



23 August 2007

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

Dear Mr Banfield

Improving transport and connectivity are key economic priorities for local government in the North East; priorities which the sector shares with a number of business representative bodies. Our 2006/07 Manifesto highlights the strategic importance of the region's airports, as being key drivers in accelerating the future economic prospects, development opportunities and competitiveness of the North East.

As the political voice for local government in the region, the Association of North East Councils is therefore concerned by recommendations proposed by the CAA for significant price caps at London Heathrow for the next five year period, commencing 1 April 2008, referred to the Competition Commission for investigation and review.

The detrimental impact of such proposals for domestic air service connections, linking regions to Heathrow as a major international gateway cannot be overstated. The Durham Tees Valley – London Heathrow link, operated by bmi, is an important scheduled service, providing vital connectivity between the region and the rest of the UK, and internationally. The route plays a major role in supporting the competitiveness of existing business, including global industries in chemicals, steel and engineering/architectural design. It enhances the region's investment prospects, particularly businesses which are knowledge based and operate in high value sectors. Its impact on tourism is also a key consideration, providing easy access to key visitor attractions in the Tees Valley, and extending to North Yorkshire and County Durham.

The viability of the Durham Tees Valley – London Heathrow service is, however, under serious threat posed by proposals which would effectively see an increase in charges for access to Heathrow rising by between 44% and 73% over the next five year review from March 2008, on top of a rise of 43% over the last five year period.

The introduction of the 'Open Skies' agreement, will inevitably exacerbate this problem, by placing further pressure on slot availability for regional and European feeder services, which will disadvantage domestic air services and be detrimental to regions of the UK.

Unlocking the full economic potential of the North and bridging the £30 billion output gap between the North and the rest of the UK average is not an option, but an imperative. The Association of North East Councils believes that all regions should have the opportunity to maximise their assets, improve the economies and make a contribution to national productivity. The continuation and expansion of domestic air services serving regions of the UK are fundamentally important in improving regional competitiveness and creating regionally balanced growth. The introduction of price caps on the scale recommended by the CAA can only have a detrimental effect on domestic feeder services into Heathrow and on regions of the UK.

We would strongly urge, therefore, that the Competition Commission gives careful consideration to the full implications of the proposals for such price capping at London Heathrow. The Commission is in a position to consider a number of options which would provide protection for regions such as the North East, which rely on access to London Heathrow as an integral part of its economic development and future prosperity.

The Association very much welcomes the opportunity to comment to the Competition Commission and is willing to provide any further supporting evidence or information required by the Inquiry, as part its investigation.

Yours sincerely

Hilary Knox
Deputy Director