

## Glossary

<b>ACC</b>	Airline Consultative Committee. A grouping of representative airlines at an airport concerned chiefly with strategic aspects of the airport's operations. (See <b>AOC</b> .)
<b>Act</b>	Airports Act 1986.
<b>ADI</b>	Airport Development and Investment Ltd.
<b>Aerodrome</b>	Any area of land or water affording facilities for the landing or departure of aircraft.
<b>Aeronautical activities</b>	Activities that are directly related to the aviation side of an airport's business. See also <b>aeronautical revenues</b> and <b>commercial activities</b> .
<b>Aeronautical revenues</b>	Revenues derived from <b>aeronautical activities</b> . The revenues encompass the income from both <b>regulated charges</b> and <b>unregulated charges</b> . See also <b>Commercial revenues</b> .
<b>Airport charges</b>	Those charges defined by section 36(1) of the <b>Act</b> . They are (broadly) charges levied on airlines in connection with the landing, parking or take off of aircraft and charges levied on passengers in connection with their arrival at, or departure from, the airport by air.
<b>Airport operator</b>	Defined in the <b>Airports Act</b> as meaning the person for the time being having the management of an airport, or in relation to a particular airport, the management of that airport. The airport operators in the case of Heathrow and Gatwick are respectively <b>HAL</b> and <b>GAL</b> .
<b>Airside</b>	The area of an airport beyond security, passport and customs controls, accessible only to those specially authorized, eg passengers with valid boarding cards and airline, airport and other authorized staff.
<b>AOC</b>	Airline operators committee. A committee of representatives of each airline operating at an airport or terminal. It acts as one of the main points of contact between airlines and the airport for local operational and development issues.
<b>APP</b>	Airport Property Partnership. This is a joint venture between BAA Limited and Morley Fund Management. It currently owns properties and development sites in the UK, with about 80 per cent of the property located around Heathrow airport, and additional sites at Gatwick, Stansted and Aberdeen airports.
<b>ATMs</b>	Air transport movements—landings or take-offs of aircraft engaged on the transport of passengers, cargo or mail on commercial terms. All scheduled movements, including those operated empty, loaded charter and air taxi movements are included.

<b>Apron</b>	<b>Airside</b> area for the parking and manoeuvring of aircraft and <b>ground handling</b> . It does not include taxiways.
<b>BA</b>	British Airways Plc.
<b>BAA</b>	BAA Ltd. We use 'BAA' to refer to the group and any company in the group as appropriate.
<b>Beta</b>	A parameter in the <b>CAPM</b> that is a measure of volatility.
<b>bmi</b>	The trading name of British Midland Airways Ltd.
<b>BAH</b>	Booz Allen Hamilton a global strategy and technology consulting firm, whose parent corporation, Booz Allen Hamilton Inc, is incorporated in the USA.
<b>CAA</b>	Civil Aviation Authority.
<b>Capex</b>	Capital expenditure. An airport's expenditure on additions to fixed assets.
<b>CAPM</b>	Capital asset pricing model.
<b>CC</b>	Competition Commission.
<b>Check-in desks</b>	Desks provided by the <b>airport operator</b> in the terminals at which outbound passengers complete pre-boarding requirements and deposit baggage to be conveyed in an aircraft's hold.
<b>CIP</b>	Capital investment programme. Also commercially important passenger.
<b>Commercial activities</b>	Airport activities that are not directly related to the aviation side of an airport's business, eg retail, duty-free sales, the letting of hotels and offices and provision of parking facilities.
<b>Commercial revenues</b>	Income derived from <b>commercial activities</b> .
<b>Constructive Engagement</b>	A process of dialogue between an airport and its airline customers, initiated by the CAA with the objective of discussing and reaching agreement on a defined set of issues, associated with the quinquennial review.
<b>Cost of capital</b>	The cost of capital is the minimum risk-adjusted rate of return that a project must earn in order to be acceptable to shareholders. The cost of capital is therefore the opportunity cost of funds provided to the firm.
<b>Cost pass through</b>	An arrangement where an airport can pass increases in specified costs directly through to users in the form of additions to charges between reviews.
<b>Currie &amp; Brown</b>	Currie & Brown Group Ltd, a consultant in the construction industry.

<b>DCF</b>	Discounted cash flow.
<b>DfT</b>	Department for Transport.
<b>Donaldsons</b>	A commercial surveying and property consultancy. Donaldsons is a trading name of DTZ Debenham Tie Leung Ltd, a global property consultancy.
<b>Dual till</b>	A method for setting a <b>price cap</b> for <b>airport charges</b> which does not take account of the assets, costs and revenues relating to the ' <b>commercial</b> ' <b>activities</b> of an <b>airport operator</b> (as defined by the <b>CAA</b> ) and relevant companies within its group but focuses only on the assets, costs and revenues relating to the ' <b>aeronautical</b> ' <b>activities</b> . This approach to setting the <b>price cap</b> is referred to by the CAA as the 'revised regulatory cost base' ( <b>RRCB</b> ).
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization.
<b>Equity beta</b>	A parameter in the <b>CAPM</b> .
<b>ERP</b>	Equity risk premium. A parameter in the <b>CAPM</b> .
<b>FEGP</b>	Fixed electrical ground power.
<b>Ferrovial</b>	Grupo Ferrovial, SA. A company quoted on the Madrid stock exchange which owns a stake in <b>BAA</b> .
<b>FTE</b>	Full-time equivalent.
<b>GAL</b>	Gatwick Airport Limited. The company which has the management of Gatwick Airport.
<b>Gearing</b>	The ratio of debt to the <b>RAB</b> , normally expressed as a percentage.
<b>Ground handling</b>	Services provided to airlines at airports, including passenger and baggage handling, documents and load control, cargo and mail, <b>ramp</b> services, surface transport, catering services and security (excluding functions provided by <b>BAA</b> ).
<b>HAL</b>	Heathrow Airport Limited. The company which has the management of Heathrow Airport.
<b>HALT</b>	Heathrow Airport Licensed Taxis Limited.
<b>HBS</b>	Hold baggage screening. A process for the automatic X-ray screening of all baggage to be loaded into aircraft holds.
<b>Heathrow Express</b>	The fast rail service between London Paddington and Heathrow Airport.
<b>HET</b>	The planned Heathrow East Terminal.
<b>IATA</b>	International Air Transport Association. The scheduled airlines' international trade association.

<b>IDS</b>	Thomson Incomes Data Services is a research organisation which provides information and analysis on pay, conditions, pensions, employment law and personnel policy.
<b>IPA</b>	IPA Energy and Water Consulting. It is an independent energy and water consultancy.
<b>IRR</b>	Internal rate of return.
<b>Landside</b>	That area of an airport which is open to the public generally.
<b>LECG</b>	LECG Ltd is a global expert services and strategic consulting firm.
<b>Load factor</b>	The proportion of seating capacity of an aircraft which is actually used.
<b>London area airports</b>	Heathrow, Gatwick, Stansted, London City, Luton and Southend airports.
<b>Lynton</b>	Lynton plc. A property company owned by BAA.
<b>Manchester Airport</b>	Manchester Airport plc, part of the Manchester Airport Group which is made up of four airports—Manchester, East Midlands, Humberside and Bournemouth and currently handles more than 28 million passengers every year.
<b>MAR</b>	Market-to-asset ratio.
<b>MMC</b>	Monopolies and Mergers Commission, the predecessor of the <b>CC</b> .
<b>NATS</b>	National Air Traffic Services Ltd. The company responsible for all en route <b>air traffic control</b> and for providing approach and visual <b>air traffic control</b> at many airports, including Heathrow and Gatwick.
<b>NERA</b>	National Economic Research Associates.
<b>North Terminal</b>	A terminal at Gatwick Airport.
<b>NPV</b>	Net present value. The value at a point in time of future cash flows. The NPV is calculated by discounting future cash flows using discount factors. In this report discount factors are based on the <b>cost of capital</b> .
<b>OFT</b>	Office of Fair Trading.
<b>Ofgem</b>	The Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain.
<b>Ofwat</b>	The Water Services Regulation Authority. It is the economic regulator of the water and sewerage industry in England and Wales.

<b>Opening yield adjustment</b>	A one-off adjustment to the <b>revenue yield</b> at the beginning of a quinquennium.
<b>Open Skies</b>	An international air services agreement between two countries (or groupings of countries) which does not restrict the number of flights, or number of airlines which can operator flights, between them.
<b>Operational activity</b>	An activity defined by section 36(1) of the Airports Act, as activities which are carried on wholly or mainly for the benefit of users of the airport (which include airlines and passengers), or as activities the revenue from which are wholly or mainly attributable to payments by such users. Examples include the provision of facilities for aircraft such as runways and taxiways, and services such as <b>check-in desks</b> and baggage handling.
<b>Opex</b>	An airport's operating expenditure on the day-to-day running of the business (eg for staff, electricity etc).
<b>Oxera</b>	Oxera Consulting Limited, an independent consultancy providing economic expertise across various sectors.
<b>Pier</b>	A fixed corridor which links the terminal to jetties or coaching gates to give passengers access to an aircraft.
<b>Pragma Consulting</b>	A UK strategy consulting firm specialising in business development for customer-facing sectors.
<b>Price cap</b>	Ex ante specification, under section 40(3) or (4) of the <b>Airports Act</b> , of the maximum increase in <b>airport charges</b> allowed in each year generally over a period of five years.
<b>Pricing formula</b>	The formula used to establish the <b>price cap</b> in each year of the <b>quinquennium</b> .
<b>Q1</b>	The first <b>quinquennium</b> after the privatization of <b>BAA</b> in 1987. It covered 1987/88 to 1991/92.
<b>Q2</b>	The second <b>quinquennium</b> , which covered 1992/93 to 1996/97.
<b>Q3</b>	The third <b>quinquennium</b> , which originally covered 1997/98 to 2001/02 but was extended to include 2002/03.
<b>Q4</b>	The fourth <b>quinquennium</b> , which covers 2003/04 to 2007/08.
<b>Q5</b>	The fifth <b>quinquennium</b> , which will cover 2008/09 to 2012/13.
<b>Q6</b>	The sixth <b>quinquennium</b> , which will cover 2013/2014 to 2017/2018.
<b>QSM</b>	Quality of service monitor. An internal quality of service passenger opinion survey carried out by <b>BAA</b> .

<b>Quinquennium</b>	A five-year period for which the CC is required to report on and recommend the maximum amounts that should be capable of being levied by <b>BAA</b> by way of <b>airport charges</b> . See <b>Q1, Q2, Q3, Q4, Q5</b> and <b>Q6</b> .
<b>RAB</b>	Regulatory asset base. The measure of the regulatory value of the company, based on its underlying assets. The RAB is a key element in setting the company's price caps; the cost of capital is applied to the RAB to generate a significant part of the company's allowable revenue.
<b>Ramp</b>	The operational area adjacent to an aircraft on stand.
<b>Regulated charges</b>	The charges at an airport that fall within the definition of <b>airport charges</b> . At Heathrow and Gatwick, these are charges on landing, charges payable per terminal departing passenger and aircraft parking charges. The total income from these charges are regulated by the price control system.
<b>Revenue yield</b>	The total revenue from the regulated charges divided by an output measure. The current airport charges conditions set a maximum limit on the total <b>airport charges</b> revenue from passenger services per passenger.
<b>RFR</b>	Risk free rate, a parameter in the CAPM.
<b>RPI</b>	Retail prices index.
<b>RPI – X</b>	See <b>X factor</b> .
<b>Runway 3</b>	Possible third runway at Heathrow.
<b>Single till</b>	A method for setting a <b>price cap</b> for <b>airport charges</b> which takes account of the assets, costs and revenues of both 'aeronautical' and 'commercial' activities of an <b>airport operator</b> and relevant companies within its group.
<b>Slot</b>	The time of arrival or departure allocated to an airline for the use of a runway at a congested airport.
<b>South Terminal</b>	A terminal at Gatwick.
<b>SQR</b>	Service quality rebate. A scheme by which an airport is required to pay rebates when specified standards are not achieved in particular months.
<b>STAL</b>	Stansted Airport Limited. The company which has the management of Stansted Airport.
<b>Stand/aircraft stand</b>	A designated area on an aerodrome used for parking an aircraft.

<b>Tariff basket</b>	A basket of charges for regulated services used to calculate the average level of charges allowable under a <b>price cap</b> . The <b>price cap</b> is set with regard to the weighted average increase in the basket of charges. The weights allotted to different services are usually calculated using the revenue share of the previous period.
<b>Taxiway</b>	A marked route along which aircraft taxi between an <b>apron</b> and a runway.
<b>Terminal 5</b>	New terminal at Heathrow Airport, opening in March 2008.
<b>Transfer passenger</b>	A passenger who changes, often at a hub airport, from one aircraft to another.
<b>TTS</b>	Tracked transit system.
<b>Virgin</b>	Virgin Atlantic Airways Ltd.
<b>Volume term</b>	An automatic adjustment mechanism in the <b>price cap</b> to allow for variations in actual traffic compared to the forecasts used when setting the cap.
<b>WACC</b>	Weighted average cost of capital. The cost of capital derived from a weighted average of its two components: the cost of debt and the cost of equity weighted by <b>gearing</b> . A <b>WACC</b> may be expressed in either pre-tax or post-tax terms.
<b>WDF</b>	World Duty Free.
<b>X factor</b>	The factor in the <b>pricing formula</b> which determines how maximum allowable charges will alter from year to year relative to movements in the <b>RPI</b> . <b>X</b> in a charges formula can be either a plus or minus quantity.