



JPD/JL

14 August 2007

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

Dear Mr Banfield

Heathrow Airport Price Caps 2008-2013

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

Tees Valley Regeneration is the government formed Urban Regeneration Company for the Tees Valley, comprising Darlington, Stockton on Tees, Middlesbrough, Redcar and Cleveland and Hartlepool Local Authority areas.

I am aware that my Regional Airport, Durham Tees Valley (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 and the impact that this will have on the DTVA-LHR service. This represents an increase of 44% - 73% over the 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.

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I believe that 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 the BAA at the expense of the Regions.

I am concerned that Regional UK PLC should be seriously disadvantaged economically through the loss of international air services via Heathrow. Historically Heathrow operated as the UK gateway for business travellers on a global basis and the Region depends on this service to support our international business activities.

The economic disadvantages that such activities will impose upon the Regions is totally at odds in the Northern Way concept that was specifically designed to close the North - South gap.

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

- 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.

To create a situation in which the link to Heathrow is removed places at risk not just existing planned investment in the Tees Valley and other the Tees Valley and other UK regions, but makes the continued attraction of future investment much harder to attract, and would be directly contrary to HM Governments stated objective to increase the economic growth rate of all UK regions to those achieved in London / the South East.

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

Yours sincerely

Joe Docherty
Chief Executive