Need to know

1 President Trump threatened a trade war by imposing hefty tariffs on European car imports. A US commerce department report is expected to recommend that the EU motor industry be classified as a threat to national security as it robs the country of an industrial base to produce military hardware.

2 Honda is to shut its only British factory. The Japanese carmaker is expected to announce tomorrow that its plant in Swindon, Wiltshire, will shut in 2022. The closure will directly affect 3,500 people employed by the company.

3 Dame Judith Hackitt, head of the industrial manufacturers' lobbying group Make UK, has attacked the political classes for selfishly pursuing ideology in the delivery of an unsatisfactory withdrawal from the European Union that could end up being a catastrophe for British businesses.

4 Ethnic minority employees are leaving the Bank of England in disproportionate numbers and feel less comfortable with the organisation's culture, according to the minutes of a recent meeting of the non-executive directors.

5 Ministers are considering auctioning take-off and landing slots at an expanded Heathrow after Britain leaves the EU, despite warnings that the move would inflate costs for airlines and passengers.

6 People's confidence in their finances has fallen at its fastest rate in almost a year and employees are increasingly concerned about their job security, a survey has suggested.

7 A hedge fund has wound down a stake of more than $1 billion in Barclays as the bank fights off an attack from an activist investor. Tiger Global Management, which held a 2.5 per cent stake, sold its entire holding over the past year, according to the *Financial Times*.

8 Any break-up of Reckitt Benckiser would be unlikely to happen before the middle of next year and would be overseen by a new chief executive, the company indicated yesterday. The consumer goods group said that it continued to "evaluate the opportunities to maximise shareholder value".

9 Britain's largest private construction company said that a no-deal Brexit would pose a minimal risk, if any, to its present projects as it reported a £46.5 million post-tax loss for its latest financial year. Laing O'Rourke is filing its annual results today, more than four months late.

10 The banking industry and groups representing hundreds of thousands of employers are set to join forces to urge business owners to make contingency plans for Brexit. UK Finance, the banking trade body, is working with groups including the Federation of Small Businesses, the British Chambers of Commerce and the CBI.

Selling Heathrow's slots at auctions 'will push up fares'

Graeme Paton Transport Correspondent

Ministers are considering auctioning take-off and landing slots at an expanded Heathrow, despite warnings that such a move would inflate costs for airlines and passengers.

Runway access may be sold off for millions of pounds to the highest bidders when Britain leaves the European Union, representing an overhaul of existing aviation regulations.

A strategy paper published by the Department for Transport said that auctioning all or a limited number of highly sought-after slots would improve competition and raise cash.

Senior officials are believed to favour the system as a means of distributing access when Heathrow expands. Europe's busiest airport will cater for an additional 260,000 flights a year when its third runway is opened in 2026, creating 356 lucrative daily pairs of take-off and landing slots.

The auction system also may be applied to any additional flights at Gatwick, which wants to bring its emergency landing strip into full operational use as a second runway to create an additional 50,000 flights a year.

Critics have warned that the changes would create a disaster for the industry because it would give priority to airlines with the most funds and thus shut out smaller carriers. New slots are allocated free of charge, at present. The new system probably would promote more profitable, well-worn routes rather than opening up access to new destinations in Britain or emerging markets, it has been claimed.

The International Air Transport Association insisted that the "only winner" would be the Treasury, which would be likely to pocket the receipts of any slot auction. International Airlines Group, the parent company of British Airways, which holds more than half of Heathrow slots, said that it would be opposed to the move, even though it probably would be the biggest winner of any auction system.

The allocation of slots is handled by Airport Co-ordination and follows common EU rules that came into force 26 years ago. Under the system, any new airport capacity is pooled, with half of slots being allocated to "new entrant" airlines. It considers criteria including whether airlines are proposing new routes and destinations that are not well served by other carriers.

Existing slots are held by airlines using so-called "grandfather rights". In Britain, they can be traded in a "secondary market", often commanding huge sums. A record $75 million was paid by Oman Air for a set of rights at Heathrow.

The government said in its Brexit planning guidance that slot allocations would remain unchanged in the event of no deal. It insisted that the rights would be allocated in a "transparent and non-discriminatory way". However, the transport department is understood to be seriously considering the adoption of an auction system.

The department's aviation strategy, published before Christmas, confirmed that the government was considering "market-based mechanisms for release of additional capacity", and added: "This could include auctioning all slots or a limited number that would be most sought-after."

A House of Commons library paper from 2017 admitted that auctions "may be more difficult for small carriers with lower purchasing power".

Lara Maughan, the IATA head of worldwide airport slots, said: "Making airlines pay for entering or growing at an airport means consumers will be the losers. At a time when Britain is looking to improve its competitiveness and to build more connections to the world, these proposed changes will do the exact opposite. Extracting even more cash from airlines and their passengers will mean higher costs, less choice and less investment. The government's stated objective to improve regional access to Heathrow would be irreparably damaged by an auction system that would force airlines to prioritise the most lucrative long-haul routes."

IAG said: "We support IATA's view that slot auctions would negatively impact consumers and undermine Britain's aviation industry."

A transport department spokesman said: "We have been clear that any slot allocation system should be designed to stimulate a competitive market and this is just one of a range of options. We are working with the aviation industry in considering any potential reforms to the system so it delivers the best outcome for passengers."

Q&A

Who allocates slots at airports?
Landing and take-off slots are allocated independently in the UK by Airport Co-ordination, following EU slot regulations of 1993

How are slot allocations made?
Slots are handed out twice a year, for summer and winter schedules. "Grandfather" rights entitle incumbent airlines to continue using the slot if it has been used for at least 80 per cent of the previous period. In the UK, slots are traded in the secondary market

What about new slots?
New slots are put into a pool. Half are supposed to go to new airlines

What's being proposed?
The government wants to promote competition, including auctioning slots to the highest bidder. The existing system provides incentives for "slot hoarding", when airlines retain as many slots as possible and sell them to make a profit

What landing slots are worth

$75m
Oman Air paid a record sum to KLM for a pair of slots in 2016

$60m
American Airlines to SAS for a pair of slots in 2015

$209m
Continental Airlines to GB Airways for four pairs of slots in 2007 ($52.5m per pair)

$47m
Delta Air Lines to an unknown airline for two pairs of slots in 2012

Air traffic controllers will have a third runway to manage at Heathrow from 2026, with more flights and passengers passing through Europe's busiest airport

Environmentalists are against plans for 260,000 more flights a year at the airport

Small businesses may need agent to trade with EU

James Hurley Enterprise Editor

Businesses dealing in a vast array of consumer goods may have to appoint a representative inside the European Union after Brexit in order to keep trading with the single market.

The Federation of Small Businesses warned that companies selling to customers in the EU could face an additional "massive barrier to trade" when Britain leaves, if proposals to force businesses from third countries to appoint authorised representatives are implemented.

The EU is planning to require businesses from countries outside the bloc that trade in certain goods to appoint an "authorised economic operator" within the single market. The proposal, meant to prevent unsafe products entering the EU, would force manufacturers to designate a person to hold compliance documentation inside the bloc and to be accountable for non-compliance, including criminal penalties.

The rules, which could be implemented in 2021, would cover consumer products ranging from kitchen and bathroom scales to toys to electrical appliances and lighting equipment. Resellers would need to cite the manufacturer's responsible person and details may need to be included on packaging or accompanying documents.

UK companies affected by the rules would have to find and appoint a representative, assuming they do not have an existing agent to take on the responsibility. The FSB estimates that the costs could be at least £1,500 a year for each product category they deal in.

The group, which represents more than 100,000 small employers, is concerned that the proposals may put off some UK businesses from trading with the EU after Brexit. It is urging the government to "ramp up engagement" with the European bloc and to follow the example set by the United States, which lobbied against the proposals on behalf of American companies.

This month, the Congressional EU Caucus wrote to David O'Sullivan, the EU ambassador to the US, to warn that the rules would "disrupt trade flows and unduly and disproportionally burden small manufacturers and ecommerce resellers to the EU". In 2010, the EU successfully lobbied against plans to introduce similar measures in the US.

Mike Cherry, national chairman of the FSB, said that the proposals would provide "paper-thin" protection for EU consumers.

"Many of the EU's largest and closest trading partners, like the US, are making their concerns about these rules clear," he said. "I foresee further action and challenges at the World Trade Organisation, with temporary retaliatory measures being imposed."

Investors spooked by Norwegian boss

Robert Lea Industrial Editor

The chief executive of Norwegian Air has denied that he lacks confidence in his airline after it emerged that he had sold his rights to new shares to undisclosed third parties on the cheap.

The manoeuvre by Bjorn Kjos, the 72-year-old founder of the low-fares carrier, sent shares in Norwegian to a seven-year low, at one point dropping by nearly 10 per cent and closing down 4.3 per cent at NKr93.67, valuing the company's stock at about NKr4.2 billion, or about £377 million.

Norwegian is the world's fifth largest low-cost airline, flying 500 routes across Europe and long-haul to countries including the United States. It was founded in 2002 and employs 11,000 people. It has been shaking up the industry, offering fares of £150 one-way across the Atlantic. However, its operating losses last year nearly doubled to £350 million, with net debt of £2.9 billion, and it announced a £270 million rights issue to patch up its finances.

Mr Kjos and Bjorn Kise, Norwegian's chairman, had indicated that they would take up their rights to subscribe for up to 27 per cent of new shares issued. However, it has emerged that Mr Kjos and Mr Kise are to sell some of these rights to other investors at a discount of about 70 per cent of their value. That spooked other investors into worrying whether the rights issue would get away on the published terms.

Norwegian said that the pair "have repeatedly communicated their full confidence in the business, something the rights issue also underlines".

● **The future of Flybmi is in the hands of BDO, the insolvency accountancy, and Stephen and Peter Bond, the multimillionaire brothers (Robert Lea writes). Flybmi, the trading name of British Midland Regional, the last remnant of the British Midland empire created by Lord Glendonbrook, 77, went bust at the weekend. Its routes out of Bristol and Aberdeen were snapped up by Loganair. Flybmi and Loganair are owned by Airline Investments Limited, controlled by the Bond brothers, who made a fortune when they sold Bond Aviation, their late father's helicopter company, now part of Babcock International. There was no indication last night of what will happen to other Flybmi services.**

CONTINUED FROM PAGE 31

Commons 'pamtomime'

YouGov found that 6 per cent of manufacturing companies have already relocated facilities abroad to get round the perceived constraints of Brexit, with a further 12 per cent considering it. The survey found that nearly a quarter of companies were stockpiling goods.

Dame Judith will also attack politicians over the collateral damage caused by months of parliamentary deadlock over EU secession. "The other very real consequence of so much time being devoted to Brexit is the opportunity cost of other very serious issues that aren't being addressed: our future aviation capacity, transport infrastructure, energy supply and, most critically for our sector, our future skills needs in an era of digitisation," she is scripted to say.

Chapter is over for Pearson

Alex Ralph

Pearson offloaded its American schools textbook business yesterday, more than 18 months after it effectively put it up for sale.

The education publisher said that it had agreed to sell its K12 courseware business to Nexus Capital Management, a private equity firm, for $250 million as part of its plans to create a digitally focused business.

Under the terms of the transaction, Nexus will pay only $25 million initially, with a further $225 million to be paid via a vendor note due in the next three to seven years. Once the note is repaid, Pearson is entitled to 20 per cent of all future dividends to equity-holders and will receive 20 per cent of net proceeds if the business is sold by Nexus.

Pearson is a FTSE 100 company specialising in educational assessment and courseware. It employs more than 30,000 people in 70 countries and generated a pre-tax profit of £408 million last year on sales of £4.5 billion. It announced a review of its courseware publishing business in the United States in May 2017, alongside a £300 million cost-cutting drive.

Despite the sale, Pearson said that the broader American schools market "remains an important area of focus".

Shares in Pearson closed down 9½p, or 1 per cent, at 911p.

Barclays chief loses key backer as Tiger bows out

Tabby Kinder
Professional Services Correspondent

An American hedge fund has wound down a stake of more than $1 billion in Barclays as the bank fights off an attack from an activist investor.

Tiger Global Management, which held a 2.5 per cent stake, making it a top ten shareholder, has sold its entire holding over the past year, according to the *Financial Times*.

The hedge fund was believed to have been a supporter of plans by Jes Staley, 62, Barclays' chief executive, to revive the lender's fortunes. However, the bank's shares have lost about a third of their value over the past two years, prompting concerns about Mr Staley's turnaround strategy.

Barclays is one of Britain's four biggest high street banks. It employs more than 100,000 staff worldwide in retail, commercial and investment banking services.

Tiger Global was founded in 2001 by Chase Coleman, 43, one of a group of "tiger cub" hedge fund managers who had worked for Julian Robertson, 86, a renowned New York investor. Its investment in Barclays, accumulated in November 2017, was regarded as a departure for the New York-based fund, which typically invests in technology companies, and as a vote of confidence in Mr Staley's strategy to focus on developing the investment banking division in the United States and the consumer bank business in Britain.

Tiger Global started to offload its position in the bank last summer. The bulk of its holding was through derivatives contracts, which do not have to be made public on a share register and which it allowed to expire.

Mr Staley, who has run Barclays since 2015, has struggled to keep large shareholders onside amid calls for the company to split off its investment banking division. Tiger bought much of its stake when Barclays' shares were trading at about 180p. They rallied to 217p in March last year, but have since fallen to 158½p.

Tiger's decision to unwind its holding in Barclays could be seen as a new blow to Mr Staley's strategy, which is also under pressure from Edward Bramson, an activist investor. Mr Bramson, 67, holds a 5.5 per cent stake in Barclays through Sherborne Investors, his company. The investment firm was rebuffed last year when it made an informal attempt to gain board representation in private talks with the bank. It has since raised its attack by submitting a resolution to appoint Mr Bramson to the Barclays board. Mr Bramson says Barclays has "strategic weaknesses" and that it should scale back its investment bank.

Mr Bramson met Barclays bosses, including Mr Staley, in mid-November and has another meeting scheduled for March 12 after the bank's annual results, set to be published on Thursday.

Barclays and Tiger Global declined to comment.


Jes Staley, pictured with his wife Debora, has led Barclays since 2015

Banks to offer 'Brexit clinics' for small firms

James Hurley

The banking industry and business groups representing hundreds of thousands of employers are set to join forces to urge business owners to make contingency plans for Brexit.

The Times understands that UK Finance, the banking trade body, is working with groups including the Federation of Small Businesses, the British Chambers of Commerce and the CBI on an initiative to urge small and medium-sized companies to "plan ahead", despite the lack of clarity about Britain's trading position after March 29, when the country is scheduled to leave the European Union.

The groups are due to issue guidance this week recommending that companies consider how customers and suppliers could be affected by Brexit and what their financial needs might be should they suffer cashflow problems.

It is understood that the banking industry will seek to reassure companies that it is in a position to lend to viable businesses should they find themselves with a short-term cashflow issue after Britain's departure. Companies also will be advised to consider alternative finance options in the event that a bank does not lend.

Yesterday Barclays, one of the so-called Big Four high street banks, along with HSBC, Lloyds and Royal Bank of Scotland, said that it would host 100 Brexit "clinics" around the country next month to provide support for its customers. It said that the clinics would be held by its more than 1,500 relationship managers and would take place in branches. Topics covered will include managing cashflow and working capital, exporting goods, supply chain management, labour and protecting against fraud, the bank said.

Jes Staley, chief executive of Barclays, said that the clinics would help small companies to "prepare and cope with whatever Brexit will bring".

The FSB estimates that only about one in seven small companies has started planning for a no-deal Brexit. *The Times* revealed last month that banks and business advisers were planning for the possibility of a significant increase in demand for loans in the event of a no-deal Brexit.