

Scottish Association for Public Transport

Submission on BAA Reference to Competition Commission May, 2007

This submission is a response to the invitation by the Competition Commission to give views on whether the high market share held by BAA around London and in central Scotland may be distorting the market and running counter to the EU's liberalisation of air space. Views are also invited on whether BAA's ownership of Edinburgh and Glasgow airports is restricting or distorting competition where there are high barriers to entry and where these airports are not subjected to detailed price regulation. The Association's views, as outlined below, are also being circulated to other parties, including the Scottish Executive, SPT and SESTRAN.

1 The principal SAPT concern is to ensure that any decisions by the Competition Commission take full account of the need for **an integrated policy and market framework delivering UK and international action to promote a sustainable economy and a more inclusive society**. There is now widespread agreement that this requires cumulative steps to cut CO₂ and other greenhouse gas emissions by at least 60% by 2050. There is a particular need for a policy framework which ensures a substantial contribution from aviation through:-

- a) air travellers meeting the costs arising from such travel plus a fair share of general taxes
- b) a increased ability to focus investment where this offers maximum benefits for British and global economies and quality of life (airport expansion cannot now be seen as a top priority compatible with a sustainable economy)
- c) new arrangements to apply congestion charging to airport parking and to congested slots and to allow net proceeds to be directed to purposes other runway expansion).

Following the Eddington, Stern and other international reports, the policy framework should discourage additional runways and scale down the expansion of airport terminals. The Competition Commission should make it clear that this is now a major factor requiring decisions by the Commission to reflect an integrated policy and market framework taking account of the climate change, energy and economic agenda.

2 The present framework has the serious defect that, whether under regulated monopoly or increased airport competition, it tends to encourage a diversion of private investment (and, to a lesser degree, public investment) to additional runways and major terminal development – even though substantial spare capacity exists at many airports and even though other strategies can make greater contributions to stable and sustainable development. Current policy also tends to keep landing charges low at airports which have increasing problems of limited slot availability. This has given opportunities for monopoly profits to carriers with protected slots and for airport owners to seek on-site expansion (aided by a rise in regulated charges) rather than better management of existing capacity. Existing practice, whether inclining to competition or monopoly, has been excessively influenced by a distorted market fuelling expectations of high levels of aviation growth. This approach is unsustainable and contrary to the economic advantages of higher charges at congested peaks. It also depends on the dubious assumption that developments in carbon trading will allow aviation to be largely immune from the need for CO₂ reductions. A more probable future is that fiscal and regulatory developments, including carbon trading and tighter 'base' quotas, will have a substantial impact on reducing current forecasts of aviation growth.

3 Our Association therefore suggests that the Competition Commission recommend early legislation to introduce **levies on congested slots** and on **airport parking**. Among a range of options for public debate, **use of the proceeds of such levies could include:-**

- a) contributions to **high-speed rail investment** encouraging shifts of domestic British travel and shorter-distance cross-Channel trips to trains and
- b) contributions to **improved public transport access to airports**

4 The effect of these changes would be to

- reduce incentives, in both regulated and competitive airport frameworks, for major runway and terminal investments
- encourage air to rail transfers within Britain
- increase use of public transport for surface journeys to and from airports
- reduce road congestion around airports and reduce the need for extra airport land and extra investment to be devoted to car parking.

5 Subject to such changes being made, our Association sees no major disadvantage from separating ownership of Edinburgh, Glasgow and Aberdeen Airports.

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