

Glossary

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| 2002 report | <i>BAA plc: A report on the economic regulation of the London airports companies (Heathrow Airport Ltd, Gatwick Airport Ltd and Stansted Airport Ltd)</i> , Her Majesty's Stationery Office, November 2002. |
| ACL | Airport Coordination Limited. ACL is responsible for slot allocation, schedules facilitation and schedule data collection at a large number of airports and, in addition, provides a range of services to the aviation industry. |
| Act | Airports Act 1986 . |
| ADI | Airport Development and Investment Ltd. See BAA . |
| Aerodrome | Any area of land or water affording facilities for the landing or departure of aircraft. |
| Aeronautical activities | Activities that are directly related to the aviation side of an airport's business. See also aeronautical revenues and commercial activities . |
| Aeronautical revenues | Revenues derived from aeronautical activities . The revenues encompass the income from both regulated charges and unregulated charges. See also commercial revenues . |
| AICC | Assets in the course of construction. |
| AIO | Assets in operation. |
| Airbridge | An adjusting, covered walkway between a terminal gate and an aircraft. |
| Airport | The aggregate of the land, buildings and works comprised in an aerodrome . |
| Airport charges | Those charges defined by section 36(1) of the Act . They are (broadly) charges levied on airlines in connection with the landing, parking or taking-off of aircraft and charges levied on passengers in connection with their arrival at, or departure from, the airport by air. |
| Airport operator | Defined in the Act 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 operator in the case of Stansted is STAL . |
| Airside | 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. |

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| ANS | Air Navigation Services. The term ANS is defined in the Single European Sky Regulation 549/2004, known as the 'Framework Regulation', as follows: 'Air traffic services; communication, navigation and surveillance services; meteorological services for air navigation; and aeronautical information services'. ANS is an 'umbrella' definition and does not apply to one particular air navigation service. |
| APP | Airport Property Partnership. APP is a joint venture between BAA 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 , and additional sites at Gatwick , Stansted and Aberdeen airports . |
| Apron | Airside area for the parking and manoeuvring of aircraft and ground handling . It does not include taxiways . |
| ASA | Alan Stratford & Associates Limited. ASA undertakes specialist studies across all areas of the air transport industry. |
| Atisreal | Atisreal Limited. A wholly-owned subsidiary of BNP Paribas, Atisreal is a provider of integrated commercial real estate services in the UK and Continental Europe. |
| ATMs | Air traffic movements—landings or take-offs of aircraft engaged in the transport of passengers, cargo or mail on commercial terms. All scheduled movements, including those operated empty or loaded, and charter and air taxi movements are included. |
| ATWP | The White Paper <i>The Future of Air Transport</i> , published on 16 December 2003. It sets out a strategic framework for the development of airport capacity in the UK over the next 30 years, against the wider context of the air transport sector. |
| BA | British Airways Plc. |
| BAA | BAA Ltd. In June 2006, BAA was acquired by ADI a wholly-owned subsidiary of FGP Topco , in which Ferrovial has a majority holding of the ordinary shares. The other two shareholders in FGP Topco are Airport Infrastructure Fund LP, which is managed by Caisse de dépôt et placement du Québec and Baker Street Investment Pte Ltd, a subsidiary of GIC Special Investments Pte Ltd. We use 'BAA' to refer to the BAA group and any company in the group as appropriate. |
| Beta | A parameter in the CAPM that is a measure of volatility. |
| Birmingham | Birmingham International Airport Ltd. |
| Booz | Booz & Company (UK) Limited. Booz is the UK arm of a global management consulting firm, advising businesses, governments, and other institutions. |
| CAA | Civil Aviation Authority. |

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| C&B | Currie & Brown Group Limited. In the UK C&B offers a range of services across cost management, project management, consulting and building consultancy disciplines. |
| CAGR | Compound annual growth rate. |
| Capex | Capital expenditure. An airport's expenditure on additions to fixed assets. |
| CAPM | Capital asset pricing model. |
| CBI | Confederation of British Industry. |
| Central security search area | Main area for processing departing passengers through security control. |
| Check-in desks | Desks provided by the airport operator in the terminals at which outbound passengers complete pre-boarding requirements and deposit baggage to be conveyed in an aircraft's hold. |
| CIP | Capital investment programme. |
| Commercial activities | Airport activities that are not aeronautical activities , eg retail, duty-free sales, catering, advertising, the letting of hotels and offices and the provision of parking facilities. |
| Commercial revenues | Income derived from commercial activities . |
| Constructive engagement | 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 of airport charges at designated airports . |
| Correction factor | See K factor . |
| Cost of capital | 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. |
| Cost pass through | An arrangement where an airport can pass increases in specified costs directly through to users in the form of additions to charges between reviews. |
| DfT | Department for Transport. |
| DTZ | DTZ Holdings Plc. DTZ is a retail property adviser and a UK commercial full-service property adviser, providing real estate, capital markets and business advice and solutions. |

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| Dual till | A method for setting a price cap for airport charges which does not take account of the assets, costs and revenues relating to the ' commercial ' activities of an airport operator (as defined by the CAA) and relevant companies within its group but focuses only on the assets, costs and revenues relating to the ' aeronautical ' activities. |
| East Midlands | East Midlands International Airport Limited. |
| easyJet | easyJet plc. |
| EBITDA | Earnings before interest, tax, depreciation and amortization. |
| Equity beta | A parameter in the CAPM . |
| ERP | Equity risk premium. A parameter in the CAPM . |
| Ferrovial | Grupo Ferrovial, SA. Ferrovial is a global infrastructure company, with around 100,000 employees and operations in 43 countries in a range of sectors including construction, airport , toll road, car park management and maintenance, and municipal services. |
| FGP Topco | FGP Topco Ltd. See BAA . |
| FTE | Full-time equivalent, relating to staff. |
| Gatwick | Gatwick Airport. |
| Gearing | The ratio of debt to equity, normally expressed as a percentage. Relevant to the calculation of the WACC . |
| Gleeds | Gleeds (Bristol) partnership. Gleeds is an international management and construction consultancy organization specializing in the building and construction industry. |
| Ground handling | Services provided to airlines at airports , including passenger and baggage handling, documents and load control, cargo and mail, ramp services, surface transport, catering services and security (excluding functions provided by BAA). |
| GSM | BAA's Group Strategic Model, designed by IBM Business Consulting Services. |
| Heathrow | Heathrow Airport. |
| IATA | International Air Transport Association. The scheduled airlines' international trade association. |
| IDL | International departures lounge. |
| IDS | Incomes Data Services Ltd. IDS, part of Thomson Legal and Regulatory Limited is a research organization providing information and analysis on employment law, diversity, pay and reward, HR and pensions. |

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| IPA | IPA Energy + Water Economics. IPA is a firm of economic consultants, specialising in electricity, gas, renewables, carbon and water with a capability in infrastructure and transport which provides services in pricing and markets, trading and risk, regulation, project economics and financing across these sectors. |
| IRR | Internal rate of return. |
| K factor | Under the RAB building block approach to airport pricing, the K factor is a correction factor in the pricing formula which corrects for previous under- or over-recovery of the actual per passenger yield compared with the allowable yield. |
| KPMG | KPMG LLP. KPMG is the UK member firm of the KPMG network of independent members firms. KPMG in the UK is a leading provider of professional services including audit, tax, financial and risk advisory. |
| LCCs | Low-cost carriers; also known as no-frills carriers. |
| LECG | LECG Limited. LECG is part of a global consulting firm which provides advice and analysis on matters of economics, finance and strategy. |
| Load factor | The proportion of seating capacity of an aircraft which is actually used. |
| London area airports | Heathrow, Gatwick, Stansted, London City and Luton. |
| London City | London City Airport |
| LRAIC | Long run average incremental cost. |
| Luton | London Luton Airport. |
| Manchester | Manchester Airport. |
| Market investigation | The CC inquiry into whether any feature, or combination of features, of the market or markets for airport services in the UK as exist in connection with the supply of airport services by BAA prevents, restricts or distorts competition in connection with the supply or acquisition of any goods or services in the UK or a part of the UK. The CC is required to publish its final report no later than 28 March 2009. |
| mppa | Million passengers per annum. |
| NATS | National Air Traffic Services Limited. The company responsible for all en route air traffic control and for providing approach and visual air traffic control at many airports , including Stansted . |

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| Non-regulated aeronautical charges | Charges levied by the airport operator for services and facilities, which are used by airlines and are essential to their operation at the airport (such as check-in desks), but which are excluded from the airport charging formula. These revenues are included in the single till. |
| NPV | 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 cost of capital . |
| OFT | Office of Fair Trading. |
| Opening yield adjustment | A one-off adjustment to the revenue yield at the beginning of a quinquennium. |
| Operational activities | Activities defined by section 36(1) of the 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 check-in desks and baggage handling. |
| Opex | An airport's operating expenditure on the day-to-day running of the business (eg for staff, electricity etc). |
| Oxera | Oxera Consulting Limited. An independent consultancy, based in Oxford UK, providing economic insight across several major sectors to governments, regulators and large industrial companies. |
| Pier | Often used interchangeably with satellite for a separate building, associated with a terminal, that provides passengers with access to aircraft. A pier is linked to the terminal by a traveller or walkway, whereas a satellite might also be linked by a transit system. |
| Price cap | Ex ante specification, under section 40(3) or (4) of the Act , of the maximum increase in airport charges allowed in each year generally over a period of five years. |
| Pricing formula | The formula used to establish the price cap in each year of the quinquennium . |
| PRM | Passengers with reduced mobility. |
| Q1 | The first quinquennium after the privatization of BAA in 1987. It covered 1987/88 to 1991/92. |
| Q2 | The second quinquennium , which covered 1992/93 to 1996/97. |
| Q3 | The third quinquennium , which originally covered 1997/98 to 2001/02, but was extended to include 2002/03. |

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| Q4 | The fourth quinquennium , which originally covered 2003/04 to 2007/08, but was extended by the CAA for Stansted to include 2008/09. |
| Q5 | The fifth quinquennium , which covers 2009/10 to 2013/14 for Stansted . |
| Q6 | The sixth quinquennium , which will cover 2014/15 to 2018/19 for Stansted . |
| QSM | Quality of service monitor. An internal quality of service passenger opinion survey carried out by BAA . |
| Quinquennium | 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 BAA by way of airport charges . See Q1 , Q2 , Q3 , Q4 , Q5 and Q6 . |
| RAB | Regulatory asset base. The measure of the regulatory value of the company, based on its underlying assets. The RAB is a key element in the traditional method of 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. |
| Regulated charges | The charges at an airport that fall within the definition of airport charges . These are charges on landing, charges payable per terminal departing passenger and aircraft parking charges. The total income from these charges is regulated by the price control system. |
| Revenue yield | The total revenue from the regulated charges divided by an output measure. The current airport charges conditions set a maximum limit on the total airport charges revenue from passenger services, per passenger. |
| RFR | Risk-free rate, a parameter in the CAPM . |
| RPI | Retail prices index, a measure of inflation. |
| RPI—X | See X factor . |
| Ryanair | Ryanair Ltd. |
| SACC | The Stansted Airlines Consultative Committee. |
| Satellite | See pier . |
| Scott Wilson | Scott Wilson Group plc. Scott Wilson is a multi-disciplinary international design and engineering consultancy for the built and natural environments. |
| Secretary of State | The Secretary of State for Transport. |
| Section 106 | Section 106 of the Town and Country Planning Act 1990. |

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| S factor | Security cost pass-through. An entitlement allowing the airport to recover a proportion of additional annual security costs above a de minimis limit. |
| SG1 | Stansted Generation 1. BAA 's proposals for developing Stansted to a maximum capacity of 35 mppa within existing runway constraints. |
| SG2 | Stansted Generation 2. BAA 's proposals for developing a second runway and terminal at Stansted , and associated facilities. |
| Single till | A method for setting a price cap for airport charges which takes account of the assets, costs and revenues of both the aero-nautical activities and the commercial activities of an airport operator and relevant companies within its group. |
| SLA | Service Level Agreement. |
| Slot | The time of arrival or departure allocated to an airline for the use of a runway at a congested airport . |
| SQR | Service quality rebate. A scheme by which an airport is required to pay rebates when specified standards are not achieved in particular months. |
| STAL | Stansted Airport Limited. The BAA group company which operates Stansted Airport. |
| Stand/aircraft stand | A designated area on an aerodrome used for parking an aircraft. |
| Stansted or STN | Stansted Airport . |
| Tariff basket | A basket of charges for regulated services used to calculate the average level of charges allowable under a price cap . The price cap 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. |
| Taxiway | A marked route along which aircraft taxi between an apron and a runway. |
| TDT | Terminal development tendering—an option for the form of Stansted 's price control proposed by easyJet and involving the separation of the access infrastructure (runways, taxiways, surface access) from the facilities infrastructure (terminals). The objective of TDT is to remove regulation from the facilities infrastructure, through the establishment of competition, leaving a price cap in place for the access infrastructure. In the case of Stansted , the construction and operation of the proposed second terminal would be carried out by the party which won a competitive tendering process. |
| Transfer passenger | A passenger who changes, often at a hub airport , from one aircraft to another. |

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| TTS | Tracked transit system. Stansted operates a tracked transit system between the terminal building and Satellites 1 and 2 . |
| Volume term | An adjustment mechanism in the price cap which would allow for variations in the actual traffic compared with the forecasts used when setting the cap. |
| WACC | 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 gearing . A WACC may be expressed in either pre-tax or post-tax terms. |
| WDF | World Duty Free. |
| X factor | Under the RAB building block approach to airport pricing, the X factor is the factor in the pricing formula which determines how maximum allowable charges will alter from year to year relative to movements in the RPI . X in a charges formula can be either a plus or minus quantity. |