

## Competition Commission – Market Inquiry into the Supply of Airport Services by BAA within the UK

### Summary

- **There is no evidence that a change of ownership of Scotland’s airports would lead to greater benefits to the business community or the wider travelling public**
- **There is a possibility that a change of ownership could result in uncertainty and risk to the development of Scotland’s transport infrastructure.**
- **The evidence contained within the OFT report on its market study tends to suggest that BAA’s three Scottish airports serve distinct markets**
- **SCC recommends that the Competition Commission do not intervene in the ownership of Scotland’s airports**

### Scottish Chambers of Commerce’s Response

1. Scottish Chambers of Commerce (SCC) welcomes the opportunity to contribute towards this Competition Commission consultation.
2. SCC’s response is restricted to the views of our network on the ownership of airports in Scotland, and in particular to BAA’s ownership of Aberdeen, Edinburgh and Glasgow Airports and the impact of this on Scotland’s business community.
3. SCC’s network membership includes BAA Scotland as well as other Scottish airport operators and airlines.
4. IT should be noted at the outset that Scotland’s airports already benefit from a diversity of ownership. Although BAA own three airports, there are other operators of various sizes in the market, all of whom provide services important to our economy.
5. Scotland’s airports are of huge economic significance. The country’s geographic location and the limited nature of passenger ferry links to mainland Europe means that Scotland is heavily reliant on air travel for passenger transport links to international markets. This is particularly important in terms of Scotland’s tourist industry, but also for our substantial financial services, oil and gas, and manufacturing sectors. BAA’s own financial contributions to the Route Development Fund have assisted the opening up of new routes, including international flights which bypass the London airports, which are advantageous to our members with international business activities. In a recent survey conducted by Chambers of Commerce, member businesses highlighted aviation as the second most important mode of transport to them after roads, with over 50% rating air transport as either essential or very important to their business.
6. This reliance on air travel for business is particularly true of the economies of Aberdeen, the North East and the North of Scotland, where air transport is the only practical method of commuting to the key business centres of London and the Midlands of England. The North East’s oil and gas sector is especially reliant on direct air services.

7. In terms of airport usage, the SCC network has found that this is largely divided on a geographical basis, with business use in the Lothians, Fife and Borders tending to focus on Edinburgh Airport; in the West of Scotland on Glasgow Airport; in the North East on Aberdeen Airport and in the Highlands on Inverness Airport. These views are in line with the findings contained in Chapter 5 of the Office of Fair Trading's report on its market study (OFT882). Businesses do not therefore appear to be sensitive to potential price differentials between Glasgow and Edinburgh Airports. Indeed we believe that they tend to plan their trips on the basis of the time it will take to travel to the airport from their homes or businesses rather than considering costs. In addition, there is a view that the airlines treat Glasgow and Edinburgh as two different markets and tailor their services accordingly, for example in the case of the transatlantic routes offered by Continental Airlines from both airports.
8. There is a perception that Prestwick Airport, whilst widely used by business travellers, is centred on different products and services than Glasgow Airport, its nearest neighbour, in terms of its focus on budget carriers and freight. Prestwick also has a stronger focus on direct, scheduled routes to European destinations than Scotland's other major airports.
9. Whilst there is a view that Aberdeen and Glasgow Airports have perhaps seen past underinvestment, businesses appear to be largely satisfied at the current and projected programmed levels of investment. For example, at Glasgow Airport, supported by their large parent group, BAA have committed themselves to a £290M long term development plan through to 2030 and are currently implementing the first phase of this. The ongoing development programme will create many business and employment opportunities in the surrounding area. In addition, planning permission has been granted for a runway extension at Aberdeen, whilst at Edinburgh Airport, BAA is planning £240 million of investment over ten years. This investment is crucial to maintaining Scotland's international connectivity in a competitive global market.
10. Security and lack of disruption is also important to our members and last year BAA embarked on a programme of improving security including the engagement of many more security personnel. They also put in place disaster recovery plans which were particularly effective in the aftermath of the terrorist attack on Glasgow Airport in June 2007.
11. The Scottish Parliament has passed legislation paving the way for rail links to both Glasgow and Edinburgh Airports. The costings of these projects incorporate a contribution from owners BAA, and further progression of these projects may well be contingent upon this investment.
12. SCC believes that the current ownership model for Scotland's airports provides a solid basis for future investment and growth of our airports' capacity. The system appears to be working at present and there is confidence that BAA's future investment plans will help to deliver in terms of Scotland's international connectivity. A break up of Scotland's lowland airports could create uncertainty over investment in the development of the airports themselves and in wider capital projects such as the proposed Glasgow Airport Rail Link – a project which has wider implications in terms of the creation of additional capacity in the West of Scotland Rail network. Given the geographic breakdown of airport use, it would appear unlikely that the division of ownership of Glasgow and Edinburgh Airports would produce competitive benefits for business users of airport services.

## **Conclusion**

**Scottish Chambers of Commerce do not believe that a division of the ownership of BAA's three Scottish Airports would benefit the Scottish business community.**

**Scotland's airports serve very distinct markets and it seems unlikely that a break up of BAA's ownership of Aberdeen, Glasgow and Edinburgh would have a significant impact on travel patterns.**

**Given the importance of air travel to the Scottish economy, and given the concerns we have over the possible effects of a change to the current ownership model, SCC recommends that the Competition Commission should refrain from intervening in the Scottish airport sector.**

## **About Scottish Chambers of Commerce**

Chambers of Commerce comprise the world's largest business support organisation. In the UK, membership is voluntary and the Scottish Chambers, along with the British Chambers of Commerce, are prominent members of the worldwide movement of Chambers.

Membership is open to any firm or company irrespective of size. The current membership ranges from the country's largest companies to the smallest retail and professional operations. The present membership ranked by market capitalisation, includes 23 of the top 25 companies, and 38 of the top 50 companies in Scotland. Together Scotland's Chambers provide well over half the private-sector jobs in Scotland and provide an unequalled geographical and sectoral representation throughout Scotland.

The Scottish Chambers of Commerce is the umbrella organisation of the local Chambers of Commerce. Its prime functions are to promote and protect the interests of local Chambers and their member companies throughout the length and breadth of Scotland. It helps promote co-operation between the local Chambers in the provision of services and represents the common interests of Chambers at a national and international level. The President of the Scottish Chambers of Commerce is Her Royal Highness, The Princess Royal.

Scottish Chambers policy is determined by a Council on which all Chambers have equal representation, and is executed under their direction. Policy groups, formed from a wide cross section of member Chambers, are used to develop policy initiatives. The national body represents the interests of members to the Scottish, UK and European Parliaments, opposition parties, the Scottish Executive and other Government officials, Enterprise bodies, COSLA and other public bodies, and works with other private-sector business support bodies in Scotland on areas of mutual interest.

## **Publication**

Scottish Chambers of Commerce is content for the contents of this submission to be published and attributed to it.

## **Further Information**

Scottish Chambers of Commerce would be happy to take part in any further consultation to be conducted by the Competition Commission or to expand on any of the issues covered in this response.

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