

Railtracks in the Sky

'New' Labour, Air Traffic

Deregulation and the Competitive Market

by Peter Reed

Book review by **Stephen Gruneberg**

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Perhaps more than any other industry, aviation has relied on government intervention for its technological development, safety standards and international operation. However, the systems of public sector regulation, supervision and participation have steadily been eroded to be replaced by a new system that is based on market forces. In 'Railtracks in the Sky' Peter Reed presents a convincing argument that the faith of 'New' Labour in deregulation of the aviation industry is at best misguided and at worst threatening and destructive. He regrets the separation of the National Air Traffic Services from the Civil Aviation Authority. He rejects the notion that there is evidence to support the faith in free market economics being advocated by the UK government. He points out and demonstrates airfares were on a long-run decline long before any talk of deregulation or privatisation was being seriously considered by government.

But this book is much more than a book about air transport or UK aviation policy. Of course, it is primarily concerned with air traffic control and the problems of the aviation industry, but it goes much further and wider. The aviation issues raised serve as an example in the debate about government intervention versus free market economics, updated to take account of the

international nature of the airline industry, inter-governmental co-operation and rivalry, and developments in technology, not least information technology.

Reed deals with a number of major issues facing the airline industry. Each chapter deals with a different question. Has state intervention hindered growth and development in the aviation industry? Has deregulation in the United States proved so successful that we should follow suit? Do free markets solve the problem of airport congestion? Is privatisation of the airline infrastructure the best way to invest in air traffic control and safety systems? Whose interests are best served by national and international aviation deregulation, market competition and privatisation?

As a former academic and later General Manager Economic Regulation in the Civil Aviation Authority, Peter Reed was responsible for all British aviation economic regulation and has led international negotiations. As a result he has extensive experience of the aviation industry to draw on and the book is largely written from an ex-regulators point of view. He integrates into a coherent argument technical issues, such as the guarantees offered by Air Travel Organisers' Licensing, the operation of yield management and Denied Boarding Compensation, the real implications of Computerised Reservation Systems, the hub and spoke system in the US, 'Grandfather Rights', and many other features of the UK and international airline industry.

While many argue in favour of deregulation as if there is no longer a case to answer, Reed points out that international aviation agreements reflect international power politics. He presents a strong and supported case that, due to deregulation combined with governmental participation, the support given to its own airlines by each country tends to favour those in the

strongest political position. As Europe remains divided, particularly in aviation terms, this gives US airlines a clear advantage. Moreover, he reveals how the workings of the World Trade Organisation, and even the North American Free Trade Agreement and the Multinational Agreement on Investment work in the interest of multinationals, denying regulatory bodies representing the interests of elected governments the power to intervene. This is not to say there is no bureaucracy. On the contrary there has been a proliferation of public bodies, but they rely on a faith in market forces rather than negotiated agreements to justify their intervention and it is far from proven that market forces can deliver 'the objectives of the community'.

Reed concludes by proposing his 'modern' approach to tackling the management and policy issues of the aviation industry. He pleads for open and democratic debate to regain control over the foibles of a market-based 'theology'. He suggests that rather than leaving things to random market outcomes, society should decide what its objectives are for the aviation industry and what aviation-specific regulations would be needed to achieve them, with perhaps a European wide aviation authority to counter-balance American economic and political power. This is a wish list of someone who was at one time an Economic Adviser at the Ministry of Transport in the UK.

If nothing else Reed posed important, often uncomfortable, questions of those in the industry, government and regulators, questions, which need to be addressed and require an answer. If these questions are current in nature, the theoretical framework he provides will serve as a lasting case study in the dismantling of a public sector system that served the interests and safety of consumers, the airlines, and the general public.

If there are any shortcomings in this book, one of them is that it lacks an index. Although Reed presents a closely argued case, the text appears polemic in places, which for some readers may appear to show bias. The author does not avoid controversy, but it is this, which makes the book provocative, stimulating and worthwhile to read. It is true that it deals with current issues and is addressed to politicians, policy makers, regulators and the airline companies as well as students of the industry. There is much in it that will stand the test of time as a case study in successful and unsuccessful government intervention in an industry. This is an erudite well-sourced book by someone with personal knowledge and intimate experience of the industry.

It is beautifully written – a pleasure to read.