

Belfast International Airport Limited
and
Belfast City Airport Limited

A report on the merger in contemplation



MONOPOLIES AND MERGERS COMMISSION

Belfast International Airport Limited and Belfast City Airport Limited

A report on the merger in contemplation

**Presented to Parliament by the Secretary of State for
Trade and Industry by Command of Her Majesty
January 1996**

Members of the Monopolies and Mergers Commission as at 1 December 1995

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Mrs E C Tritton QC
Professor G Whittington

Mr A J Nieduszynski (*Secretary*)

¹These members formed the Group which was responsible for this report under the chairmanship of Mr P H Dean.

Note by the Department of Trade and Industry

In accordance with section 83(3) and (3A) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest, or which he considers would not be in the public interest to disclose and which, in his opinion, would seriously and prejudicially affect certain interests. The omissions are indicated by a note in the text.

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Part I

Summary and Conclusions

1 Summary

1.1. On 1 August 1995 the Secretary of State for Trade and Industry asked the MMC to investigate and report on a merger situation, as defined in the Fair Trading Act 1973 (the Act) arising from the contemplated acquisition by Belfast International Airport Limited (BIA) of Belfast City Airport Limited (BCA). The terms of reference are at Appendix 1.1.

1.2. Prior to privatization Belfast International Airport (the International Airport) was operated by Northern Ireland Airports Limited (NIAL). NIAL was privatized on 20 July 1994 by means of a management and employee buy-out. BCA is a wholly-owned subsidiary of Short Brothers PLC (Shorts) which is in turn owned by Bombardier Inc (Bombardier), a Canadian company. BCA operates Belfast City Airport (the City Airport).

1.3. BIA made an unsolicited conditional offer to acquire BCA on 2 May 1995. Shorts has told us that BCA is for sale and that it will be seeking bids from a number of parties, including BIA. BIA has confirmed that if it is cleared to bid again for BCA, it intends to do so.

1.4. As a result of the contemplated merger, BIA would increase its share of airport services in Northern Ireland—an area which meets the criterion of constituting a substantial part of the UK—from about 63 per cent to about 89 per cent, satisfying the requirements for our investigation under the Act.

1.5. The overlap between the International Airport and the City Airport (the Belfast Airports) is almost wholly on domestic scheduled flights, which account for about 80 per cent of Northern Ireland airport passenger services. Six domestic routes are presently served by both airports. Of these routes, three (Manchester, Birmingham and Glasgow) have substantial volumes of traffic from each of the two Belfast airports.

1.6. We are in no doubt that the Belfast airports have sought to compete vigorously under separate ownership. We are also clear that the airlines are influenced in their choice of airport by that competition, and that competing airports encourage competition between airlines. We should not expect competition between the airports to continue under joint ownership. Choice of airport might remain but much would depend on how BIA acted in practice as regards the City Airport.

1.7. We would expect the loss of competition between the airports to result in higher airport charges than would apply in the absence of the contemplated merger; a reduction in competition between airlines; and arising from these the likelihood of a reduction in routes and services offered by airlines and/or an increase in air fares.

1.8. BIA is in our view unlikely to encourage the airlines to expand services from the City Airport beyond its existing capacity while there remains significant spare capacity at the International Airport. As a result we would expect airlines and passengers over time to enjoy less choice with the Belfast airports under common control than they would if the City Airport remained independent: an independent owner would have a greater incentive to develop the

City Airport to its full potential.

1.9. We have carefully considered the potential benefits arising from the contemplated merger but believe them to be outweighed by the detriments to competition and choice set out in paragraphs 1.7 and 1.8. We therefore conclude that the merger may be expected to operate against the public interest and recommend that it should be prohibited.