



Agenda Item: 15	Reference: HACC.524
Date: March 23 2008	
House of Commons Transport Committee: The Future of BAA	

Report by the Technical Adviser

1. The latest report from the Commons Transport Committee on an aviation subject addresses the question of whether the BAA group of companies should be split up. The report was published too late for detailed consideration for reporting to the HACC at the 26 March meeting but a short report was thought necessary in view of the pace of events as the next opportunity for consideration would not be until the Committee meeting at the end of May.

2. Broadly, the Transport Committee advocates a break-up of the BAA airports group and its conclusion was :

"It is our view that the drawbacks of common ownership outweigh the advantages, and that there is much to be gained from a state of affairs where BAA did not enjoy such substantial market power. The extent to which BAA needs chivvying along by the regulator reflects poorly on their avowed commitment to service quality. We are sceptical of arguments which deny the possibility of increased competition: our evidence from the CAA indicates that this simply is not the case. We hope that the Competition Commission will take the steps necessary to ensure a healthy, competitive airports sector for the years to come."

3. Amongst the recommendations accompanying this conclusion (listed at the Annexure to this report), the following will be of the most interest to the HACC:

- (1) That the Competition Commission should not automatically be involved in the review of airport charges. Instead, it should be the body to which the airport operators may go if they wish to appeal.
- (5) The percentage of revenue subject to rebates should be higher, as suggested by the Competition Commission
- (6) The Committee believes a competitive airports sector would be better than the current state of affairs, where in our opinion competition is stifled by common ownership of several major airports.
- (7) Heathrow is losing its popularity as a transit hub to other European airports. It is vital that Heathrow reverses this trend and retakes its place as the European hub of choice for international carriers. It is clear that a chronic shortage of capacity is hindering Heathrow's ability to provide the sort of service to which it should aspire. We therefore support the Government's proposal to add capacity at Heathrow.
- (8) We feel that there is room for more competition (especially between BAA's London airports) and that ending the current situation of common ownership would go a long way to realising this.
- (9) The Air Transport Users Council should become a proactive consumer body, going out and engaging with passengers
- \* (10) BAA may feel as though it is taking a lot of the flak for things that are not part of its day to day responsibility, but this does not detract from the serious questions raised over mismanagement of resources .....

- \* (14) BAA's monopoly position in the UK airports sector is unnecessary. Indeed, it is bad for passengers and bad for the aviation industry. We do not agree that the status quo is a necessary condition of sustained investment and development. ....

#### CONSIDERATIONS

4. This report accompanies another, from the Civil Aviation Authority, which is also the subject of report to the HACCC (HACCC.523) , both of which make recommendations for a review of the positions of the CAA and the Competition Commission. Both advocate that the Commission should become an appeal body against the decisions of the CAA, an opportunity which does not currently exist. As a result, according to Press reports, some airlines are going to the High Court seeking a judicial review of the recent CAA decision on charges.

5. Members will note the support given by the Committee ( in recommendation 7) for expansion of capacity at Heathrow so that it may re-take its place as the European hub of choice for international carriers.

6. The report refers to an expansion of the role of the Air Transport Users Council (which is represented on the HACCC) and that it should go out and engage with passengers. On past occasions when the Commons Transport Committee has been considering airport matters, it has been clear that it was not aware of the role of Airport Consultative Committees in this area and representations were made to this effect. This report seems to perpetuate that picture and the Committee may agree to once again draw the attention of the Commons committee to the complementary role of Airport Consultative Committees.

7. The Transport Committee report makes many comments and recommendations about the monopoly position of BAA airports and calling for a break-up. In view of the varied interests and opinions amongst Members on this subject, it would not be profitable to debate the subject since it is only likely to show the degree of dissension about the matter.

#### CONCLUSION

8. This Committee will, no doubt, welcome and support the recommendations to give opportunities for appeal against CAA decisions by assigning the appeal role to the Competition Commission thereby rectifying the present situation where there is not such a body.

9. The attention of the House of Commons Transport Committee should be drawn to the role of Airport Consultative Committees in looking after passenger interests at airports.

