

LONDON FIRST SUBMISSION TO THE CAA – 11 NOVEMBER 2013

Response to the consultation on the CAA's Stansted Market Power Assessment

1. We welcome the chance to put our views to the CAA as it evaluates recent developments in reaching its final market power determination for Stansted. Our brief comments can be read in the context of our [submission](#) to the Airports Commission earlier this year, in which we argued for policy and regulatory change to grow London's international air links.
2. Our rivals in Europe and elsewhere are securing new air links to high-growth markets while expanding established trade routes. The risk facing London and the UK is that businesses in growing economies, and the airlines that serve them, will make investment decisions over their European and international locations, and their flight patterns and primary airports, that will be difficult, if not impossible, to reverse. In the absence of new runways serving London in the next decade, we believe change is required to mitigate this risk. Additional flights should be facilitated where the market wants them through the more intensive use of current assets. This is no substitute for a long term strategy to deliver new runway capacity but, in the absence of that strategy, we see no choice. Policy drift will lead to the erosion of London and the UK's competitiveness.
3. We have argued that Gatwick and Stansted could, with greater regulatory freedom, extend the use of their spare capacity at a faster pace. We have seen innovation at Gatwick and Stansted's new owners are following suit, confirming the logic of the Competition Commission's recommendation that BAA's common ownership of London's airports be ended. In that context, we make two brief comments on the CAA's thinking for Stansted.
4. First, we remain of the view that the CAA has not met the burden of proof required to impose a licence on Stansted. In light of the commercial agreements Stansted has reached with airlines including easyJet and Ryanair, we note the CAA's provisional conclusion that all three parts of the Market Power Test are unlikely to be met – tests that need to be met before a licence is imposed.
5. Second, we welcome the CAA's response over the past year to changing market circumstances. The CAA recognises that Stansted has adopted a different and more commercial approach than was evidenced under previous ownership; it acknowledges that bilateral agreements imply the airlines have buyer power and that Stansted would not be likely to acquire substantial market power; and it sees a clearer strategy for the airport's future with what it calls "a more cohesive commercial relationship with incumbent airlines". We have argued that London's airports with capacity should have the commercial flexibility to invest and price as they believe will best support growth, rather than simply gain the approval of the regulator; and that the dynamic effects of competition will over time bring greater benefits to consumers in terms of quality and price. The CAA should confirm as soon as is practicable that Stansted will not be subject to a licence.