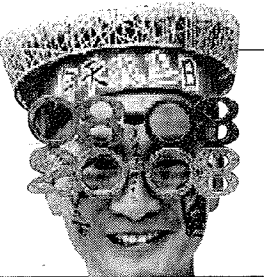


Opinion

Beijing's youngsters
are relishing the
changes in China

Simon Barnes, page 28



Airport sell-off puts a spoke in Brown's wheel

Breaking-up BAA will improve conditions for passengers and save Britain from a huge environmental disaster

Anatole
Kaletsky



At last, a bureaucratic body staffed by unknown and unelected members of the new Labour quangocracy, has done something absolutely right. The Competition Commission's proposal forcibly to split ownership of London's three main airports, all at present owned by BAA, was one of the bravest and most sensible decisions by an official body in living memory. That it will cause fury in the business Establishment, consternation in the City and confusion among ministers and their Tory shadows, shows just how wise and brave it was.

The proposal to break up BAA (formerly the British Airports Authority), which its chief executive predictably described as flawed and counter-productive, is excellent for two broad reasons. First, competition generally yields better results, in terms of both customer service and economic efficiency than monopoly, regulation and central planning. Secondly, this particular break-up will protect London from a big environmental blight and the British economy from a serious blunder, by negating one of Gordon Brown's oddest "long-term commitments" — his incomprehensible determination to expand Heathrow.

Mr Brown's policy on airport expansion, backed strongly by the CBI and most business lobbies, is

based on one article of faith. Southeast England is supposed to be desperately short of runways and this shortage threatens the entire economy by damaging London's competitiveness as a financial and business centre. Yet what is the evidence for it? There are certainly queues at Heathrow airport, but is a shortage of runways the main cause?

Check-in, security and border delays at Stansted are often as bad or worse, yet the runway there operates at only 70 per cent capacity, against Heathrow's 95 per cent. Moreover, the problems at Heathrow, where 33 per cent of flights are delayed by more than 15 minutes, are only slightly worse than in Paris, where 28 per cent of flights are similarly late. Yet Paris has four runways compared with Heathrow's two.

It may be true that extra runways at Heathrow would relieve London's air travel problems. But it is equally possible that competition would deliver big improvements — as it did in telecoms and electricity distribution — by squeezing greater efficiencies out of existing resources.

The commission offers many examples of changes that breaking up BAA's monopoly might bring.

Better services and lower charges at Stansted and Gatwick could create incentives for airlines to transfer flights from Heathrow. Runway use could be maximised by encouraging off-peak flying. Airline economics could be shifted against the environmentally damaging hub-and-spoke system that relies on transfer passengers changing planes at airports such as Heathrow, in favour of the direct "point-to-point" services operated by airlines such as Ryanair, Virgin and easyJet.

Of course, it is possible — indeed likely — that London would still need more airport capacity. But until competition has been given a chance, it is impossible to say how much extra capacity will be needed and where new runways should be built.

This observation leads to the second aspect of yesterday's Competition Commission report that will be much more politically controversial than advocacy of greater competition.

Competition is a motherhood and apple-pie nostrum that every politician and business leader endorses in theory. But breaking up BAA will delay for years, probably for ever, any possibility of further expanding Heathrow.

This will deeply disappoint the CBI and other business lobbies, and will infuriate the Prime Minister, who had been hoping to burnish his image as strong economic leader in troubled times by staunchly supporting Heathrow expansion and contrasting Labour's tough "pro-business" position with the Tories' much more sceptical and greenish view.

Unfortunately for Labour, yesterday's report means that Mr Brown has again chosen exactly the wrong issue on which to take his resolute stand — and has ended up snookering himself instead of David Cameron.

As well as giving credibility to competition as at least a partial alternative to physical expansion, the commission's report will trigger a shake-up in Britain's aviation industry that totally precludes any long-term decisions being taken on capacity expansion in the lifetime of this Parliament.



Heathrow: expansion plans will have to be parked for now

Even more embarrassingly for Mr Brown, the now inevitable debate over BAA will draw attention to the weakness of the arguments for expanding Heathrow presented by the company, British Airways, the CBI and other business lobbies.

For example, business lobbyists are having to argue publicly against the geographical truism that Heathrow's flight-paths directly over densely populated areas of central London might disqualify it as a global hub. In doing this, the managers of BAA and BA are resorting to scaremongering absurdities that will end up making fools of themselves and their political supporters.

BAA's chairman wrote in the *Financial Times* yesterday that a decline in transfer passengers at

Heathrow would mean Paris, Amsterdam and even Dubai becoming Britain's hub airports. "Why would a business want to be based in London, a city at the end of a branch line?" he asked.

New York, Los Angeles and Tokyo, like London, are big business centres that can generate enough direct traffic not to rely on the transfer passengers needed at Atlanta, Frankfurt or Amsterdam.

Moreover, when it comes to a choice between flying directly from one big city to another, or changing at a "hub", most passengers will prefer the direct route. This is why the hub-and-spoke model may not even make sense from a business standpoint, as Robert Ayling, BA's former chief executive, admitted in *The Sunday Times* a few months ago.

In view of all this confusion, how should British politicians react to the proposed airport break-up, especially at a time when both parties want to show that they are "business friendly" and decisive on important infrastructure projects such as airports and nuclear power?

For Mr Brown there is no answer, as he could never bring himself to admit that he made a mistake in backing an airport expansion programme that would be bad for Britain.

But for Mr Cameron, the report presents a great opportunity. When asked whether he is pro-business or anti-business, for or against big infrastructure projects, he should offer this answer: "I am for businesses and projects that are good for the country and against those that are bad."

Is such a message really too complicated for Britain's voters?