George Best
BELFAST
CITY AIRPORT

Our Ref: BA/mc

30 April 2007

Miss Julie Hawes
Inquiry Co-ordinator,
Competition Commission,
Victoria House,
Southampton Row,
London,
WC1B 4AD

Dear Miss Hawes

Market inquiry into the supply of airport services by BAA within the UK

Thank you for the opportunity to comment on the supply of airport services by BAA within the UK. I would wish to make it clear at the outset that ownership of the George Best Belfast City Airport passed to Ferrovial in 2003, but this airport is not part of the BAA group.

You will also be aware that in 1996, the Monopolies and Mergers Commission [MMC] reported on the merger in contemplation between Belfast International Airport and Belfast City Airport [as it then was]. The Commission's conclusion and recommendation was "....that the merger may be expected to operate against the public interest and recommend that it should be prohibited."

In view of this, and as this airport does not compete with any BAA airport, we could take the position that the future of BAA is irrelevant to us. However we would contend that retention of the BAA group in its existing format is in the current best interest of the public. Central to this conclusion is the need to develop airport capacity, particularly in the south east of England, within the context of the Aviation White Paper[1] and in a strategically planned and managed environment.

In 2006, something in excess of 28% of all air passengers through the two Belfast airports travelled between Belfast and the London airports[2]. Given the return to a devolved administration in the province, the current rates of economic and social development are expected to rise further resulting in even greater attention being focused on the region's air routes. Hence the paramount need to ensure adequate airport capacity is available in the London area to service the growth potential of not just Northern Ireland, but all the UK regions. We find it difficult to believe that given the conditions in the south east of England, a strategically planned, efficiently co-ordinated and adequately resourced development strategy would be implemented if Heathrow, Gatwick and Stansted airports were in multiple ownership.

Cont'd/.....

George Best Belfast City Airport
Belfast, BT3 9JH
Northern Ireland

TEL: 028 9093 9093
FAX: 028 9093 9094
www.belfastcityairport.com

Belfast City Airport Limited, Registration in Northern Ireland, Certificate NI 16363 Registered Office, Belfast, Northern Ireland.

Where does this leave competition and the serving of the public interest in sustaining competition? The answer, we would submit, lies in consideration of the relationship between airports. Following is an analysis of the relationship between the two Belfast airports and analysis of the BAA airports which, in our opinion, illustrates the need to consider each airport group within the context in which it operates.

1. The Belfast Airports

The MMC concluded that common ownership of the two Belfast airports would not be in the public interest. It is important to note that this decision was reached in 1996 when both airports enjoyed significant surplus capacity. It is equally important to consider that while these two airports, as detailed in their Master Plans[3], are significantly different in character and operation, they draw passengers from the same catchment area[4]. Therefore two airports with spare capacity in a single catchment area can compete and this condition can be achieved with the airports in different ownership.

What does a similar analysis of BAA reveal? For this we might consider BAA in two parts (a) BAA South and (b) BAA Scotland.

2. BAA South

Focusing on the London airports, here there is undoubtedly a largely common passenger catchment area and one might conclude a public interest in increased competition. However the key factor in the London area is the current capacity shortfall and the resultant anxieties that, at a national level, the UK and London in particular might increasingly loose its influence as a major aviation hub and gateway to Europe, at a time when airport capacity is being rapidly expanded at Paris, Frankfurt, and Amsterdam etc., and the implications this might also have for the economic development of the UK regions. At a regional level, particularly in Northern Ireland which has no direct land connections to London, there is constant anxiety[5] that access to London from Northern Ireland may be curtailed, with these ‘slots’ being utilised for more lucrative international traffic through London.

In these circumstances, even were the BAA London airports to be split across multiple ownership, no additional competition would be possible until sufficient capacity and appropriate charging mechanisms were in place to encourage airlines to consider alternative airport options.

It is our opinion that the airport capacity in the south east of England should be expanded in line with the Aviation White Paper of 2003, and that this can only be done efficiently and effectively through the retention of a unified and integrated BAA structure developing and delivering strategic plans for capacity enhancement. It is highly questionable whether separate airports, operating under different ownerships and responding to the demands of diffuse shareholders, would be capable of delivering additional capacity across the region in a planned, co-ordinated and timely manner.

3. BAA Scotland

Like the Belfast airports in 1996, there are no capacity constraints but, given the location of BAA Scotland airports and the range of air services available from each, they largely draw their passengers from different catchment areas and therefore any potential to compete in minimised. However where airport catchment areas do overlap and space capacity exists, competition also exists, i.e. between Glasgow International and Glasgow Prestwick airports. It can also be noted that, with the growth of low cost carriers, competition and choice is now available between rail and air services between Scotland and England, which of course is not the case between Northern Ireland and Great Britain.

In conclusion therefore, we see no benefits and additional costs in breaking up the BAA group. Separate airport ownership in Scotland will do little to enhance competition and diluting the BAA position in the London area will result in further delays and a random, uncoordinated approach to capacity development in the south east.

I trust these points are of value to the Commission.

Yours sincerely

Brian Ambrose

BRIAN AMBROSE
Chief Executive

Notes:

1. The Future of Aviation, DfT, 2003
2. UK Airports Statistics, CAA, 2006
3. Belfast City Airport Master to 2030, www.belfasycityairport.com
   Belfast International Airport Master Plan, www.belfastairport.com
4. Passengers at the Belfast Airports in 1994/5, CAA, CAP 665.
   Passengers at the Belfast Airports 2001, CAA, CR01.
5. Response to the Northern Ireland Affairs Committee Inquiry into air services in Northern Ireland, General Consumer Council for Northern Ireland, 2004.