

Annex 1 – Procedure, conduct, and chronology of published documents

Introduction

1.1 This annex outlines the procedure the CAA has followed in developing its minded to position on whether STAL has or is likely to acquire substantial market power at Stansted Airport as well as a chronology of the published documents that have been relied on.

1.2 This assessment will form part of the evidence base informing the approach to the upcoming regulatory review (Q6).

Procedure and conduct

1.3 *Stakeholder engagement and evidence gathering*

- There has been extensive stakeholder engagement and evidence gathering to form the basis of the CAA's consultation.
- This has involved sending tailored information requests and questionnaires to stakeholders based on the indicative annex¹ published on 27 May 2011 as well as requests for internal company documents.
- Evidence has been sought from a number of stakeholders including passenger airlines, cargo-only carriers, airport operators, other market players and various experts. This CAA has held a number of meetings, teleconferences and bilateral and roundtable discussions with operational and strategic decision makers to understand the drivers and incentives behind airport operators', airlines' and other market players' decisions.
- On 15 November 2011, the CAA also held stakeholder workshops to present its emerging views and on 17 October 2012 to give stakeholders the opportunity to separately present their key arguments regarding the market power of STAL to the CAA Board.

1.4 *Disclosure of confidential information*

- Confidential information has been treated in accordance to the CAA's published policy dated 1 August 2011 (see chronology below).

1.5 *Analysis and consultation*

- The CAA has undertaken a range of internal quantitative and qualitative analyses. This has involved commissioning various consultants' studies on price benchmarking

¹ This annex is available at: <http://www.caa.co.uk/docs/5/110527%20CallForEvidence%20Annex.pdf>.

and the Long Run Average Incremental Cost (LRAIC) and publishing a number of working papers (see chronology below).

- The CAA has relied on stakeholder responses and submissions, including reports commissioned from external economic consultancies (see chronology below).
- The CAA has also sought external advice from competition economists, consultants and lawyers to critique and analyse its approach.

1.6 Assessment

- As the CAA assessment has progressed, it has continued to consider further submitted evidence as well as continuing its ongoing stakeholder dialogue to enable parties to comment on the CAA's developing thinking.

1.6 Put-back process

- Once the final draft of the CAA's assessment was finalised, it sent (put-back) relevant extracts to parties to enable them to:
 - verify the factual correctness of content supplied by them;
 - identify any confidential material prior to publication; and
 - provide reasons for any requests for excision of the material from published documents.

1.7 Consultation

- After publication, the CAA will hold a period of consultation for three months.

The CAA would like to thank all those who have assisted it in its assessment.

Chronology 2011

April 2011	The CAA issued guidelines ² (after consulting with stakeholders and considering their views ³) on how it would assess market power in the airport sector and particularly in relation to the three currently designated airports: Heathrow, Gatwick and Stansted
16 May 2011	An initial roundtable discussion was held to start the process of stakeholder engagement
27 May 2011	The CAA issued a letter requesting evidence and expressions of interest ⁴ from stakeholders and an attached annex ⁵ outlining indicative areas and questions that the CAA might want to explore
June 2011	The CAA published updates on its working papers on “Empirical methods for assessing geographic markets, in particular competitive constraints between neighbouring airports” ⁶ and for assessing airport behaviour, performance and profitability ⁷
14 June 2011	A second roundtable discussion was held with stakeholders to discuss the issues raised in the 27 May 2011 letter and annex
1 August 2011	The CAA issued its policy on the disclosure of confidential information provided by external parties in the context of its ongoing market power assessments in relation to Heathrow, Gatwick and Stansted airports ⁸
5 September 2011	The CAA published a working paper on “UK airports market - general context” ⁹ to inform further analysis of the relevant markets and competitive constraints in relation to the three airports being assessed
12 October 2011	Ryanair responded ¹⁰ to the 5 September 2011 working paper
October 2011	The CAA published a working paper on “Catchment area analysis” ¹¹
November 2011	The CAA published a working paper on “Passengers’ airport preferences - results from the CAA Passenger Survey” ¹²
November 2011	The CAA published a working paper that updates the working paper “Empirical methods for assessing behaviour, performance and profitability of airports” ¹³

² <http://www.caa.co.uk/docs/5/Final%20Competition%20Assessment%20Guidelines%20-%20FINAL.pdf>

³ <http://www.caa.co.uk/docs/5/Guidelines%20-%20Cover%20paper%20-%20Final.pdf>

⁴ <http://www.caa.co.uk/docs/5/20110527%20Call%20for%20Evidence%20letter.pdf>

⁵ <http://www.caa.co.uk/docs/5/110527%20CallForEvidence%20Annex.pdf>

⁶ <http://www.caa.co.uk/docs/5/geogmarketworkingpaper.pdf>

⁷ <http://www.caa.co.uk/docs/5/Performance&BehaviourWP.pdf>

⁸ [http://www.caa.co.uk/docs/5/CAA%20Airport%20Market%20Power%20Assessments%20-%20treatment%20of%20confidential%20information%20\(Aug%202011\).pdf](http://www.caa.co.uk/docs/5/CAA%20Airport%20Market%20Power%20Assessments%20-%20treatment%20of%20confidential%20information%20(Aug%202011).pdf)

⁹ <http://www.caa.co.uk/docs/5/20110905%20Market%20Context-FINAL.pdf>

¹⁰ <http://www.caa.co.uk/docs/5/Ryanair12102011.pdf>

¹¹ <http://www.caa.co.uk/docs/5/Catchment%20area%20analysis%20working%20paper%20-%20FINAL.pdf>

¹² <http://www.caa.co.uk/docs/5/Passenger%20survey%20results%20-%20FINAL.pdf>

¹³ <http://www.caa.co.uk/docs/5/Performance&BehaviourWP.pdf>

15 November 2011	The CAA held a stakeholder seminar on update and emerging views in relation to the airport market power assessments ¹⁴ and further supplementary material ¹⁵
16 November 2011	Received David Starkie's submission on market definition and market power in the airport sector ¹⁶
17 November 2011	The CAA published a Frontier Economics report commissioned by easyJet ¹⁷ on approaching the market power assessments in relation to Gatwick and Stansted
23 November 2011	Ryanair responded ¹⁸ to the 15 November 2011 stakeholder seminar
25 November 2011	Ryanair sent a second letter ¹⁹ regarding feedback to the stakeholder seminar
29 November 2011	The CAA published an RBB Economics report commissioned by Ryanair ²⁰
30 November 2011	easyJet responded ²¹ to the 15 November 2011 stakeholder seminar
5 December 2011	The CAA published BAA's response ²² to the assessment of market power
7 December 2011	The CAA published the presentation slides ²³ to the Frontier Economics report commissioned by easyJet
12 December 2011	The CAA published David Starkie's response ²⁴ to the Frontier Economics report commissioned by easyJet

¹⁴ <http://www.caa.co.uk/docs/5/111115-StakeholderEvent15Nov-FINAL.pdf>

¹⁵ <http://www.caa.co.uk/docs/5/StakeholderEvent15Nov-data-FINAL-AMENDED28112011.pdf>

¹⁶ <http://www.caa.co.uk/docs/5/Starkie-MARKET%20DEFINITION%20IN%20THE%20AIRPORT%20SECTOR.pdf>

¹⁷ http://www.caa.co.uk/docs/5/rpt-easyJet%20Competition%20Assessment%20Final%20Report_Abridged.pdf

¹⁸ <http://www.caa.co.uk/docs/5/MOLearytoIO23112011.pdf>

¹⁹ <http://www.caa.co.uk/docs/5/MOLearytoIO25112011.pdf>

²⁰ <http://www.caa.co.uk/docs/5/rbb%20stansted%20final%20non-confidential%20version%2029%20Nov%202011.pdf>

²¹ <http://www.caa.co.uk/docs/5/easyJet%20response%2030%20November%202011.pdf>

²² <http://www.caa.co.uk/docs/5/BAA%20response%205%20December%202011.pdf>

²³ <http://www.caa.co.uk/docs/5/Frontier%20pre-Market%20power%20assessment%2006122011.pdf>

²⁴ <http://www.caa.co.uk/docs/5/Regarding%20the%20Frontier%20analysis%20-%20David%20Starkie%20111212.pdf>

Chronology 2012

January 2012	A summary ²⁵ of the CAA's initial views on the market power assessments for Heathrow, Gatwick and Stansted was published
February 2012	The CAA's initial views of the market power assessments for Heathrow ²⁶ , Gatwick ²⁷ and Stansted ²⁸ were published with an Annex ²⁹
March 2012	The CAA published David Starkie's response ³⁰ to the initial views documents
22 March 2012	The CAA published Virgin's response ³¹ and Ryanair's response ³² to the initial views documents
26 March 2012	The CAA published Heathrow Airport Limited's response ³³ to the initial views documents
4 April 2012	The CAA published Gatwick Airport Limited's letter ³⁴ and submission ³⁵ to the initial views documents as well as STAL's response ³⁶
December 2012	The CAA published its assessment on the market power of STAL
Published with this document	"Comparing and capping airport charges at regulated airports" Leigh Fisher
Published with this document	"Advice on the scale of long run incremental costs (LRIC) estimates for Gatwick and Stansted" Europe Economics
Published with this document	Benchmarking employment costs: A research report for the CAA IDS (Incomes Data Services)
Published with this document	"Price Monitoring as an Alternative to RAB-based Price Cap Regulation" First Economics

²⁵ <http://www.caa.co.uk/docs/5/MarketAssessmentsJan12.pdf>

²⁶ <http://www.caa.co.uk/docs/5/HeathrowMarketPowerAssessment.pdf>

²⁷ <http://www.caa.co.uk/docs/5/GatwickMarketPowerAssessment.pdf>

²⁸ <http://www.caa.co.uk/docs/5/StanstedMarketPowerAssessment.pdf>

²⁹ <http://www.caa.co.uk/docs/5/MarketPowerAnnex.pdf>

³⁰ <http://www.caa.co.uk/docs/5/rpg2012/StarkieMarch12.pdf>

³¹ <http://www.caa.co.uk/docs/5/rpg2012/VirginMarch12.pdf>

³² <http://www.caa.co.uk/docs/5/rpg2012/RyanairMarch12.pdf>

³³ <http://www.caa.co.uk/docs/5/rpg2012/HeathrowMarch12.pdf>

³⁴ <http://www.caa.co.uk/docs/5/rpg2012/GatwickLetterApril12.pdf>

³⁵ <http://www.caa.co.uk/docs/5/rpg2012/GatwickSubmissionApril12.pdf>

³⁶ <http://www.caa.co.uk/docs/5/rpg2012/StanstedApril12.pdf>