

Estelle Harvey
Inquiry Coordinator
Competition Commission
Victoria House
Southampton Row
London
WC1B 4AD

13 May 2008

Dear Ms Harvey,

Thank you for the opportunity to participate in the Statutory Price Control review with regard to Stansted Airport. I write on behalf of Infratil Airports Europe, the operator of Kent International Airport (KIA).

I note that the first question under consideration in the Stansted Quinquennial review is the maximum level of proposed airport charges the airport operator may levy for the five years beginning on 1 April 2009. Within the news release attached to the supplementary documents dated 29 April 2008, Dr Harry Bush noted that "the extent to which Stansted is – and can be – subject to competitive pressure should inform the design and level of a price cap for Stansted as this will affect pricing and investment at other airports and the prospects for future competition."

The concept of existing competition referred to above will no doubt form the basis of any justification to impose price controls upon the operator of Stansted Airport. It is with this in mind that IAEL seeks to submit comments to the review, with particular regard to the direct competition, and potential competition, posed to Stansted Airport by Kent international Airport.

Background

Kent International Airport (KIA) is near Ramsgate in the east of Kent. It is approximately 75 miles east of London and 60 miles south-east of Stansted airport. KIA's key physical and operational capabilities are:

Runway

KIA has a 2,752 x 61 metre recently resurfaced and remarked paved runway. This runway is sufficiently long and wide to service all commercially operated aircraft types.

Aprons

The current apron development on the site comprises a passenger terminal apron capable holding of 4 X B737s or 3 B747s and separate large freight terminal apron and standing areas capable of holding 3 to 4 widebody

aircraft. A number of other hardstanding areas are suitable for aircraft parking up to B747 size are in place around the airfield. There is substantial opportunity to expand the apron areas cost effectively if there is commercial demand.

Air Traffic Control and Navigation

Instrument Landing System (ILS) Category 1. Non-directional beacons (NDB) and Distance Measuring Equipment (DME) also in operation. A full Air Traffic Service is provided including approach and radar services.

Rescue Fire Service

KIA supports three fire tenders and crew, ICAO and UK CAA compliant up to Category 9 fire cover, consistent with widebody freight and narrow body passenger jet operations.

Land Area

The total area is 296 hectares. Approximately 20 hectares inside perimeter fence is available for airport related development (including additional passenger and freight facilities).

46 hectares of immediately adjacent land is used for aircraft storage (connected by an apron across a road) and is developable for airport purposes.

Passenger Facilities

KIA has a recently refurbished 2,800 square metre single level terminal capable of handling up to 700,000 passengers per annum. It is equipped with:

Fully compliant baggage handling, baggage x-ray and passenger security equipment, 6 check in desks, Separate departures and arrivals areas, Food and beverage services, airport retail and an onsite travel agency, significant car parking facilities adjacent to the terminal providing for 1,000 vehicles with approval to further extend, customs and immigration based on site.

Freight Facilities

KIA has a new 3,200m² cargo facility incorporating a fully licensed Border Inspection Post (BIP) adjoining the apron. The BIP allows the import and customs and veterinary clearance of meat and fish imports into the EU. The airport also has several other large warehouse style buildings suitable for airfreight/aircraft maintenance operations.

Infrastructure Links and Travel Times

KIA is 1.5 kilometres from the dual carriageways (A299 then the M2), which provide fast road links to the M25 (57 miles) and central London (75 miles). Drive time to the M25 takes approximately 1 hour and driving from KIA to the

London underground at North Greenwich Station takes around 1 hour and 15 minutes.

London trains currently take 95 minutes to reach Ramsgate station approximately 7 kilometres from KIA. This rail service will be upgraded to achieve a 69 minute service to St Pancras Station by December 2009.

KIA is within half an hour's drive of Dover and Ramsgate ports.

Current Traffic and Operations

KIA currently serves a range of commercial aircraft operators and hosts regular international freight services. These flights primarily carry fresh produce bound for UK supermarkets and grown in Equatorial African countries such as Kenya and Ghana. [X].

During the financial year ended 31 March 2008 KIA handled 33,340 tonnes of air freight, placing the airport within the top 10 freight airports in the UK by volume and emphasising the significance of the airport in the air freight marketplace. The freight handling capacity at KIA has been significantly improved over the preceding two years with investment in new equipment and trained operators. This has led to the airport being regularly chosen as the preferred location to direct specialised, time critical cargo shipments. During the last financial year, such operations have included concert stage equipment for the Spice Girls world tour, the A1 Grand Prix vehicles and equipment, oil field equipment and many other cargo movements requiring specialised handling of large aircraft.

[X], one of the regular operators at KIA, transferred their Airbus A300 pure freight operation from Stansted to KIA two years ago. The airline has remained at KIA, with the airport's location providing them with fuel savings from a reduced flight time and reduced taxiing distances. The airport is also connected by the A299 dual carriageway directly to the M25, often allowing [X]'s time critical cargo to reach the distribution centres more quickly than was previously achieved using Stansted.

Current passenger operators include Kent escapes, Newmarket Travel and Channel Island Travel. These tour operators serve a range of seasonal destinations including weekly flights to Palma during the summer season. Passenger traffic at KIA is currently low, with 9,602 departing passengers hosted at KIA during the year ended 31 March 2008. The level of current passenger traffic do not reflect the current demand for services from KIA, but the lack of scheduled passenger services currently available. During 2005, EUjet, the Shannon based low cost airline flew 330,000 passengers from KIA demonstrating the considerable demand for services from the airport if such flights are available.

The future of KIA

The current planning framework as recorded in the Kent and Medway Structure Plan contemplates a significant airport at KIA. The document notes that the airport could handle between four and six million passengers per annum by 2021 and up to 400,000 tonnes of freight by 2015. The airport is currently undertaking a master-planning exercise to establish the future layout of the site and to revise the growth aspirations of the airport. The master plan for KIA will be prepared for public consultation during 2008.

Further Information

In our opinion it is clear that Stansted faces competition from KIA in the market for air freight services in the South East. This is evidenced by services switching from Stansted to KIA, and also by the ad-hoc services considering both airports before making a final decision about where to route their operations.

Whilst the position may appear less clear with regard to passenger services given the current period of dormancy at KIA, the airport possesses significant capacity to host scheduled passenger service operators. Kent International is positioned similarly relative to London and direct flights to KIA enable passengers to transfer to the Capital in timeframes comparative to those achieved at Stansted when ground time and passenger processing times are taken into account. EUjet passenger records demonstrate the clear overlap in the passenger catchments of the two airports. This overlap remains as a competitive influence, regardless of the level of current activity at KIA.

A key factor in the level of competition that KIA is able to provide to Stansted is ground transport infrastructure. As mentioned above, the rail access is in the process of being upgraded. There is further potential for travel time improvements via rail through future track upgrades and road initiatives.

Further information is available from the airport operator regarding current traffic and passenger demographic information. Should the Commission wish to access this information, I can be contacted using the contact details listed and will be pleased to assist.

Yours sincerely,

Matt Clarke
Chief Executive Officer
Kent International Airport