

Terms of reference and conduct of the investigation

Terms of reference

1. The OFT, in exercise of its powers under sections 131 and 133 of the Enterprise Act 2002 (the Act), hereby makes a reference to the Competition Commission for an investigation into the supply of airport services in the United Kingdom.
2. In accordance with section 133(2) and (3)(b) of the Act the Competition Commission shall confine its investigation to the effects of features of such market or markets for airport services in the United Kingdom as exist in connection with the supply of airport services by BAA.
3. The OFT has reasonable grounds for suspecting that a feature or a combination of features of the market or markets in which airport services are supplied by BAA prevents, restricts or distorts competition in connection with the supply of airport services in the United Kingdom.
4. For the purposes of this reference:
‘airport services’ means all airport services whether they are supplied to airlines, ground handlers, passengers or any other person and includes all or any of the following:
 - (a) the provision of airport infrastructure services (including the development, maintenance, use and provision of access roads, runway facilities, fuelling facilities, taxiways, aprons, stands, loading bridges, piers and gaterooms, check-in and arrivals concourses, check-in desks, customs and immigration halls, baggage facilities, passenger care facilities, lifts, escalators, passenger conveyors, terminal offices, ramps, and other airport structures);

- (b) the co-ordination and control of the activities performed on or in airport infrastructure and the provision of associated services including security services; and
- (c) the provision (including the provision by persons other than BAA under arrangements made with BAA) of associated commercial services (including catering services, retail services, car rental services, the sale of advertising space, the provision of car parking, and activities relating to commercial property).

'BAA' means the group of interconnected bodies corporate directly or indirectly owned or controlled (including by way of material influence) by Airport Development and Investment Limited which (from time to time) own and/or operate Heathrow, Gatwick, Stansted, Southampton, Edinburgh, Glasgow and Aberdeen airports, the World Duty Free business, and the BAA Lynton business, and which (from time to time) own and/or operate any other business providing airport services in the UK.

'control' and 'material influence' shall be construed in accordance with section 26 of the Act; and

'group of interconnected bodies corporate' shall be construed in accordance with section 129(2) of the Act.

John Fingleton
Chief Executive
29 March 2007

Conduct of investigation

1. Notices inviting interested parties to submit evidence to the CC were placed in *Flight International*, *The Evening Standard*, the *Financial Times*, *The Herald*, *Metro*, *The Times*, *The Scotsman* and *Skyport* and on our website (www.competition-commission.org.uk).

2. During the course of the investigation members of the group, accompanied by staff, visited the operations and facilities at the seven BAA airports (Aberdeen, Edinburgh, Gatwick, Glasgow, Heathrow, Stansted and Southampton) and also at Manchester and Prestwick airports.
3. We held three hearings with BAA and a number of staff-level meetings also took place. A non-sensitive version of BAA's initial submission can be found on our website.
4. We held hearings with Aberdeen and Grampian Chamber of Commerce, American Airlines, BATA, bmi, Bristol International Airport, British Airways, the CAA, the DfT, easyJet, Eastern Airways, the Federation of Tour Operators, Flybe, Gatwick AOC and ACC, Glasgow Chamber of Commerce, Glasgow City Council, Heathrow AOC, IAPRA, IATA, Infratil, London City Airport, London Luton Airport, **oneworld** alliance, Peel Airports Limited, Ryanair, Scottish Association for Public Transport, Scottish Passenger Agents Association, Scottish Chambers of Commerce, Scottish Financial Enterprise, the Scottish Government, Stansted ACC, Star Alliance, the Transport and General Workers section of Unite and Virgin Atlantic Airways Limited. A summary of each hearing can be found on our website.
5. Evidence was sought from a number of other parties including airlines, airports, NATS, government departments, local authorities, other regulators, trade associations, representative bodies, car hire companies, taxi drivers, coach and minibus operators and retailers holding concessions at BAA airports. Non-sensitive submissions received from third parties are published on our website.
6. We published a statement of issues on 9 August 2007. This can be found on our website.

7. We commissioned ORC to conduct a survey into Air Passengers in lowland Scotland Airports. Its report was published on our website.
8. Our Emerging Thinking was published on 22 April 2008 on our website. Responses from BAA and a number of third parties are published on our website.
9. We have commissioned Alan Stratford and Associates to carry out an evaluation of the Generation 1 and 2 development options at London Stansted Airport. The report will be published on our website in due course.
10. Ten working papers were published on our website during May and June 2008 on the following topics:
 - Airport planning law and policy.
 - Analysis of airline yield data.
 - Assessment of technical airport capacity.
 - Benchmarking the operating performance of BAA.
 - Cost to airlines of switching airports.
 - Ferrovial consortium's acquisition of BAA.
 - Financial and investment performance of BAA's non-designated airports.
 - Market definition.
 - Potential for competition between BAA's Scottish airports.
 - Potential for competition between BAA's south-east airports.BAA's responses to those working papers were published in July 2008.
11. We should like to thank all those who have assisted us in our investigation.