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The quiet nationalization of Stansted Airport [1]

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When David Cameron became leader of the Conservative Party, it is unlikely that many Conservative members expected him to preside over the nationalisation of an airport. But, with the £1.5bn sale of Stansted to Manchester Airports Group (MAG), that is, in an odd way, what has happened. For although MAG (which already owns and operates Manchester, East Midlands and Bournemouth airports) is privately managed, its principal shareholders are a group of ten local authorities. Manchester City Council owns 55%, and Bolton, Bury, Oldham, Rochdale, Salford, Stockport, Tameside, Trafford and Wigan own 5% each.

True, MAG is doing the deal with the Australian investment group Industry Funds Management, which will take a 35.5% stake in the newly-enlarged enterprise. But that still leaves the local authorities as the main owners.

The privatisation of the UK's airports was not done well. The 1984 Adam Smith Institute paper *Airports for Sale* [3], by the distinguished Dublin transport economist (and now Irish Senator) Sean D Barrett, raised the idea of privatising the then British Airports Authority (BAA), but insisted that its airports ? three in Scotland (Aberdeen, Glasgow and Edinburgh) and three around London (Stansted, Gatwick and Heathrow) should be sold individually or in packages in order to promote competition. Sadly, Margaret Thatcher's government, while taking on the wisdom of privatising the badly-run BAA airports, chose to take the easy option (and perhaps the most lucrative one) of selling all six together. We knew this was a mistake, but consoled ourselves in the thought that such a monopoly could not last for ever and (like that other privatised monopoly, British Gas) it would be broken up one day, once it had acquired a more commercial way of working.

And it is right that the airport monopoly inherited by BAA plc should be opened up to competition. Glasgow and Edinburgh are what economists would call 'near substitutes', as are the three London airpots (or they would be, had BAA and British Airways not striven to segment them). And though both groups face competitors (Prestwick, Luton, Cit), these are small. It is just a shame that the competition has to come from a publicly-owned body. Rather like Britain's electricity sector, a large chunk of which is now owned by nationalised French firms. If we really believe in competition, should we really be handing companies back to state enterprises here or abroad?

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