

“Stansted Market Power Assessment: consultation on relevant market developments”

Response by the International Airline Group, November 2013

IAG would like to endorse the SACC response to the CAA consultation "Stansted market power assessment: consultation on relevant market developments."

We would also like to reiterate the comments made previously (attached again for reference). In our view, there has been no material change of circumstances in relation to the cargo market at STN and the cost of regulation is likely to be small in relation to the benefits of protecting freight forwarders from the threat of excessive charges.

Response to CAA Initial Proposals for Stansted Airport in Q6

Regulation of Stansted Airport from April 2014

The International Airline Group operates dedicated freighter services at Stansted Airport, the only London airport that now accepts freighter services.

IAG agrees with the CAA's market power assessment in relation to cargo services, in particular the conclusion that STAL currently has SMP in the Stansted cargo market. We note that this is a stronger finding of market power than for passenger services due to competition restrictions at Heathrow and Gatwick under the Traffic Distribution Rules. This suggests the need for specific measures relating to cargo services to replace the current Public Interest non-discrimination measure. The Competition Commission imposed this obligation in response to past discrimination against cargo carriers.

IAG agrees with the CAA that a major concern among cargo operators is airport resilience; however we would wish to underline the price sensitive nature of competition in the cargo market and the need for a competitive cost base for any airline operating cargo flights at STN. IAG needs to be able to operate freighter services in London within close proximity by road to our Heathrow cargo base, to allow for efficient integration of our cargo business.

IAG accepts the CAA's proposed approach to regulation at Stansted, as set out in the Initial Proposals (CAP1030) subject to the comments of the Stansted ACC's response to the CAA of 25th June 2013.

However, we are concerned that controls relating to total STAL income could allow the airport to discriminate against cargo only flights because they account for a relatively small proportion of total aeronautical income. Under the CAA proposals, it would not be possible to identify significant increases in income from cargo services.

We therefore propose two measures. Firstly, the continuation of the existing public interest provision in a licence. Secondly, a small change to the proposed transparency, monitoring and show cause trigger arrangements, such that the income provisions apply separately to cargo only flights from other flights. Cargo volume is currently shown separately. A discrete transparency requirement for income from cargo only flights would provide reassurance to operators that any discrimination against cargo flights would be readily identified. The CAA's annual price monitoring statement would then provide a separate cargo assessment. Finally, we consider that the show cause protection trigger should apply separately to cargo only flights, discouraging the airport from exercising its market power selectively.

This small change would recognise the special case of cargo flights, providing reassurance to cargo shippers that London will remain a competitive place to do business, despite the competition restrictions imposed under the Traffic Distribution Rules.

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