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Unfinished business at the airports [1]

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Our 1984 paper *Airports for Sale*, by the noted transport economist (and now Irish Senator) Sean Barrett, put airport privatisation on the agenda in the UK. Dr Barrett showed why the six airports of the then British Aviation Authority (Heathrow, Gatwick and Stansted around London, and Glasgow, Edinburgh and Aberdeen in Scotland) should be sold separately rather than as a unit, so that competition and fresh thinking could come in to the UK's state-run airport sector.

Sadly, the Thatcher government ? rarely as radical as people on either side suggest it was ? thought it much easier to privatise BAA as a unit. A company of that size could be sold easily to the public through the stock market, a monopoly provider would bring in a higher price, there would be none of the legal or accounting problems that might be caused by a break-up, and the sale could go through much faster. Competition, they told us, could come later.

So the state airports monopoly (or near-monopoly: there were other notable local-government owned airports such as Manchester, East Midlands, Bournemouth and Luton) was turned into BAA plc and sold as a block. It has taken nearly thirty years, though, for the first prospect of competition cracking that block, and the cracks aren't all that deep.

Spanish-owned company Ferrovia took over BAA a few years back, but the Competition Commission later ruled that it should sell three of its airports ? Gatwick and Stansted and one of either Glasgow or Edinburgh - to help create competition.

Gatwick was at least sold to a private consortium, the US-based investment fund Global Infrastructure Partners. Though GIP also owns London City Airport, so you could argue that there is still a monopoly element in that. And as I explained in January [3], Stansted has been sold too - but to Manchester Airports Group, which is entirely owned by local authorities. So that is hardly an injection of dynamic private-sector thinking. And what are local authorities doing running airports anyway?

The most promising sign is that Gatwick is now pushing the regulatory, the Civil Aviation Authority, for more operating freedom. It is demanding freedom to expand, and wants to be allowed to offer discounts to Far Eastern airlines. It sees a niche in attracting more flights from China, Indonesia, Korea and Vietnam. Current CAA regulation insists that all airlines should be charged the same, around £8.80 per passenger. Why? Steven Wingate, chief executive of Gatwick, says his plan would be a victory for competition over regulation. He's right.

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