

HHL/AS

13 August 2007

Mr John Banfield  
Inquiry Director  
Competition Commission – BAA London Airport Inquiry  
Victoria House  
Southampton Row  
London WC1B 4AD

Dear Sir

### **Heathrow Airport Price Caps 2008-2013**

I have been advised that the Competition Commission is seeking guidance from interested parties on the above subject.

As a Regional Airport that has operated air services to London Heathrow (LHR) for the past 37 years Durham Tees Valley Airport (DTVA) has serious concerns over the CAA recommendations being considered by the Commission with a Price Cap range proposed for 2008-2013 of RPI +4% pa to RPI +8% pa. This would result in the current (2007/8) charges of £18.55 per departing passenger rising to between £26.75p to £32.11p per departing passenger by 2013. This represents an increase of 44% - 73% over the quinquennial review period.

On this basis, DTVA has been notified by bmi that it is not able to sustain the operation of short feeder services into Heathrow at current pricing levels and that the recommendations made by the CAA for the next quinquennium would have such an adverse impact on the airline, that a number of routes and services would be terminated. Worst affected would be UK domestic feeder services, one of which is the DTVA-LHR route.

It is further noted the landing fees at Heathrow are charged at a flat rate, such that large aircraft are charged the same fee as smaller aircraft. Almost all other airports worldwide charge runway fees on a weight related basis, which more broadly reflects the costs incurred and also the 'passenger pays' principle. The current charging structure in place at Heathrow therefore places more cost pressure on short haul services.

The implementation of such pricing caps will inevitably result in the continued reduction of UK domestic feeder services into Heathrow and their ultimate replacement by intercontinental air services operated by large aircraft providing increased profits for BAA at the expense of the Regions.

It is surely quite perverse that Regional UK PLC should be seriously disadvantaged economically through the loss of international air services via Heathrow whilst BAA profits from such monopolistic activities. Historically Heathrow operated as the UK gateway for business travellers on a global basis and some 35% of passengers interline on the DTVA-LHR service.

Within the Tees Valley, there exists major industrial centres for Chemicals, Processing, Biotech and Advanced Engineering, all of which depend on Heathrow interlining to support their international business activities.

In considering this issue we would urge you to consider how the removal of vital links between the UK regions and Heathrow (and then into the world-wide air travel network) would be at total odds with all the Government's policies aimed at regenerating regions such as the North East of England—including, for example, the 'Northern Way' initiative and the recently-published review of sub-national economic development and regeneration.

For these reasons, DTVA would request the commission to consider the introduction of some form of protection for UK regions within this review. Suggestions would include;

- Introduction of a weight related runway charge for existing UK Domestic Feeder Services.
- The development of a separate charging structure for UK Domestic Feeder Services.
- The protection of Heathrow slots that have been operated from any UK Region for a period greater than 10 years.

The current Heathrow strategy is potentially damaging to the UK PLC as a whole. This Region has operated air services to Heathrow for over 37 years, supported the growth of that airport, and reasonably expects these rights of access to continue.

The proposed Price Caps represent a blunt financial instrument that will result in these essential UK Domestic Feeder slots being traded off to the highest 'long haul' bidder at the expense of the Regions.

I trust that these comments will be fully considered as part of your review.

Yours faithfully

Hugh H/Lang  
Managing Director