

Press Release - 22 April 2008

BAA CPO POWERS TO BE EXAMINED BY COMPETITION COMMISSION

Stop Stansted Expansion (SSE) welcomed the publication today (22 April) of the Competition Commission's 'Emerging Thinking' Report on BAA's airport monopoly.

The Report is highly critical of BAA and it now seems inevitable that BAA's UK airport monopoly will be broken up with BAA forced to sell some of its seven UK airports. The Commission's final report will be published by the end of the year. Gatwick, Stansted and Edinburgh airports are the most likely candidates for disposal.

In further bad news for BAA - but news that will be very welcome to many local homeowners and landowners - the Competition Commission has announced that it is to investigate potential abuse by BAA of its compulsory purchase order (CPO) powers.

BAA's business success depends heavily on its being able to use CPO powers to acquire large tracts of land for airport development. Much of the land is then used for car parking, hotels, office building and other development ancillary to the operation of an airport - but highly profitable. BAA's CPO powers are limited in law to land which is essential for "core" airport operations and it is difficult to see how hotels, office blocks and car parks would fit that definition.

In the past BAA has used the threat of CPO (but not actually a legally authorised CPO) to acquire land at agricultural values which then becomes the site for a hotel, office block or car park. Land which has an agricultural value of £5,500 an acre could have a commercial value in excess of £1 million an acre.

The potential financial implications for BAA are therefore extremely serious whilst local home-owners and landowners could stand to make substantial gains if BAA has been found to be abusing its CPO powers.

In March 2006, SSE provided a confidential submission to the CAA questioning BAA's CPO powers and made this information available to the Office of Fair Trading and the Competition Commission as part of the current investigation into the BAA monopoly. A joint complaint has also been made to the Competition Commission by two property developers [see notes below] who own a large area of land in the vicinity of Stansted Airport.

SSE particularly welcomes this initiative by the Competition Commission at a time when local homeowners and landowners are already being approached by representatives of BAA to sell out now or face the 'inevitability of a CPO at a reduced price in a few years time'. SSE has received numerous reports from local homeowners and landowners telling us that BAA's approach has verged on intimidation.

SSE economics adviser, Brian Ross, commented: "BAA is a cash strapped company and many people have been wondering why it is rushing around trying to acquire property now under the threat of a CPO. We all now know the answer. The airport operator's CPO powers are far less wide-ranging than they would like us to believe and BAA may have anticipated that its CPO bluff could soon be blown apart."

ENDS

NOTE TO EDITORS

1. A copy of the submission to the Competition Commission by Legal & General Assurance Society Ltd and Hines UK Ltd is available from SSE upon request or can be found on the Competition Commission website.

2. SSE's submissions on BAA's CPO powers to the CAA, the OFT and the Competition Commission must remain confidential for the time being so as to avoid providing BAA and others with advance sight of legal and planning arguments which we may wish to rely upon at some stage in the future. CPOs are unlikely to be considered until 2009 at the earliest.