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Heathrow and Gatwick Quinquennial Review and market inquiry into the Supply of Airport Services in the UK by BAA

A submission by the Royal Aeronautical Society

27th April 2007

The Royal Aeronautical Society (RAeS) is the Learned Society for the Aerospace and Aviation community. Based in London, it has a world-wide membership of over 19,000, with over 13,000 in the UK. Its Fellows and Members represent all levels of the aeronautical community both active and retired. Through its various Boards and Committees, it can draw upon considerable experience and expertise in aviation matters, including a Specialist Group on Air Transport. In addition, the Society has over 120 organisations who are members of its Corporate Partners scheme.

The Society has no direct stake in the operation at either Heathrow or Gatwick or in the general supply of air services by BAA. However, we do have a number of general observations in the public interest about both. In particular the failure to expand Heathrow in a timely way has enabled airlines and the airport authorities to charge “scarcity prices”, which have enabled the airport to become, according to Robert Milner, Chief Executive, Air Canada “the world’s greatest money making machine”. The importance of Heathrow and Gatwick as the premier gateway to the UK cannot be understated; irrespective of ownership the development of the “London hub” of airports must be seen as collective enterprise. However, increased inter airport competition in the London area should *ipso facto* improve the quality of services would be improved if airlines and passengers were able to make a comparison of the service quality offered by different airport operators.

The opening of Terminal 5 and other planned improvements in terminal facilities will undoubtedly help to improve performance, while of course further enhancing its commercial value. In the future a third runway and T6 at Heathrow to serve domestic and European routes should further underline the value of Heathrow as a hub and would underpin London’s position at the centre of an international air transport network with all of the economic benefits that this implies. Similarly, the planned parallel improvements at Stansted and particularly Gatwick would also facilitate a more balanced competitive environment, with both likely to benefit from new services launched following the US-EU Open Skies Agreement. While the environmental impact of these developments must be fully recognised and mitigated, the expansion and improvement of UK air services can be achieved in a sustainable manner.

From a passenger perspective, highlighted by the BAA’s response to security and other recent problems at Heathrow the overall service delivery has been poor with it regularly placed towards the bottom of passenger surveys. Clearly some of the immediate problems facing Heathrow stem from its original design and the huge increase in traffic it has experienced over the last decade.

Overall larger benefits would also flow from reform of the regulatory regime to ensure an adequate commercial return on operational assets. Though the changes to the ownership would probably increase the aeronautical charge at Heathrow reductions in the present excessive fares, due to increased competition between the airlines, and lower slot costs, would leave users much better off overall. Further improvements and perhaps reductions in charges might also follow from these changes if the airports were allowed to operate a “dual till”

system where operational facilities are assessed separately from overall revenue generated by the airports.

Finally, there are number of general issues that should be borne in mind as part of a competition review of BAA. First, while we fully appreciate the need for enhanced security at all British airports, this should not be used as an excuse for poor quality service and to disguise inadequate management and operations. Second, there is a need to differentiate between the time needed genuinely to process passengers from airport door to aircraft and arbitrary time requirement which serves only to increase footfall through airport franchises. Clearly it is in the interest of all to ensure adequate facilities for passengers to purchase goods and services and to relax in the event of delay or extended connection between flights. But this has to be set against the view that sitting needless around an airport terminal is time wasted. Third, the relative pricing of transport costs to the airport – including reference to environmental benefit of encouraging the use of public transport – should be closely examined. In particular, the effect of BAA ownership of the Heathrow Express service should be subject to review against the price of similar services in other European or North American airports.

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