

# Britain's air traffic control service to be privatised

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The Labour government is to press ahead with the part-privatisation of Britain's National Air Traffic Control Service (Nats).

Under measures contained in its Transport Bill, the government will sell-off 51 percent of the Nats system—46 percent on the open market and five percent to staff—whilst retaining a 49 percent “golden share”. Potential bidders include the Airline Group, comprising British Airways, Virgin, British Midland, Airtours, Britannia, JMC, Monarch and EasyJet. The other bidders are Novares, led by Lockheed Martin, and Nimbus, comprising the Serco Group and PPM Ventures.

The Bill finally won the backing of the House of Lords, Britain's second chamber, in a crunch vote on November 29. It had been passed overwhelmingly in the House of Commons where Labour has a large majority, but a coalition of Conservative, Liberal Democrat and a handful of Labour peers had twice rejected the measures in the Lords.

Labour had condemned the Lords' opposition as a “constitutional outrage”. Traditionally, the Lords have the right to amend and improve Bills, but not repeatedly block them. Should the Lords have voted to reject the legislation for a third time, with just days before the end of the Parliamentary session, Labour could have lost the entire Transport Bill or have had to drop its air traffic privatisation plans to get the remainder of the Bill passed. Other measures contained in the legislation include the establishment of a Strategic Rail Authority, as well as introducing powers over road congestion charges.

Technically, the government could have used the Parliament Act to force the entire Bill through, but protocol dictates that this should not be used on a measure that was not a manifesto commitment.

It was this that was the source of Labour's difficulties. In opposition, Labour had denounced Conservative plans to sell-off air traffic control, announcing that “our skies are not for sale”. Their stance echoed widespread public opposition to the Conservative's sweeping privatisation programme, which had included rail and bus services.

In government, Labour rapidly dropped its opposition to privatising Nats, claiming its *volte-face* was due to a realistic appraisal of investment and safety commitments. According to Labour, the public-private partnership (PPP) will enable a “massive injection of investment” into a service employing 5,200 people—some £1 billion in the course of the next decade. Without this, Nats, which is already working close to capacity, would not be able to function adequately, the government claims, since air traffic is increasing at more than 5 percent a year.

But a leaked document from Nats' directors earlier this year revealed the sell-off would be followed by severe cutbacks. The document noted that the economic regulation group of the Civil Aviation Authority (CAA), which had been asked by government to advise Nats on the charges it may impose on airlines after sell-off, had suggested “efficiency savings” of up to 36 percent. Senior managers in Nats, who admitted they were planning “aggressive” savings of 17.5 percent over five years, had objected to the CAA figure on the grounds that it would “impose major operational difficulties”. In the document, Nats' managers complained, “We are not a standard utility. Safety in the air traffic control industry is undoubtedly of a different order of importance. One simple distinction is that manning levels are absolutely critical to safety and service delivery. Efficiency savings must not jeopardise the basic service obligations.” The document also

revealed that the CAA regulator expects cuts of between 16 and 29 per cent in capital spending over the first five years.

Labour's PPP schemes—which it is also running in health and education—are in fact aimed at providing a lucrative bonanza for the City of London. By ending its commitment to public services, the government hopes to continue slashing public spending, provide further tax breaks for the rich and major corporations and feed the stock markets.

Significant sections of big business, supported by the Conservative Party, have doubts over the viability of a partial sell-off plan. This standpoint was expressed bluntly in a cross-party committee established by the government to review its air traffic proposals earlier this year. Reporting back in February, the committee attacked the proposed PPP scheme in air-traffic as the "worst possible option". A private company would "very likely" have to raise charges or cut costs, jeopardising safety, the committee said, whilst the expected £350 million proceeds from the sale would only result in revenue of £20 million after costs.

The committee was not opposed to privatisation *per se*. It stated categorically that Nats could not remain in public ownership, but it expressed concern that attempts by private investors to increase profits by pushing the costs onto customers would place the UK's airlines and airports at a competitive disadvantage.

There are also concerns that privatisation could affect national security, by undermining the government's ability to seize immediate control of airspace in an emergency.

The committee recommended instead that Nats should be made an independent trust, funded by a bonds issue and governed by a consortium of directors drawn from government, industry and the unions. London Mayor Ken Livingstone has put forward a similar funding proposal for the capital's Underground rail network, which also faces privatisation.

With a general election probably in May 2001, Prime Minister Tony Blair is also keen to avoid any public confrontation over privatisation. Labour's former opposition to a Nats sell-off was a concession to widespread hostility amongst working people at the Conservative government's privatisation programme. This resulted in tens of thousands of job losses and is widely held responsible for severely compromising

public health and safety.

Such concerns have been reinforced by a number of fatal crashes on Britain's privatised railways, which have revealed substantial under-investment in infrastructure. Last year, a fatal crash at Paddington, London killed 31 people. In October 2000, four people were killed after a train derailed at Hatfield and there were a further two—non-fatal—derailments last week alone. This is despite the fact that the rail network is barely functioning due to emergency maintenance work on much of the country's track.

Just as the Lords prepared to vote on the Nats sell-off for a third time, it was revealed that one of the main companies bidding, Serco, is planning to emulate the rail network in sub-contracting the vast majority of engineering maintenance work—affecting almost 1,000 jobs.

In the end, the government turned to the Conservative peers to save the day. In a compromise amendment, the government agreed to delay the planned sell-off for a few months to enable it to present a progress statement to the Lords in spring 2001.

Just hours before the Lords vote, the chairmen of British Airways, Virgin and British Midland penned an open letter to peers in the *Times* newspaper, calling on them to allow the legislation through. "Even if parliamentarians will not accept the assurances of government on these points [of safety], we ask them to accept the word of those in whose interests the air traffic control system is run," the airline bosses said.

The peers duly obliged, voting by 157 to 57 for the government compromise.



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