

APPENDIX 1.1
(referred to in paragraph 1.7)

ORGANISATIONS WHICH SUBMITTED EVIDENCE

The following organisations submitted written evidence to the Commission. Representation at hearings is indicated by an asterisk.

- Aerodrome Owners Association
- *Air 2000 Ltd
- Air Europe Ltd
- *Association of British Travel Agents Ltd
- *Association of Clerical, Technical & Supervisory Staffs
- Avis Rent a Car Ltd
- *Britannia Airways Ltd
- *British Air Transport Association
- *British Airways plc
- British Caledonian Airways Ltd
- British Vehicle Rental and Leasing Association
- Cal Air International Ltd
- *Confederation of Shipbuilding and Engineering Unions
- Dan-Air Services Ltd
- *Electrical, Electronic, Telecommunication and Plumbing Unions/Electrical and Engineering Staff Association
- Gatwick Airport Ltd
- Heathrow Airport Consultative Committee
- International Air Transport Association
- *Kenning Car and Van Rental
- *Loganair Ltd
- *Manchester Airport Airline Operators' Committee
- *Manchester Airport Consultative Committee
- Manchester Chamber of Commerce and Industry
- Manchester Handling Ltd
- Manx Airlines Ltd
- *National and Local Government Officers Association

Northern Executive Aviation Ltd

North Western Electricity Board

*Servisair Ltd

Styal Action Association

*Tour Operators' Study Group

*Transport and General Workers' Union

United States Department of Transportation

*Wardair Canada Inc

APPENDIX 1.2:
(referred to in paragraph 1.27)

ANNEX C

**CONDITIONS AS TO AIRPORT CHARGES IMPOSED IN RELATION TO GATWICK AIRPORT
IN ACCORDANCE WITH SECTION 40(1)(a) OF THE AIRPORTS ACT 1986**

1 On each occasion on which the airport operator fixes the amounts to be levied by it by way of airport charges in each of the five relevant years beginning with 1 April 1987 it shall fix those charges at the levels best calculated to secure that, in each relevant year,

- (a) the average revenue yield per passenger using Gatwick airport from such charges does not exceed the Gatwick airport maximum average revenue yield per passenger calculated in accordance with the following formula:

$$MG_t = \left(1 + \frac{RPI_t - XG}{100}\right) YG_{t-1} - KG_t$$

where

MG_t = maximum average revenue yield per passenger using Gatwick airport in relevant year t;

RPI_t has the meaning assigned to it by paragraph 2;

$XG = 1$;

YG_{t-1} = the specified average revenue yield per passenger calculated in accordance with the following formula:

$$YG_{t-1} = YG_{t-2} \left(1 + \frac{RPI_{t-1} - XG}{100}\right) + SG_{t-2}$$

but, in relation to the first relevant year, YG_{t-1} (and accordingly, in relation to the second relevant year, YG_{t-2}) shall have a value equivalent to the actual revenue yield per passenger using Gatwick airport in 1986/7;

SG_{t-2} = allowable security cost per passenger using Gatwick airport in relevant year t-2 (whether of a positive or negative value) to be applied in relevant year t (other than the first relevant year);

KG_t = the correction per passenger (whether of a positive or a negative value) to be made in relevant year t (other than the first and second relevant years) which is derived from the following formula:

$$KG_t = \frac{TG_{t-2} - (QG_{t-2} MG_{t-2})}{QG_{t-2}} \left(1 + \frac{I}{100}\right)^2$$

in which

TG_{t-2} = total revenue from airport charges levied at Gatwick airport in relevant year t-2;

QG_{t-2} = passengers using Gatwick airport in relevant year t-2;

MG_{t-2} = maximum average revenue yield per passenger using Gatwick airport in relevant year t-2;

I = the appropriate interest rate for relevant year t-2 which is equal to, where KG_t (taking no account of I for this purpose) has a positive value, the Specified Rate plus three percentage points or, where KG_t (taking no account of I for this purpose) has a negative value, the Specified Rate;

and

- (b) the total revenue at Gatwick airport from such charges, when aggregated with the total revenue from such charges at Heathrow airport and Stansted airport, divided by the total number of passengers using the South East airports, does not exceed the South East airports maximum revenue yield per passenger calculated in accordance with the following formula:

$$M_t = \left(1 + \frac{RPI_t - X}{100}\right) Y_{t-1} - K_t$$

where

M_t = maximum average revenue yield per passenger using South East airports in relevant year t;

RPI_t has the meaning assigned to it by paragraph 2;

$X = 1$;

Y_{t-1} = the specified average revenue yield per passenger calculated in accordance with the following formula:

$$Y_{t-1} = Y_{t-2} \left(1 + \frac{RPI_{t-1} - X}{100}\right) + S_{t-2}$$

but, in relation to the first relevant year, Y_{t-1} (and accordingly, in relation to the second relevant year, Y_{t-2}) shall have a value equivalent to the actual revenue yield per passenger using South East airports in 1986/7;

S_{t-2} = allowable security cost per passenger using South East airports in relevant year t-2 (whether of a positive or negative value) to be applied in relevant year t (other than the first relevant year);

K_t = the correction per passenger (whether of a positive or negative value) to be made in relevant year t (other than the first and the second relevant years) which is derived from the following formula:

$$K_t = \frac{T_{t-2} - (Q_{t-2} M_{t-2})}{Q_{t-2}} \left(1 + \frac{I}{100}\right)^2$$

in which

T_{t-2} = total revenue from airport charges levied at South East airports in relevant year t-2;

Q_{t-2} = passengers using South East airports in relevant year t-2;

M_{t-2} = maximum average revenue yield per passenger using South East airports in relevant year t-2;

I = the appropriate interest rate for relevant year t-2 which is equal to, where K_t (taking no account of I for this purpose) has a positive value, the Specified Rate plus three percentage points or, where K_t (taking no account of I for this purpose) has a negative value, the Specified Rate.

2 In this condition:

'airport charges' has the meaning assigned to it by section 36(1) of the Airports Act 1986;

'airport operator' means the person for the time being having the management of Gatwick airport;

'allowable security cost per passenger' means 75% of the annual equivalent of the increase or decrease in security costs at the airport (or airports) in question in relevant year $t-2$, which arise as a result of a change in required security standards at that airport (or airports), as certified by the Civil Aviation Authority, divided by the total number of passengers using the airport (or airports) in that year;

'average revenue yield per passenger' means the revenue from airport charges levied in the relevant year divided by the total number of passengers using the airport (or airports) at which the charges are levied in the relevant year;

'passenger using an airport' means a passenger joining or leaving an aircraft at the airport;

'relevant year' means the period of twelve months ending with 31 March in each year;

'RPI_t' means the percentage change (whether of a positive or negative value) in the Retail Price Index between that published with respect to September in relevant year t and that published with respect to the immediately preceding September;

'South East airports' means Heathrow, Gatwick and Stansted airports;

'Specified Rate' means the average of the Treasury Bill Discount Rate (expressed as an annual percentage interest rate), published weekly by the Bank of England, during the 12 months from the beginning of October in year $t-2$ to the end of September in year $t-1$.

Source: CAA

APPENDIX 2.1:
(referred to in paragraph 2.8)

**SCHEDULED SERVICES
AS AT 31.3.87**

INTERNATIONAL

To and from Manchester	Airline	1986/87 No. of return services per week
Alicante (2hrs 40mins)	Orion	1
Amsterdam (1hr 5mins)	KLM	12
	British A/W	7
	Dan Air	5
	Suckling	5
Antwerp (2hrs 15mins)	Connectair	12
Athens (4hrs 5mins)	British A/W	2
Bahrain (12hrs 40mins)	Qantas	3
Barcelona (2hrs 20mins)	Iberia	4
Bergen (2hrs 5mins)	Dan Air	5
Berlin (West) (4hrs 15mins)	British A/W	2
Bombay (16hrs 10mins)	British A/W	1
Brussels (1hr 10mins)	Sabena	6
	British A/W	6
Chicago (8hrs 25mins)	American A/L	7
Copenhagen (1hr 40mins)	British A/W	6
	SAS	6
Cork (2hrs 40mins)	Aer Lingus	6
	British A/W	2
Delhi (15hrs 20mins)	British A/W	1
Dubai (8hrs 45mins)	British A/W	2
	Singapore A/L	2
Dublin (45mins)	Aer Lingus	14
	British A/W	7
Dubrovnik (2hrs 45mins)	JAT	2
Dusseldorf (1hr 20mins)	Lufthansa	6
	British A/W	7
Geneva (1hr 45mins)	British A/W	5
Faro (2hrs 55mins)	Brittania	2
Frankfurt (1hr 40mins)	British A/W	5
	Lufthansa	7
Geneva (1hr 45mins)	British A/W	5
Gibraltar (3hrs)	Air Europe	2
Hong Kong (19hrs 20mins)	British A/W	2
Larnaca (4hrs 30mins)	Cyprus A/W	4
	British A/W	2
Las Palmas (3hrs 30mins)	Britannia A/W	1
Ljubljana (2hrs 15mins)	JAT	1
Madrid (2hrs 45mins)	Iberia	4
	British A/W	3
Malaga (2hrs 55mins)	Britannia A/W	2
Malta (3hrs 25mins)	British A/W	1
	Air Malta	2
Melbourne (29hrs 5mins)	Qantas	3
Milan (2hrs 5mins)	British A/W	6
Montpellier (2hrs)	Dan Air	1

Munich (1hr 55mins)	Lufthansa	6
	British A/W	6
Munster (2hr 20mins)	British A/W	1
New York (7hrs 15mins)	British A/W	3
Nice (2hrs 5mins)	British A/W	2
Oslo (2hrs 40mins)	Dan Air	5
Palma (2hrs 30mins)	Britannia A/W	3
Paphos (4hrs 25mins)	Cyprus A/W	2
Paris (1hr 15mins)	Air France	6
	British A/W	7
Pula (2hrs 25mins)	JAT	2
Rome (2hrs 40mins)	British A/W	2
Rotterdam (1hr 40mins)	Connectair	12
Shannon (2hrs)	Aer Lingus	6
Singapore (17hrs 20mins)	Singapore A/L	2
	Qantas	3
Stavanger (3hrs 5mins)	Dan Air	5
Sydney (26hrs 25mins)	Qantas	3
Tel Aviv (5hrs 25mins)	El Al	2
Tenerife (3hrs 10mins)	Britannia A/W	2
Toronto (6hrs 40mins)	Air Canada	2
	Wardair	2
Zurich (1hr 55mins)	Swissair	7
	Dan Air	5

DOMESTIC

To and from Manchester	Airline	1986/87 No. of return services per week
Aberdeen (1hr)	British A/W	18
	British Cal.	7
	Air Ecosse	11
Barrow (35mins)	Air Furness	20
Belfast (45mins)	British A/W	18
Belfast Harb. (1hr 5mins)	Loganair	12
Birmingham (30mins)	British A/W	11
Dundee (1hr 10mins)	Air Ecosse	10
Edinburgh (1hr 10mins)	Loganair	20
Glasgow (50mins)	Loganair	10
	British A/W	12
Guernsey (1hr 30mins)	Guernsey A/L	8
Ipswich (55mins)	Suckling	5
Isle of Man (45mins)	Manx A/L	19
Jersey (1hr 5mins)	British A/W	11
	Guernsey A/L	1
London (Hrw) (50mins)	British A/W	59
	Dan-Air	7
London (Gtw) (55mins)	British Cal.	35
Southampton (1hr 35mins)	British A/W	5

APPENDIX 2.1

continued

CHARTER AND INCLUSIVE
TOUR OPERATORS AND
DESTINATIONS AS AT 31.3.87

Destination	Airline
Agadir	Royal Air Maroc
Alghero	Britannia
Alicante	Air Europe Britannia British Airtours Cal-Air Dan-Air Orion
Almena	Britannia Dan-Air Orion
Athens	Britannia British Airtours Dan-Air Monarch
Barbados	Caribbean Airlines
Barcelona	Britannia British Airtours Dan-Air
Bergamo	Dan-Air
Bourgas	Balkan
Calvi	Dan-Air
Catania	British Island Airways
Constanta	Tarom
Corfu	Air Europe Britannia British Airtours Dan-Air Inter European Air Orion
Dalaman	British Airtours
Djerba	British Airtours
Dubrovnik	Aviogenex Inex Adria
Eilat	Monarch
Faro	Air Europe Britannia British Airtours Dan-Air Inter European Air Monarch Orion
Fuerteventura	Dan-Air
Funchal	Air Europe
Gerona	Air Europe Britannia British Airtours British Airways Cal-Air Dan-Air Monarch Orion
Helsinki	Kar Air
Heraklion	Air Europe Britannia British Airtours Dan-Air Orion

Destination	Airline
Ibiza	Air Europe Britannia British Airtours British Airways Cal-Air Dan-Air Orion
Izmir	Air Europe Dan-Air
Jersey	British Air Ferries British Airways
Kefallinia	Britannia Dan-Air
Kos	Air Europe Britannia British Airtours Monarch
Lanzarote	Air Europa Air Europe Britannia Dan-Air
Larnaca	Cyprus Airways Inter European Air Monarch Orion
Las Palmas	Air Europe Britannia British Airtours British Airways Dan-Air
Leningrad	Aeroflot
Lisbon	Britannia Dan-Air Orion TAP
Ljubljana	Aviogenex
Los Angeles	British Airtours
Lourdes	Britannia British Airtours British Airways
Lamezia	Britannia
Mahon	Air Cymru Air Europe Britannia British Airtours Dan-Air Monarch Orion
Malaga	Air Europe Britannia British Airtours British Airways Cal-Air Dan-Air Hispania Inter European Air Monarch Orion
Malta	Air Europe Air Malta British Airways Dan-Air Monarch

Destination	Airline
Milan	Britannia Inter European Air
Monastir	Britannia Dan-Air Tunisair
Munich	Britannia British Airways Orion
Murcia	British Airtours
Mykonos	Britannia Dan-Air
Mytlene	Dan-Air
Naples	Air Europe Britannia British Airtours Orion
Nice	Britannia Dan-Air
Oriando	British Airtours Cal-Air
Palma	Air Europa Air Europe Aviaco Britannia British Airtours British Airways Cal-Air Dan-Air Hispania Orion Monarch Spantax
Paphos	Orion
Pisa	Britannia British Airtours Dan-Air
Porto Santo	Air Europe
Prevesa	Dan-Air
Pula	Aviogenex Inex Adria
Reus	Britannia British Airtours Dan-Air
Rhodes	Air Europe Britannia British Airtours British Airways Dan-Air
Rijeka	JAT
Rimini	Britannia Dan-Air
Salzburg	Britannia Dan-Air
Sarragossa	Britannia
Skiathos	Air Europe Britannia Orion
Split	Aviogenex Inex Adria
Tangier	Britannia Dan-Air Royal Air Maroc

Destination	Airline
Tenerife	Air Europa Air Europe Britannia British Airtours British Airways Cal-Air Dan-Air Inter European Air Orion Spantax
Thessalonika	Air Europe Britannia Dan-Air
Thira	Britannia
Tivat	Inex Adria
Toronto	British Airtours Worldways
Treviso	Dan-Air
Valencia	Britannia
Varna	Balkan
Venice	Air Europe Britannia Dan-Air
Verona	Air Europe
Warsaw	LOT Polish Airlines
Zadar	Aviogenex
Zakynthos	Britannia Dan-Air

Source: MA plc

APPENDIX 3.1
(referred to in paragraph 3.5)

AIRPORT CHARGES AT MIA FROM 1 APRIL 1987

	<i>£</i>
1. Landing charges (per tonne)	
(i) Propellor-driven aircraft (commercial air transport movements)	5.71
(ii) Other propellor-driven aircraft	7.74
(iii) Jet aircraft	7.20
2. Passenger Load Supplement (per arriving passenger)	
(i) International flights:	
1. 4.87 — 30. 4.87	6.22
1. 5.87 — 31.10.87	7.00
1.11.87 — 31. 3.88	5.75
(ii) Domestic flights:	
Aircraft between 10 and 20 tonnes	2.37
Aircraft over 20 tonnes	4.73
3. Surcharge — noisy aircraft	25% of standard
Noise limits 102 PNDB night	landing charge
110 PNDB day	
4. Minimum invoice charge	30.00
5. Aircraft parking	
Each uninterrupted period of parking on the airport will be charged separately on the basis of the following scale:	
First 2 hours, per tonne	0.12
Thereafter per 0.5 tonne up to 3.5 tonnes	1.02
Not over 10 tonnes	8.54
Not over 20 tonnes	16.12
Not over 30 tonnes	24.18
Not over 100 tonnes	24.18
	+5.05 per 10 tonnes over 30 tonnes
Over 100 tonnes	59.60
	+4.06 per 10 tonnes over 100 tonnes

Source: MA plc

APPENDIX 3.2
(referred to in paragraph 3.6)

Illustrative airport charges at MIA and other main, or adjacent, United Kingdom airports

	<u>Domestic</u>			<u>International</u>				<u>£ per passenger</u>	
	<u>SD30(S)</u>	<u>737(S)</u>	<u>757(S)</u>	<u>737(S)</u>	<u>737(C)</u>	<u>757(S)</u>	<u>757(C)</u>	<u>747(S)</u>	<u>747(C)</u>
Tonnes	10	53	100	53	54	100	109	373	335
Passengers	21	80	132	80	130	132	228	284	450
<u>London area airports</u>									
Heathrow peak	8.62	5.06	4.57	7.88	-	7.40	-	7.33	-
off-peak	2.40	2.28	1.93	2.36	-	2.01	-	1.78	-
average	4.39	3.17	2.77	4.13	-	3.73	-	3.56	-
Gatwick: peak	4.80	3.54	3.64	5.84	5.33	5.96	5.39	6.54	5.66
off-peak	1.92	1.52	1.68	1.59	1.25	1.76	1.35	2.24	1.57
average	2.93	2.23	2.37	3.08	2.68	3.23	2.76	3.75	3.00
Luton: peak	3.00	3.40	3.61	5.50	4.96	5.71	5.10	-	-
off-peak	1.80	2.20	2.41	3.70	3.16	3.91	3.30	-	-
average	2.59	2.99	3.20	4.89	4.35	5.10	4.49	-	-
MIA: peak	2.55	4.79	5.14	5.92	5.02	6.27	5.25	8.31	6.22
off-peak				5.30	4.40	5.65	4.62	7.68	5.60
average				5.73	4.83	6.08	5.06	8.12	6.03
<u>Regional airports</u>									
Aberdeen	4.42	5.29	6.09	6.99	6.03	7.81	6.58	-	-
Glasgow	3.97	4.73	5.45	6.38	5.65	7.12	6.14	-	-
Edinburgh	4.17	5.02	5.77	6.71	5.86	7.50	6.38	-	-
Newcastle: peak	4.34	5.20	5.63	7.05	{ 5.91 }	7.48	{ 6.20 }	-	-
off-peak					{ 5.41 }		{ 5.70 }	-	-
average					5.79		6.08	-	-
Liverpool	2.60	5.12	5.54	6.67	5.58	7.09	5.86	-	-
Birmingham	3.46	5.10	5.51	6.72	5.64	7.14	5.92	-	-
East Midland: peak	4.30	5.11	5.52	7.19	6.11	7.60	6.38	-	-
off-peak	4.11	4.91	5.33	6.79	5.72	7.20	5.99	-	-
average	4.25	5.06	5.47	7.08	6.00	7.49	6.27	-	-

Notes:

1. Charges relate only to airport navigation, landing, parking and passenger charges - handling charges are excluded. Calculation assumes 2 hours parking which MA plc has suggested is representative of traffic at the airport; use of a shorter parking period would in particular reduce costs per passenger at Heathrow in the peak period. Airport averages are based on the approximate percentage of passengers subject to peak passenger charges at each airport; shoulder charges have not been allowed for. Charges higher than those at MIA are in bold type.

2. S = Scheduled C = Charter.

Source: MMC study from information supplied by MA plc and British Airways plc.

APPENDIX 4.1
(referred to in paragraph 4.30)

SOURCES OF FINANCE AND CONSTRAINING FACTORS

1. The possible sources of finance presently available to MA plc are:
 1. Fees and charges
 2. European Regional Development Fund grants
 3. Leasing
 4. Borrowing
 5. Share issue
 6. Joint venture capital
 7. Subsidy.

Fees and charges

2. Fees and charges levied by the company provide the greatest proportion of its financial requirements. The level of charges is determined, in the main, by the cost of providing the service and by market forces. Airport charges are to be controlled through the CAA's Economic Regulation powers under the Act.

European Regional Development Fund grants

3. The airport, although not located in an assisted area, nevertheless is regarded as serving such an area. Based on an origin/destination survey, the rate of grant currently available to the company is approximately 25 per cent. In the past, it has been 15 per cent. This grant would not be available if the company was not owned by public bodies, nor is it available where ownership is not vested in the company or public body. Grant is mainly available for major capital schemes where the facility is provided to improve the transport network in the areas concerned. The availability of grant is subject to change and is not confirmed until some two to three years after submission.

Leasing

4. Leasing of land, buildings and equipment by the company is outside the public sector borrowing controls, as is the sale and lease-back of existing owned assets. However, the ownership by MCC of MA plc's land does operate as a constraint on the extent to which sale and lease-back arrangements are possible.

Borrowing

5. The company can borrow only up to the maximum amount authorised in any one year by the Department in the annual expenditure plans. Borrowing is now being restricted because HM Treasury require that internal funds be used prior to the allocation of borrowing powers.

Share issue

6. A further issue of shares in MA plc is possible for the financing of future development. If 51 per cent of the total shareholding were in private hands the company would no longer be in the public sector and would be outside public expenditure controls. This could affect eligibility for ERDF grants (see paragraph 3). It is, however, the wish of the present shareholders that the company remains in public ownership mainly because of the airport's influence on the economic revival of the region.

Joint venture capital

7. Joint venture schemes, especially commercial ventures, are already a significant factor in the development of the airport. However, the company considers it necessary to maintain the majority interest in most ventures in order to develop such schemes in the best interests of the airport and the community.

Subsidy

8. The present shareholders may, if they wish, subsidise or give loan facilities for certain aspects of the airport's operations, although it has never had a requirement for a subsidy. In any event, the use of this facility will not be considered while the company continues to operate on a strict commercial basis.

Source: MA plc

