

Points from hearing with the Transport & General Workers Union section of Unite—the Union on 27 July 2007

Background

1. The Transport & General Workers Union (T&G) told us that it had just over 5,000 members within the seven BAA airports in the UK. In addition, there were some 1,200 members of the Amicus section of Unite—the Union in the airports. There was a formal structure for negotiation at each airport. The industrial relations atmosphere was generally good and the T&G had a dialogue with BAA across a wide range of issues. It was fair to say, however, that since the pressures placed on security since 10 August 2006 there had been a difficult industrial relations atmosphere at some of the airports. For example staff at Heathrow were working in intolerable conditions—they needed plenty of drinking water in the security areas and this was not being delivered, the working areas were not sufficiently clean and the air-conditioning caused difficulties. The T&G believed that differences in staff attitudes and morale at the different airports should be attributed to the physical working conditions rather than to the local management.

Recruitment and working conditions

2. BAA had found it difficult and time-consuming to recruit the additional 500 or so staff it needed for its increased security responsibilities. The criminal records, employment and counterterrorism checks took a long time, and these checks plus proficiency tests weeded out a large proportion of applicants. The requirement for physical checks on a percentage of passengers meant that more female security guards were needed than before. BAA was finding it difficult to recruit them because of a lack of crèches and other family-friendly policies. There had to be security staff at work from 3 or 4 am in order to meet the business needs of the airport, which also affected recruitment as many people did not want to start so early.
3. Heathrow was a difficult place to work because of the building work taking place and the pressure of the security requirements. There was increased evidence of physical and verbal abuse of staff because of the pressurized environment for passengers and the different security regimes operating in the UK from those in other countries. There were many other employment opportunities in the area around Heathrow, which made it difficult to attract people to work at the airport.
4. Staff at Gatwick enjoyed better working conditions and more space than at Heathrow, but nevertheless the security regime caused problems and there were difficulties with recruitment, although not of the same magnitude as at Heathrow. The local labour market around Gatwick and Crawley was quite tight and BAA had had difficulty recruiting the extra security staff it needed.
5. There were demands on staff at Stansted because of the low-fare operators, who required early start times. There were recruitment difficulties because of the absence of a large local labour market; many staff travelled in from north London or the area around Cambridge. Staff shortages had led to physical and verbal assaults on staff because of the length of queues.
6. In general, Southampton Airport and the BAA airports in Scotland did not have major recruitment problems. Staff at Glasgow felt that the work they did in response to the recent terrorist attack had been appreciated and that BAA had managed the situation well.

BAA management

7. The management of BAA had recently undergone major reorganization and had taken its eye off the ball with regard to staffing issues. There had been a serious problem over security staff at Heathrow not getting their correct breaks, and industrial action had been threatened. This had been circumvented by agreement between management and the union on break provisions and monitoring arrangements. The examination of management structures predated the Ferrovial acquisition, but the process had been accelerated by the acquisition and Ferrovial's focus on costs throughout its business. This was seen by local managers to be one of their key areas in which to deliver and it seemed that they had failed to understand the impact on staff of some of the changes they introduced. The appointment of managers from outside BAA had also contributed; although not in itself unhealthy, the scale on which it had been done had led to breakdowns in staff/management relationships in the airports.

The single till

8. The T&G was opposed to the single till because the nature of BAA had changed since privatization. Its original focus had been on providing airport services. However, a lot of the associated provision, such as seating for passengers, security screening etc did not produce any profit and so there was no incentive for BAA to invest in those areas and look after the end-customer. It had therefore focused on developing the retail operation, which had been very profitable. The T&G's position was that if the business model had two strands then there should be two pricing regimes to reflect the different strategies, with the provision of airport services clearly separated from retail. With regard to the argument that under the single till the revenues from retail subsidized the airport charges, the T&G said that in the original economic debate on privatization the argument was advanced that market forces would make the privatized companies more efficient. Competition would mean the end of cross-subsidies so that the true price of services would be revealed and customers could make a choice. It was therefore surprising that the CC was arguing for subsidies. One of the reasons that the airlines were opposed to the dual till was that they recognized they were being subsidized.
9. The single till was obscuring the true cost of air travel and its effect on the environment. It had been suggested that the growth of budget airlines had been a factor in the increase in air travel. It was unclear to what extent this could be attributed to the subsidy and whether if prices increased people would decide not to fly.

Cost of capital

10. The T&G was concerned about the CAA's proposed cost of capital of 6.2 per cent at Heathrow and 6.7 per cent at Gatwick, which was lower than the cost of capital. BAA would now be competing for funds from within the larger Ferrovial group, and anything that adversely affected its profitability could be detrimental to the airports. It did not believe that the high price Ferrovial and the other shareholders paid for BAA necessarily indicated that the previous cost of capital was too high. It suggested that the purchasers paid over the odds because they recognized that they might be required to split up BAA and had factored in the possibility that they would have to sell Gatwick Airport. The OFT's decision had created uncertainty and increased the risk, so BAA would be looking for a higher return.

Heathrow Terminal 5

11. The T&G commented that British Airways' occupation of Terminal 5 (T5) could be to the detriment of other airlines that would be moved around the existing terminals at Heathrow. The other airlines would be paying a higher price for British Airways to have the new facility which might give it a competitive advantage.
12. T5 would provide staff with much better physical working conditions and would also provide an opportunity for systems and working practices that were relevant to the new environment to be put in place. Management and the union were in ongoing discussions about rosters and working arrangements. More thought was being given to new technology in the central search area that would assist the flow of passengers and biometrics would be in place from the outset. The T&G expected that some of the new ways of working would spin off into the other terminals.

Rostering

13. The roster was the system by which people reported for work at certain times and days. It should reflect the business needs of the organization and be changed if the needs changed. Having a large number of rosters did not by itself mean that an organization was inefficient. The perception that rosters at the airports reflected employees' personal circumstances, which was why there were shortages of security staff at certain times of day, was incorrect. It was management's responsibility to run the airports and engage with the unions if they saw a changing business need. The T&G was not convinced that BAA was sufficiently proactive in initiating discussions; nor did it always take account of the consequences of changed working patterns for people with family responsibilities, for example by providing crèches.
14. An example of BAA management's lack of responsiveness occurred when security was increased on 10 August 2006. Security staff worked increased hours to meet the new requirements; if they had worked only their contracted hours Heathrow and other airports would have come to a stop. As a consequence of carrying out an increased number of body searches over a long period, more staff than usual suffered musculoskeletal disorders and were off work. Management did not anticipate this or have any way of dealing with it. However, each airport had autonomy to manage staff and rosters in the light of local conditions; some managers were more successful at this than others.

Absenteeism

15. Asked why BAA employees' rate of sickness absence was significantly above the national average, the T&G said that managing absenteeism properly was the key to dealing with it, by having systems and trained managers in place. BAA had brought in a new system with the agreement of the union, but did not seem to have the resources to apply it consistently. In recent months, the extra hours worked by security staff and the increased stress they were under had contributed to levels of sickness absence. The unsocial hours and pressure would continue for the foreseeable future, so it was important for BAA to monitor sickness absence and try to reduce it.

Pay and conditions

16. The T&G believed that BAA security staff were paid the right rate for the job: although this was above the median rate for security services they were not overpaid

for the heavy responsibilities and pressures of the job. The T&G would be concerned about any proposed sell-off of one or more of the BAA airports, because this would exert downward pressure on terms and conditions of employment, recruitment would suffer and ultimately security would be damaged. Contracting-out of security services could be expected to have similar adverse effects.

Points relating to the market inquiry

17. Insufficient capacity was a major issue, particularly at Gatwick, where development was restricted until 2018, and Heathrow, where there was unlikely to be a third runway before 2015. Lack of capacity meant that Heathrow was suffering in competition with other major airports in Europe (eg Amsterdam Schipol, Frankfurt, Paris CDG) that did not have the same constraints and were able to develop their infrastructure much faster than the London airports. The disparity between the security requirements at British airports and those in the EU and elsewhere was also damaging Heathrow, particularly in respect of business travellers who were deciding to use other European hub airports to transfer from one flight to another. If Heathrow continued to be downgraded the major carriers would have no difficulty in moving their operations to one of the other hubs.
18. BAA suffered as a result of being regulated at both ends: economic regulation by the CAA and operational regulation by the Government. If it were to be allowed by the Government to change the use of the runways to mixed mode, the capacity of Heathrow could be doubled almost overnight.
19. The T&G believed that there were economies of scale from the common ownership of Heathrow, Gatwick and Stansted, with each focusing on a different market segment. Under separate ownership, each airport would have to operate across all segments, which would add to costs. It was not in favour of separate ownership of terminals within an airport because it could prejudice the safe running of an airport, particularly with regard to airside servicing of aircraft, which was already a difficult exercise.
20. In the TGWU's view, a break-up of the BAA London airports would de-motivate staff, who identified quite strongly with BAA, and could have an adverse effect on the operation of the airports. Experience in other companies had shown that divestment of part of a business tended to unsettle and destabilize staff. It commented that it had seen no analysis to demonstrate that benefits would arise from splitting BAA. Furthermore, if regulation would still be needed if the airports were separately owned, then the cost of regulation could be higher than for a single entity. It suggested that the economic and safety regulation roles would be better separated, with the CAA retaining responsibility for the safety aspects. Allocation of airport slots should perhaps be brought into the regulatory regime to bring some transparency into what was a grey area.
21. The T&G did not have a clear view on whether Edinburgh and Glasgow airports served different markets, but did not believe that Prestwick had a great competitive impact on Glasgow. It commented that the BAA airports were hugely important to the Scottish economy. There was continual pressure from politicians and other interest groups for them to be maintained as viable operations. It was concerned that a move to separate ownership would drive down terms and conditions of employment.