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

Dear Ms Hawes

MARKET INQUIRY INTO THE SUPPLY OF AIRPORT SERVICES BY BAA WITHIN THE UK

Thank you for inviting Glasgow City Council to make representation on the above. In common with the other public authorities in lowland Scotland, both in the West and in the East, we recognise the important role played by airports in our economies, and the likelihood that they will increase in importance in future.

We can understand the rationale for the inquiry based on your analysis of the market, and the representations that may have been made by the airline industry. Whilst not wishing to any in any way pre judge or undervalue the inquiry, it is important to make it clear at the outset that we do not see clear evidence of an absence of competition that has been detrimental to Glasgow. BAA's operation of Glasgow, and their investment has created many opportunities - for the millions of people who use the airport today; for the airlines who see the business and leisure opportunities the city provides and who have grown their passenger numbers as a consequence and for the local businesses that supply the operations there and who rely on the extensive network of direct flights from Glasgow Airport.

We note from your reference to the competition commission the lack of confidence in investment plans for the South East of England, and concerns over the quality of service. We do not share such concerns with regard to the investment plans for Glasgow, nor do we have concerns about the quality of service.

BAA has a substantial multi-million pound investment plan in place over the next ten years. This investment will be delivered at no cost to the taxpayer, nor to local businesses. The most recent announcement of a £30m terminal extension at the airport to increase capacity and take the airport to another level of service provision is a tangible demonstration of BAA's commitment and is again to be welcomed.

We have had ongoing involvement throughout the past years in working with BAA to achieve our shared objectives. The wider 25-year development Master Plan - as agreed by a range of stakeholders, including Glasgow City Council - are said by BAA to be "ambitious, achievable and sustainable and paint a picture of a city and region well served by BAA and the airlines". This Council has been pleased to note BAA's commitment to the consultation process which clearly put the relationships with stakeholders at the heart of its strategy. These are not the actions of a company with little regard for partners and legitimate third party interests.

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In respect of the quality of service, Glasgow Airport has enjoyed continued success under BAA's stewardship, with passenger numbers increasing by 60% in the past decade. The airport is now bringing customers and business to Glasgow and the surrounding area and facilitating wider business contacts and market developments beyond Scotland.

Part of that success is derived from over £50 million investment on route development at Glasgow over the past five years to encourage further airline growth. As a result, Glasgow's international route network is expanding and long haul traffic has doubled in the past ten years. Again this proactive price-driven development – funded entirely by BAA - is a sign of the commitment that BAA has to Glasgow and is not the action of an unresponsive monopoly.

Today, Glasgow is Scotland's principal international gateway with more than four million international passengers a year, including nearly one million long-haul travellers. In partnership with Glasgow City Marketing Bureau, and other stakeholders including this Council, BAA has aimed to substantially increase the range of international destinations available from the airport, reflecting the City and surrounding area's increasing popularity as a business and leisure destination.

There is no doubt in my mind that Glasgow Airport's recent success has been as a result of the airport's partnership with bodies as diverse as Glasgow City Council, SPT, the enterprise bodies and of course ourselves.

We share a desire to improve the range of services and support infrastructure available to the growing number of visitors to our city. The construction of the Glasgow Airport Rail Link in partnership with BAA is a significant development in this field. BAA is also working closely with Glasgow 2014 to bring the Commonwealth Games to the City - further evidence of BAA's commitment to the wider agenda of City region growth and partnership delivery.

In addition to these positive examples of development, investment and partnership working it is also worth noting that Glasgow and Edinburgh airports do not appear to serve the same markets. Therefore, there can be little risk of 'loss of competition' as there is no tangible single market in which to compete. Evidence of this includes the extremely low proportion of customers that use both airports (i.e. Glasgow Airport serves Glasgow and vice versa) and the fact that so many of the destinations served in Glasgow are also served by Edinburgh.

It is therefore clear that Glasgow City Council values its relationship with BAA, and regards that relationship as one that has delivered good value for both the airport and the city. We therefore have some obvious concerns regarding the implications of the inquiry. Should BAA be asked to dispose of Glasgow Airport to an unknown buyer, it is possible that:

- The new owner may be motivated by short term profit to service debt or make a quick return and therefore reduce investment or service levels – clearly not BAA's current strategy.
- Any shift towards a more short term profit maximisation strategy is unlikely to maintain the high priority that BAA demonstrates towards its stakeholders including the Council
- A private equity buyer is unlikely to have airport operations at the heart of its portfolio of interests and may therefore lose 'focus' on the airport and its shared stakeholders' interests
- There will be an inevitable period of instability – possibly lasting years - while the sale goes forward and the new owners that emerge review the business direction for the airport in the light of their chosen strategy
- The continuity of partnership relations will inevitably be lost with subsequent implications for pace of delivery of agreed objectives
- It is also possible that any initial sale may lead to a process of multiple ownership changes between non-airport operators that would amplify and repeat the issues above for a significant period going forward.

Glasgow City Council is not seeking to question the rationale for the inquiry, but we feel that it is important to set out our view that the current arrangements have delivered proven quantifiable benefits, and that the uncertainty of an inquiry and the disruption of change, whilst it might satisfy the remit of the Commission could have long term and significant damaging consequences for the economy of Glasgow and the surrounding region, and that from the City Council perspective these might well outweigh the relatively confined, and shorter run benefits to airline operators.

Yours sincerely

Steve Inch
Director DRS

