

Submission on behalf of Liverpool Airport

In March 2007, the Civil Aviation Authority (CAA) made a reference requiring the Competition Commission (CC) to carry out a statutory review of the CAA's proposed price controls for Heathrow and Gatwick airports, which will govern how much the airport's owner, BAA, can charge airlines during the 5-year period starting April 2008. The CC will also examine, whether, in the last 5 years, any BAA conduct has operated against the public interest.

Liverpool Airport (Liverpool) shares concerns with other UK airports and airline operators about the lack of competition in the South East. These concerns stem from the fact that BAA owns each of the three largest airports in the south of England (Gatwick, Heathrow and Stansted), both in terms of passenger and freight traffic. Liverpool welcomes the CC's investigation.

Liverpool shares the belief that the interests of users at BAA's London airports need to be protected in relation to price, service quality, provision of facilities and airport capacity.

In particular, airports such as Heathrow, Gatwick and Stansted, which all face capacity constraints, have less incentive to attract new business by lowering charges or improving the quality of service.

Heathrow has limited capacity due to the constraints of its existing runways and is, therefore, unable to satisfy airlines' demand for slots. Liverpool is particularly aware that these constraints continue to prevent the establishment of a Liverpool to Heathrow service, although there is consumer demand and interest from airlines to do so. The parameters of Heathrow's slot trading regime remain unclear, although this governs the UK's essential links between the regions and hub airports.

With regard to the proposed price controls at Heathrow, Gatwick and Stansted, it would be useful to see a detailed analysis of the following matters:

- 1 the cost of the BAA investment programme and justification for expenditure, coupled with an analysis of flight punctuality at Gatwick, Heathrow and Stansted;
- 2 the potential impact of the investment programme on all BAA airport users; and
- 3 the proposed development of BAA airports and its impact on airport competition in the UK.

Liverpool notes that there is a groundswell of opinion that there should be a break-up of the BAA airport monopoly in the UK market to encourage competition amongst the ex-BAA airports thereafter. As a minimum, Liverpool believes price regulation by the CAA should be maintained, in order to safeguard the interests of the public and all users of BAA's airports.

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