

*Strictly Private & Confidential*

23 July 2014

**Airports Commission  
Sanctuary Buildings  
Great Smith Street  
London SW1P 3BT  
United Kingdom  
Email: [airport.utilisation@airports.gsi.gov.uk](mailto:airport.utilisation@airports.gsi.gov.uk)**

*By email and post*

**Re: Response to ‘Discussion Paper 06: Utilisation of the UK’s Existing Airport Capacity’**

Dear Sir / Madam,

The following comprises Ryanair’s response to the Airports Commission’s ‘Discussion Paper 06: Utilisation of the UK’s Existing Airport Capacity’ (“the Paper”). This letter should be read in conjunction with Ryanair’s previous submissions of 16 May 2014, 2 May 2014 and 15 July 2013 to the Airports Commission.

The Paper states that “Non-London airports and their corresponding regions have emphasised to the Commission the importance of safeguarding domestic links into London.” However the Paper also notes that in recent years “a number of individual services into the capital [have been] reduced or discontinued.” While the Paper correctly identifies that this reduction is due to “capacity constraints and their resultant pricing mechanisms disincentivising domestic traffic”, it erroneously also claims that “the recession is likely to have reduced demand”. The fact that Ryanair substantially increased its network and passenger volumes during the European economic recession disproves the Paper’s claim. In short, the critical capacity crisis in the South East, the resulting high costs at UK airports and the ever-increasing APD have led to the reduction of domestic routes into London.

The Paper refers to “*the establishment of some eye-catching long-haul networks*” at larger regional airports. While airports such as Birmingham and Manchester may be able to attract some long haul growth, this will not relieve pressure on capacity in the South East airports. Finally, it should be emphasised that these non-London airports are not substitutable for London.

In order to address airport capacity crunch in the South East, additional airport capacity must be implemented in a competitive, market-led manner, which removes the dead hand of political and regulatory interference. The Paper correctly notes that a single runway will not alleviate the present capacity constraint in the South East – “*Even once this additional capacity [i.e. a single runway] has come on stream the demand for aviation in London and the South East cannot be met by growth at Heathrow or Gatwick alone.*” The only solution therefore is to develop three additional competing runways in the South East, one each at Heathrow, Gatwick and Stansted at the earliest possible dates, which will resolve the runway capacity crisis in the South East for the foreseeable future. This additional capacity and resulting lower airport charges would lead to increased traffic volumes on domestic UK routes to / from the South East.

The Paper notes the difficulties faced by regional airports vis-à-vis London airports and questions what “*role Government should play in supporting the UK’s regional airports*”. If the Government intends to help these regional airports, it should develop three additional runways in the South East as described above. The additional capacity (and resulting downward pressure on airport charges) would allow airlines to operate domestic flights and by extension allow regional airports to maximise non-aeronautical revenues due to the increased passenger volumes.

The Paper erroneously claims that a “*factor which may destabilise or unsettle regional airports is the lack of permanency in the behaviour of the airlines who serve them.*” If regional airports’ charges remain competitive, airlines will continue to serve them and even increase operations. By way of example, we refer to Ryanair’s recent announcement of additional routes and frequencies to / from Manchester from winter 2014, which was due to the competitive pricing structure at this airport. This proves that airlines will grow at competitively priced airports. Should three additional runways be delivered in the South East, this will contribute to growth at the UK’s regional airports as described above as it will allow airlines to increase their domestic activity.

The Paper refers to State aid and PSOs with a view to supporting regional airports. Any such measures must be compatible with European law. However, if capacity is added to the three London airports as described above, this will assist regional airports’ development and



sustainability without the need to resort to potentially anti-competitive State aid. We note that the UK correctly imposes PSOs only to “*connect its remote islands to the mainland or to each other, or to link remote regions into the capital*”, and not to “*safeguard links between secondary and tertiary cities*”. These latter PSOs are incompatible with European law and, where imposed, are the subject of various complaints to the European Commission.

The Paper correctly recognises “*the doubling of the rate of Air Passenger Duty (APD) in February 2007, from £5 to £10*” as severely damaging to traffic growth at UK airports. In order to rectify this damage, we strongly recommend that the Government abolishes APD immediately.

The Paper claims that “*The strategies of the airports serving London and the South East...should deliver valuable capacity in the 2010s and 2020s and beyond.*” This is incorrect. As the Airports Commission is aware, London and the South East suffer from capacity constraints today. Heathrow is capacity constrained at all hours, Gatwick and Stansted are constrained in peak hours, and other airports in the South-East, such as London City and Southend, are unable to handle larger aircraft due to operational restrictions. As such, the only option that will “*deliver valuable capacity*” in the South East is to promptly develop three competing runways at Heathrow, Gatwick and Stansted. In the absence of such additional capacity and the resulting lower airport costs, airport “strategies” alone will not “*deliver valuable capacity*” as the Paper claims.

Even at this late stage, Ryanair strongly encourages the Airports Commission to adopt our proposal for three new runways in London. This would revolutionise both capacity growth, and the consumer benefits in the South East and the rest of the UK

We are available to discuss these proposals and to answer any additional questions you may have.

Yours sincerely,



Juliusz Komorek

***Director of Legal & Regulatory Affairs***