

APPENDIX 1.1
(referred to in paragraphs 1.1 and 2.1)

The references

1. On 11 December 1995 the CAA sent the following references to the MMC:

REFERENCE OF HEATHROW AIRPORT TO THE MONOPOLIES AND MERGERS COMMISSION

The Civil Aviation Authority, pursuant to its duties under sections 40(9) and 43(1) of the Airports Act 1986, hereby refers to the Monopolies and Mergers Commission the questions set out below relating to Heathrow Airport Ltd.

For the purposes of this reference, terms used 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 Heathrow Airport Ltd by way of airport charges at Heathrow Airport during the period of 5 years beginning on 1 April 1997;
- (b) Whether Heathrow Airport Ltd has at any time during the period starting on 13 December 1990 (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 Heathrow Airport,
- or
- (ii) in relation to any operational activities carried on by it and relating to Heathrow Airport,
- or
- (iii) in relation to the granting of a right by virtue of which any operational activities relating to Heathrow 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
- (c) if so, whether the effects adverse to the public interest which that course of conduct has had, or might be expected to have, could be remedied or prevented by the imposition of any conditions in relation to Heathrow Airport or by the modifications of any conditions already in force in relation to Heathrow Airport.

Pursuant to Section 44(2) the Authority is providing separately to the Commission a background document which identifies and discusses a number of issues which, it believes need to be addressed in determining the condition on airport charges from 1 April 1997. These include:

- whether Heathrow, Gatwick and Stansted should continue to be regulated as a group or whether each airport should be regulated separately;
- the valuation of the airports' asset base;

- the scale and phasing of the airports' capital expenditure programme, including Terminal 5;
- the relationship between service quality and the level of charges;
- whether abrupt changes in charges should be avoided;
- the implications of the loss of intra-EU duty and tax free revenue;
- whether the charges condition should include a volume term related to either profits or passenger numbers.

The Commission shall report on this reference within a period of 6 months beginning on the date hereof.

11 December 1995

(signed) C PAICE
A member of the Civil Aviation Authority

REFERENCE OF GATWICK AIRPORT TO THE MONOPOLIES AND MERGERS COMMISSION

The Civil Aviation Authority, pursuant to its duties under sections 40(9) and 43(1) of the Airports Act 1986, hereby refers to the Monopolies and Mergers Commission the questions set out below relating to Gatwick Airport Ltd.

For the purposes of this reference, terms used 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 Gatwick Airport Ltd by way of airport charges at Gatwick Airport during the period of 5 years beginning on 1 April 1997;
- (b) Whether Gatwick Airport Ltd has at any time during the period starting on 13 December 1990 (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 Gatwick Airport,
or
 - (ii) in relation to any operational activities carried on by it and relating to Gatwick Airport,
or
 - (iii) in relation to the granting of a right by virtue of which any operational activities relating to Gatwick 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
- (c) if so, whether the effects adverse to the public interest which that course of conduct has had, or might be expected to have, could be remedied or prevented by the imposition of any conditions in relation to Gatwick Airport or by the modifications of any conditions already in force in relation to Gatwick Airport.

Pursuant to Section 44(2) the Authority is providing separately to the Commission a background

document which identifies and discusses a number of issues which, it believes need to be addressed in determining the condition on airport charges from 1 April 1997. These include:

- whether Heathrow, Gatwick and Stansted should continue to be regulated as a group or whether each airport should be regulated separately;
- the valuation of the airports' asset base;
- the scale and phasing of the airports' capital expenditure programme;
- the relationship between service quality and the level of charges;
- whether abrupt changes in charges should be avoided;
- the implications of the loss of intra-EU duty and tax free revenue;
- whether the charges condition should include a volume term related to either profits or passenger numbers.

The Commission shall report on this reference within a period of 6 months beginning on the date hereof.

11 December 1995

(signed) C PAICE
A member of the Civil Aviation Authority

REFERENCE OF STANSTED AIRPORT TO THE MONOPOLIES AND MERGERS COMMISSION

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

For the purposes of this reference, terms used 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 5 years beginning on 1 April 1997;
- (b) Whether Stansted Airport Ltd has at any time during the period starting on 13 December 1990 (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; and

- (c) if so, whether the effects adverse to the public interest which that course of conduct 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 modifications of any conditions already in force in relation to Stansted Airport.

Pursuant to Section 44(2) the Authority is providing separately to the Commission a background document which identifies and discusses a number of issues which, it believes need to be addressed in determining the condition on airport charges from 1 April 1997 and whether the airport has been pursuing a course of conduct which has operated or might be expected to operate, against the public interest. These include:

- whether Heathrow, Gatwick and Stansted should continue to be regulated as a group or whether each airport should be regulated separately;
- the valuation of the airports' asset base;
- the scale and phasing of the airports' capital expenditure programme, including Terminal 5;
- the relationship between service quality and the level of charges;
- whether abrupt changes in charges should be avoided;
- the implications of the loss of intra-EU duty and tax free revenue;
- whether the charges condition should include a volume term related to either profits or passenger numbers.
- the arrangements entered into by Stansted Airport with Ryanair on the charges to be paid by the airline in respect of routes to Ireland.

The Commission shall report on this reference within a period of 6 months beginning on the date hereof.

11 December 1995

(signed) C PAICE
A member of the Civil Aviation Authority

2. The composition of the Group of members responsible for the inquiry and report is indicated in the list of members in the preface.
3. Notices inviting evidence were placed in *The Times*, *Flight International* and *Skyport*.
4. Written evidence was received from over 80 third parties. A list of those bodies which submitted evidence is given in the annex to this appendix. We held two hearings each with the CAA, the DOT and British Airways. We also held hearings with some of those bodies which submitted evidence and these are indicated in the annex.
5. BAA supplied a great deal of written evidence and it attended three hearings. Visits were made by members of the Group, accompanied by staff, to view operations and facilities at Heathrow, Gatwick and Stansted.
6. We would like to thank all who assisted us in the course of our inquiry and we are particularly grateful to the representatives of BAA at all levels upon whom the burden of our detailed enquiries fell.
7. During our inquiry we were also assisted by our consultants, Donaldsons, Professors Simpson and de Neufville and Crump Newberry & Partners.

**Organizations and individuals which submitted
written evidence to the MMC**

Representation at hearings is indicated by an asterisk.

Aer Lingus plc
 Air 2000 Limited
 Air BP Limited
 Air Canada
 Air France
 Air Transport Association of America
 Air Transport Users Council
 Air UK Ltd*
 Airline Operators Committee-Gatwick
 Airline Operators Committee-Heathrow*
 Airports Policy Consortium
 Airtours International Airways Ltd
 All Leisure Airlines Limited
 Barnes Community Association
 Board of Airline Representatives in the UK*
 Borough Council of Spelthorne
 Braintree District Council
 Britannia Airways Ltd*
 British Air Transport Association*
 British Airways Plc*
 British Midland Airlines Ltd*
 British Vehicle Rental and Leasing Association
 Cathay Pacific Airways Ltd
 CityFlyer Express Ltd
 Civil Aviation Authority*
 Confederation of Passenger Transport UK
 Continental Airlines Inc
 Council for the Protection of Rural Essex
 Crawley Borough Council
 Delta Airlines Inc
 Department of Transport*
 Ealing Aircraft Noise Action Group
 ECCO Airport Services
 Enlightened Competition Limited
 Europe Tax Free Shopping Group (UK) Limited*
 Federation of Heathrow Anti-Noise Groups
 Fexco Tax Free Shopping Limited
 Finnair
 FLS Aerospace Limited
 Friends of the Earth
 General Aviation Manufacturers and Traders Association
 Gatwick Air Monitors (Ind) Ltd
 Gatwick Airport Consultative Committee
 Gatwick Airport Storage and Hydrant Company Limited
 Gatwick Area Conservation Campaign
 Gatwick Executive Services
 Harmondsworth and Sipson Residents Association
 Haslemere and District Aircraft Disturbance Action Group
 Hatfield Broad Oak Conservation Group

Heathrow Airport Consultative Committee
Hertfordshire Conservation Society
Hertfordshire County Council
Hitcham and Taplow Preservation Society
Horsham District Council
House of Hanover Limited
ICC United Kingdom
Institute of Professionals, Managers and Specialists
International Air Transport Association*
Joint Airports Committee of Local Authorities (JACOLA)
Liverpool Airport Consultative Committee
London Borough of Richmond Upon Thames
London Luton Airport Ltd*
Manchester Airport
Meath Green Protection Society
Mole Valley District Council
Monarch Airlines Ltd*
Mr M Elliott MEP
Mr S J Green
Mr A J Lucking
Mr H Marshall
Mr K McCall
Newchapel and Lingfield Campaign Against Aircraft Noise
Noise Abatement Society
Public Services, Tax and Commerce Union
Reigate and Banstead Borough Council
Servisair plc*
Shell UK Limited
Tandridge District Council
Tie Rack plc
Transport and General Workers Union
Trans World Airlines Inc
Unijet Group plc
VATBACK Limited
West Sussex County Council
Windsor and Eton Society
Woking Borough Council