BRITISH AIRWAYS' HIGHLAND DIVISION?

by

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The Highland Division of the State airline has been called an airline within an airline. Almost self contained in terms of budget, fleet, staffing and operation, the division was set up in 1981 to take over British Airways' loss-making Scottish internal services. These services link the main island communities of Scotland to the Highland capital of Inverness and to the cities of Aberdeen and Glasgow, as well as directly linking these three cities with each other. Born out of adversity and financial crisis, BA's Highland Division is a unique organisation within the British airline industry. The purpose of this article is to assess the claim that the division is so unique as to qualify as a worker Co-operative.

History and Problems

The present network of air services within the Scottish Highlands was created in the 1930's and has changed little since that time. Started by small private airlines and pioneer British aviators the services were discontinued for the duration of World War Two. At the end of the war the newly resumed services were soon taken over by the recently created British European Airways, the pre-war competitive environment being replaced by a ~~single~~ monopoly operation until the 1960's. By the middle of that decade it had become clear that the operation of these rather specialist air services with their need of small turbo-prop aircraft, did not fit in with the operational needs of a carrier which was developing the biggest service network in the world, requiring the use of the latest jet equipment.

To make matters worse the losses suffered on the Scottish internal services began to increase sharply year by year and British Airways embarked on a programme of cut back and retrenchment within Scotland. During the 1960's and early 1970's, BA handed over to Loganair all its smaller Highland routes, such as those from Islay, Campeltown, Tiree and Barra to Glasgow. This small Scottish airline had been formed a few years earlier by William Logan, founder of the construction firm based on Muir of Ord and soon began to specialise in "social service"type air service operations geared to the needs of small Highland communites. This airline was in fact to provide later the operational model for BA's Highland Division after the "Beeching style" cut-backs and route pruning failed to stem the mounting financial losses on the remaining Scottish internal network.

Postion on Entering the 1980's

The late 1970's found British Airways in the red, to the tune of £3 million plus, on its Scottish operation, overstaffed by at least 50 per cent and using expensive Viscount aircraft which, despite their acknowledged comfort, were far too large for the needs of the routes. At the same time the parent airline was also confronting the most serious financial and operational crisis of its history. Running into privatisation the economic recession had clearly demonstrated the truth of arguments made by the airline's critics throughout the 1970's; its was grossly overstaffed with very unhealthy cost and debt structures and was set to run a heavy annual deficit. Had the State carrier been a private operator there is no doubt that its critical situation as it entered the 1980's would have caused its financial backers to withdraw support. In order to prepare this ailing organisation for privatisation, the new management under Sir John King had no choice but to make British Airways cost effective with one obvious measure being to close down all unprofitable routes within the airline's network.

Thus the management and staff of BA's Scottish internal services found themselves faced with two stark options for their own future within this overall climate of financial retrenchment. The first option was to agree that the Scottish network was inherently unprofitable and that it should be closed down, regardless of the fact that most of the Highland routes had a "social service" as well as a commercial function. The second option was to find a way of operating these routes which would "turn them round" financially and make them net contributors for the airline. The BA board agreed to defer the closure option until the second had been tried after management, staff and unions within Scotland decided to attempt the impossible and come up with a profit-making solution.

A Co-operative Job Saving Exercise

To find the solution management and staff within Scotland formed a joint working group in which each was an equal partner. Given the history of these services and the worsening economic situation, with almost all operators of domestic air services making heavy losses, many informed commentators felt that the task facing the joint working group was an impossible one. What followed was an exercise in equal collaboration between management and staff, unique in British airline history. Under Hugh Read, BA's West of Scotland manager (and later the first head of Highland Division) the joint team managed to square the circle. The formula they came up with convinced the BA Board that the services could be operated profitably despite their history.

To bring the proposed Highland Division into being radical changes in the current operation had to be agreed to by the Board, the Scottish management and the Scottish staff. The main changes were:

(i) the staff complement had to be cut by two thirds;

(ii) staff productivity had to be increased by the introduction of flexible manning with all staff agreeing to "work across jobs", with for example pilots checking in baggage and passengers as required;

(iii) to reduce pilot costs to a workable level all Highland Division flight deck crew would be graded as First Officers and paid as such;

(iv) the current fleet of Viscount aircraft would have to be sold and replaced by Hawker Siddley 748s holding 46 as opposed to 80 plus passengers; and

(v) the new division would need a higher level of autonomy in regard to finance, aircraft aquisition and working practices than was the case with other divisions of the airline.

All parties to the exercise agreed to the five main changes and the formula was translated into reality. The success of the co-operative exercise can be judged from the fact that three years after its creation BA's Highland Division is firmly in profit and its level of cost effectiveness is acknowledged as being amongst the best in the British airline industry. The key to the success of the venture was of course the agreement of the staff not only to a sharp reduction in their number, but also to flexible manning.

A Worker Co-operative?

Highland Division is now a working reality, enjoying a high degree of autonomy within British Airways, comfortably in profit with its new flexible manning procedures working smoothly. Such has been its success in achieving its objectives that it is frequently quoted as "the model for the future" by such disparate groups as BA's top management and the Scottish Consumer Council. Even within the volatile airline industry the future of the division seems secure. However, this exercise in worker-management co-operation is not and never was intended to be a worker Co-operative. In the Western World only one airline has a viable claim to be a worker Co-operative, this is People Express based at Newark Airport, New Jersey which likes to assert that "all its staff are managers".

This non-unionised airline is of course the great success story of US deregulation. The key to its success is its extremely low costs matched to maximum flexibility of labour. The most important constituents of the airline's operational organisation are:

(i) complete manning flexibility and job crossover – whilst this does not mean that all staff fly People Express aircraft it does mean that all top managers have to do their weekly stint on passenger check-in and luggage loading, etc.;

(ii) all employees are equal shareholders in the airline, the current president having given up his 90 per cent holding to permit this to happen;

(iii) union membership is not permitted;

(iv) all aircraft are purchased second hand or leased; and

(v) all employees have a right of direct access to senior management and to be consulted on major planning initiatives; management is deliberately democratic in style.

People Express may fall short of being a full worker Co-operative but it clearly approaches the Co-operative model much more closely than does BA's Highland Division. The essential difference between the two is People's genuinely democratic style of management which makes it difficult for its senior executives to impose new ideas against the wishes of the majority. It is this element of their operational structure which gives authenticity to the American airline's claim that all "its employees are managers" and rightly called such. The People Express "managers" clearly have a degree of actual worker power and control over their future not enjoyed by the employees of Highland Division. There are also signs that British Airways is about to cut back on the high degree of autonomy enjoyed by the division; certainly they are to lose their own divisional head and are to come under the direct control of the recently appointed General Manager Scotland.

However, at the end of the day the issue as to whether Highland Division constitutes a worker Co-operative should not detract from its achievements as an exercise in staff management co-operation. The uniqueness of the division resides in the fact that this co-operation made it possible to triumph over adversity by implementing the most radical manning and operational procedures ever introduced to the British airline industry. As a direct consequence it now provides "the model" to be copied for achieving maximum cost efficiency within the home airline industry.

Note of the Author

MARGARET TEMPLEMAN was educated at Coleg Harlech Adult College, University of Cambridge and University of Essex (Social Science degree); worked in local authority social services research; was lecturer at the Civil Service College (Edinburgh) and since December 1977 has been Research Director with the Scottish Consumer Council.