

Terms of reference and conduct of the investigation

Reference of Stansted Airport to the Competition Commission

The Civil Aviation Authority ('CAA'), pursuant to its duties under sections 40(9) and 43(1) and paragraph 6 of schedule 1 of the Airports Act 1986, hereby refers to the Competition Commission ('the Commission') the questions set out below relating to Stansted Airport Ltd.

For the purposes of this reference, terms shall have the same meaning as in the Airports Act 1986.

The Commission shall upon this reference investigate and report on the following questions:

- a. what are the maximum amounts that should be capable of being levied by Stansted Airport Ltd by way of airport charges at Stansted airport during the period of five years beginning on 1 April 2009;
- b. whether Stansted Airport Ltd has at any time during the period beginning with 28 February 2002 (the date of the previous reference) and ending with the date of this reference pursued:
 - i. in relation to any airport charges levied by it at Stansted airport, or
 - ii. in relation to any operational activities carried on by it and relating to Stansted airport, or
 - iii. in relation to the granting of a right by virtue of which any operational activities relating to Stansted airport may be carried on by any other person or persons, a course of conduct which has operated or might be expected to operate against the public interest;
- c. whether any associated company of Stansted Airport Ltd has at any time during the period beginning with 28 February 2002 (the date of the previous reference) and ending with the date of this reference pursued:
 - i. in relation to any operational activities carried on by it and relating to Stansted airport, or
 - ii. in relation to the granting of a right by virtue of which any operational activities relating to Stansted airport may be carried on by any other person or persons, a course of conduct which has operated or might be expected to operate against the public interest; and
- d. if so, whether the effects adverse to the public interest which the course of conduct falls within (b) or (c) above has had, or might be expected to have, could be remedied or prevented by the imposition of any conditions in relation to Stansted airport or by the modification of any conditions already in force in relation to Stansted airport.

Pursuant to section 44(2) of the Airports Act 1986 the CAA is providing to the Commission documents which set out information on the setting of the conditions on airport charges from

1 April 2009 and on other matters related to the reference, for the purpose of assisting the Commission in carrying out an investigation.

The Commission shall report on this reference within a period of six months beginning on the date hereof.

Civil Aviation Authority
29 April 2008

Conduct of the investigation

1. Notices inviting interested parties to submit evidence were placed in *Flight International*, *Metro*, the *Essex Chronicle* and on our website www.competition-commission.org.uk/inquiries/ref2008/stansted/index.htm.
2. Our Stansted Q5 investigation has involved considering various matters which are also relevant to our market investigation into the supply of airport services in the UK by BAA. We sought to manage the overlap and avoid duplication between the inquiries by having considerable overlap in both the Group of members and the staff team working on the two inquiries.
3. During the course of the investigation, members of the Group, accompanied by staff, visited the operations and facilities at Stansted Airport.
4. We held two hearings with BAA. A non-sensitive version of BAA's initial submission can be found on our website.
5. We also held hearings with the CAA, the SACC, the DfT, easyJet, Ryanair, London Luton Airport, British Airways World Cargo and Stop Stansted Expansion. A summary of most of these hearings can be found on our website.
6. We also sought evidence from a number of other parties including airlines, cargo operators, other airports, government departments, trade associations, representative bodies, and others. Non-sensitive submissions received from third parties can be found on our website.
7. We published a statement of issues on 30 May 2008. This can be found on our website. We also published two working papers and, during the course of our investigation, put back for comment a number of working papers to the relevant parties.
8. We also commissioned consultants to assist with the gathering and analysis of the evidence. The consultants we commissioned (together with the main subject matter in parentheses) were:
 - Alan Stratford and Associates (capex);
 - C&B (capex efficiency);
 - Booz (process efficiency);
 - IDS (staff costs);
 - IPA Economics (utility costs);
 - Atisreal (business rates); and
 - DTZ (commercial revenues).

In addition, the Group was also assisted in its consideration of cost of capital issues by members of the CC's internal cost of capital panel.

9. We would like to thank all those who have assisted us in our investigation.