposed development will include:
- the improved terminal layout will better reflect the way passengers want to use airport facilities, providing greater space and seating in areas where passengers spend the largest proportion of their time;

- the improved Central Search facilities will provide greater predictability to passengers in the time they will need to allow to pass through security, reducing stress and enabling them to plan their journey with greater confidence;

- the improved Departure Lounge will provide more space and be better aligned to meeting passengers' needs in terms of seating and retail facilities, and address current crowding issues that will be exacerbated as traffic volumes increase.

The principal benefits for airlines of the proposed development will include:

- a terminal facility that will deliver a better passenger experience which will complement airline offerings and strengthen the airport's ability to grow by helping airlines attract passengers to choose Stansted over other London airports;

- a terminal facility that will be able to support sustained growth in passenger volumes, in particular in terms of Central Search and Departure Lounge capacity, where the current facilities will come under some strain if they are not redeveloped;

- a terminal facility and processes that are better aligned to the way airlines operate at Stansted, in particular ensuring passengers pass through security as early as possible in their journey;

- airport process that will drive greater predictability around on-time performance and reducing the scope for delays caused by passenger getting caught in Central Search or the Departure Lounge (for example, by providing more flight information to passengers throughout their journey).

In addition to the benefits above, the principal benefits for the airport of the proposed development will include:
- stronger competitive position in attracting passengers and airlines to use Stansted;
- operating efficiencies in Central Search, driven by more efficient facilities and layout;
- improved retail performance, in terms of an uplifted retail yield per passenger

The expected capital cost of the Terminal Transformation project is around £40 million. An outline cost plan for the project is shown at Appendix 3.

SECTION 4 - KEY ISSUES

Phasing and delivery

We recognise the considerable challenges of delivering the Terminal Transformation project in a live operational environment. To address these challenges we have put together a phased work programme that will minimise the impact for passengers and airlines. This programme will ensure that Stansted can continue to deliver 'business as usual' throughout the development programme without significant disruption to passenger and airline processes.

Phase 1 & 2 of the Terminal Transformation will see Central Search relocated to the west end of the terminal building. We are developing a phased approach to this work to ensure that the total number of passenger screening lanes in Central Search is maintained at the level required to maintain passenger flows for the duration of the project.

We will also modify the baggage system (prior to any check-in desk relocations) to connect Island 3 into the baggage sorter for Island 5. This will ensure the system has the capability to provide adequate baggage capacity throughout the Phase 1 & 2 development and on an on-going basis thereafter. In addition, we will work with airlines to develop a phased relocation programme for the check-in area to ensure airlines can continue to operate effectively throughout Phase 1&2.

The key milestones associated with the Terminal Transformation are as follows:

Key milestones - Phase 1 & 2	Completion Date
Relocate retail concessions for new airside toilets	June 2013
Transfer landside retail units to airside environment	June 2013
Construct new baggage link Island 3 – Island 5 sorter	early July 2013
Transfer Island 5 operations	late July 2013
Construction of new airside toilets	October 2013
Open 50% of new Central Search	December 2013
Open 100% of new Central Search	February 2014

Key milestones - Phases 3-5	Construction period
Phase 3 – construction and fit-out of new duty-free store	January 2014 to Summer 2014
Phase 4 – construction of new Food and Beverage units	Summer 2014 to Spring 2015
Phase 5 – construction of new specialist retail units	Spring 2015 to Autumn 2015
Phase 6 – final phase F&B/retail, common seating	Autumn 2015 to Spring 2016

M.A.G has a proven track record of managing disruption and minimising the impact of Terminal Transformation projects within live operational environments through:

- stakeholder engagement with airlines and service partners via the AOC
- an approach to project management which ensures cross-functional representation
- a proactive approach to phasing considering seasonality
- adopting a wayfinding and hoarding strategy to ensure a clear customer journey through the terminal is maintained

M.A.G's approach is to adopt a practical 'hands on' management, working very closely with the main construction contractor to ensure a detailed understanding of the planned works within each phase. This approach enables the project team to inform when heavy construction tasks are to be completed which can result in night works and ensures intrusive tasks are completed outside of peak operational hours. During the Manchester schemes on no occasion did the transformation work impact on airlines' on time performance.

Airline engagement in Phase 1 development

We want to work constructively with airlines to make the Terminal Transformation project a success. Part of this will be making sure the construction works do not compromise the ability of our airlines to offer their passengers a 'business as usual' service throughout the development process.

To achieve this, we are proposing to establish a joint TT Working Group to oversee the operational aspects of the Terminal Transformation project. Airlines, handling agents and other stakeholders will be invited to join the Working Group, which will be convened as soon as possible to provide an effective forum for identifying and addressing issues associated with the project. We will also be looking to engage airlines and other partners on a bilateral basis to discuss specific issues associated with the delivery of the Transformation project.

Q6 Capital Programme

Stansted's Capital Investment Programme (CIP) published in October 2012 highlighted the potential to undertake a minor redevelopment project in the Departure Lounge in the Q6 regulatory period between 2014/15 and 2018/19. We recognize that the proposals for the Terminal Transformation project set out in this consultation document are significantly broader in scope than those previously identified in Stansted's 2012 CIP.

As such, we will be issuing a revised CIP for the Q6 period in May 2012 so that the proposals for the Terminal Transformation project can be seen in the context of an overall programme for the airport. We will consult airlines on these proposals as part of the CAA's Q6 price control process.

Business case

As set out above, we believe the Terminal Transformation project has a positive business case, not only from a passenger experience perspective in terms of the enhanced facilities, but also in financial terms from the enhanced airside retail performance and improved levels operational efficiency. Our view is that the improved level of passenger experience can be funded by enhanced retail performance, passenger growth and operating efficiencies; the project will not need to be funded through higher airport charges paid by passengers and airlines, irrespective of the regulatory framework that applies to Stansted in the future.

SECTION 5 - RESPONDING TO THE CONSULTATION

Consultation questions

We would welcome feedback from airlines on any aspect of our proposals for the Terminal Transformation project. Below we have set out a number of questions for airlines to consider when responding to the consultation.

Project objectives
- Do you have views on the proposed objectives for the Terminal Transformation project?
- Which of these objectives do you consider to be most important and least important?

Strategy
- Do you have views on the strategic approach we are proposing to deliver the objectives for the Terminal Transformation project?
- Do you have experience of similar projects at other airports that would be of value to us at Stansted?

Transformation options
- Do you agree with our proposed option for the Terminal Transformation project? If not, please explain which of the options would be better, and why?
- Do you have any comments on the initial layout plans shown in the consultation that you would like us to take account of in our detailed design work?

Phasing and delivery
- Do you have any comments on the proposed approach the phasing and delivery of the Terminal Transformation project?
- Do you have any specific concerns that you would like to highlight to us at this stage?

Engagement
- Do you have views on the proposed engagement arrangements for the project, including the proposal to establish a joint TT Working Group?
- Do you have suggestions for companies or organisations that should be invited to be members of the joint TT Working Group?

How to respond to the consultation

We believe that effective consultation is important to ensure our proposals for the Terminal Transformation project are clearly understood by airlines and to enable our decisions to be properly informed by airline views.

Following the initial briefing meeting on 28th March 2013, we will be inviting airlines to a follow-up consultation meeting on mid April 2013. This will provide an opportunity for airlines to ask questions and provide views on the proposals. In between, we would be happy to meet airlines to provide further information on the proposals and to respond to questions.

Written responses to the consultation proposals are requested by 30th April 2012 and should be sent to Xenia Hudson (xenia_hudson@stanstedairport.com).

APPENDIX 1 – OPTION DESIGN CONCEPTS
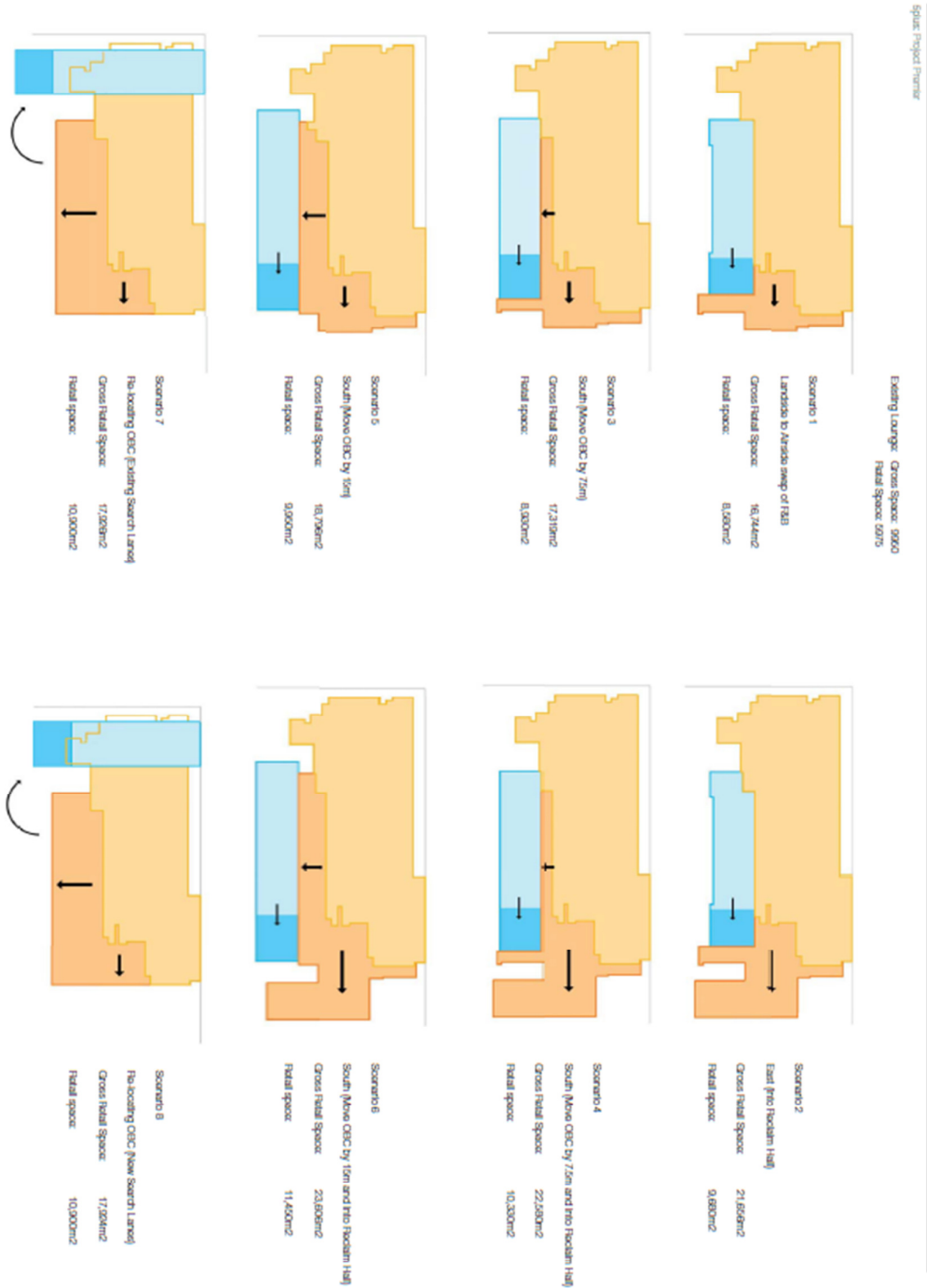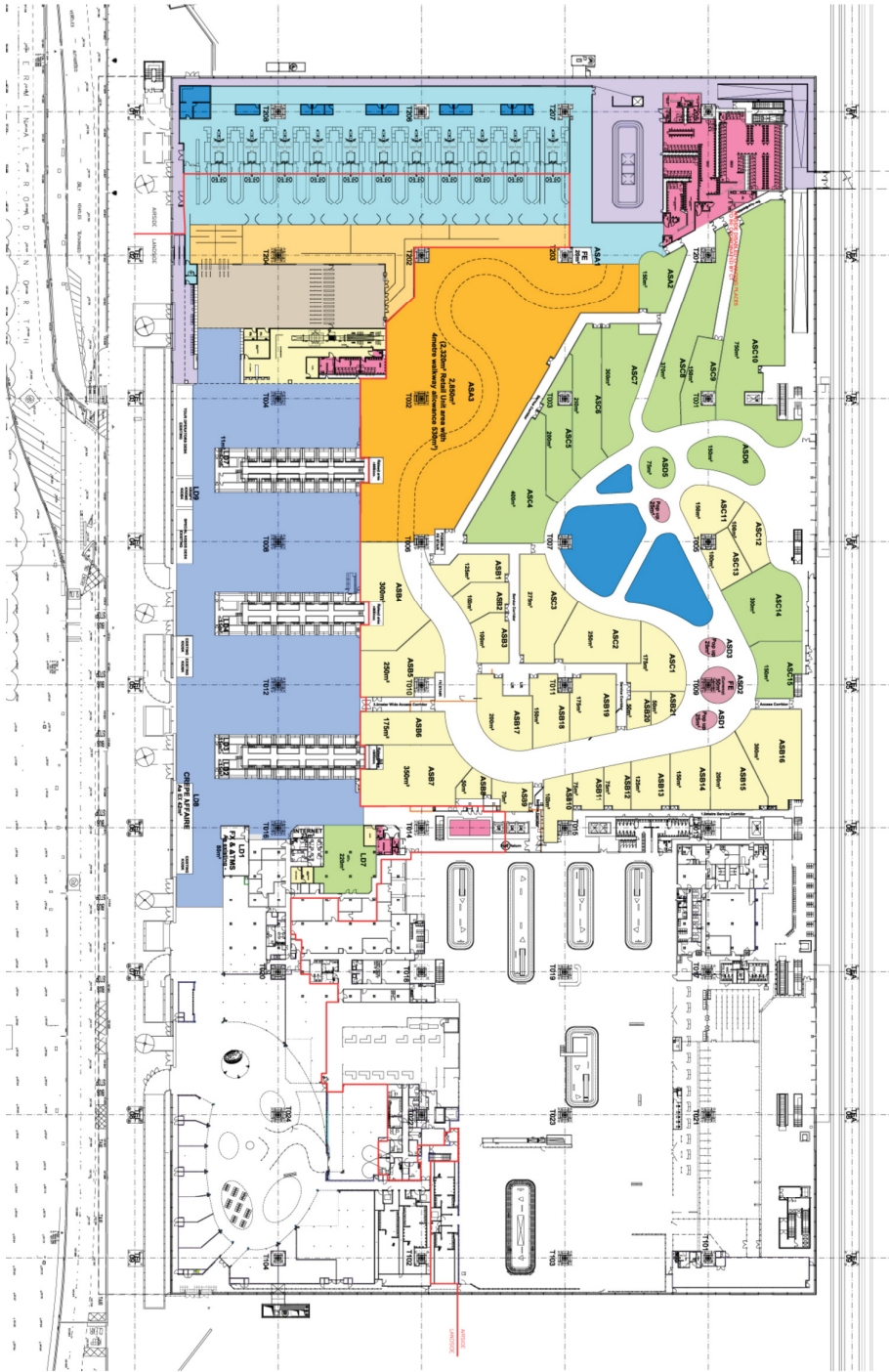
APPENDIX 3 – COST PLAN FOR PROPOSED OPTION

Project element	Amount (£m)
F&B Swap and Landside Coffee Shop	0.3
Baggage	2.2
OBC Enabling Works	3.6
New OBC	7.5
WDF	5.0
F&B	3.1
Specialist Retail	4.4
Remaining Areas	1,9
Construction Total	**27.3**
Contingency	2.8
Client Prov Sums	2.9
Professional Fees	2.9
Third Party Fees + Services	1.1
Sub-Total	**6.9**
Total	**37.5**

Note: excludes additional security screening equipment.