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Newspaper of the year

City bonuses reach record £19bn

16% increase in payments has knock-on effect on house prices at top of scale and farmland

Ashley Seager

The high rewards on offer in the exclusive world of Britain's boardrooms and City dealing rooms were exposed yesterday by figures showing a jump of 16% in bonus payments this year to a record £19bn.

That is equivalent to the country's entire annual transport budget. The Office for National Statistics (ONS) released its annual estimate of the scale of bonuses showing they rose by £2.5bn this year, following a £1.5bn rise last year, meaning they have leapt by a quarter in two years.

Analysis of preliminary ONS data by

the Guardian shows the level of bonuses amounted to £19bn in the early months of this year, when bonuses are traditionally paid. Most will have been paid to top-flight people in the City of London and Canary Wharf. Financial services bonuses accounted for about £10bn of the overall figure, by far the largest chunk and equivalent to £25,000 for every City worker.

But the big bonuses, often amounting to many millions of pounds, go to a small number of investment bankers or financiers who pull in large amounts of business for their employer or secure large merger deals. Many banks in the City have reported record profits on the back of ris-

ing share prices and a boom in mergers and acquisitions.

Big City bonuses are regularly cited by London estate agents as a key factor pushing up property prices in the capital and the Royal Institution of Chartered Surveyors last week reported that demand from City bankers had helped to push farmland prices to record levels.

Britain's banks together made a record £33bn of profits in 2005 and, after a bumper first half, are set to outstrip that this year despite the rising level of personal insolvencies and bad debts.

The ONS said the overall bonus figures cover the vast majority of Britain's com-

panies, include bonuses to boardroom executives. Profits have been high across much of British business with oil companies such as BP and Shell thriving on the tripling of oil prices over the past couple of years.

The bonus news drew criticism from the trade unions. Frances O'Grady, the TUC deputy general secretary, said: "People clearly need to be rewarded for doing a good job, but the huge amounts being paid out in City bonuses continue to beggar belief. Many working people helping to deliver vital services can only dream of earning what a small number of City high-flyers receive each year in their annual

bonus."

Peter Montagnon, director of investment affairs at the Association of British Insurers, which speaks for some of the City's most powerful institutional investors, said there was at least more of a link with performance in the City than in many boardrooms.

"My impression has always been that City bonuses go down as well as up," he said. "They have a pretty close link to performance, almost certainly closer than that achieved in the publicly listed sector where, over a long period, we have seen evidence of upward creep."

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Terror: EU plan for vetting of air passengers

Alan Travis and Alexi Mostrous

A system for the "positive profiling" of European airline passengers is to be urgently explored in response to last week's alleged airline terror plot, European interior ministers meeting in London agreed yesterday.

The home secretary, John Reid, insisted that the new system, which would affect all domestic and international flights in and out of Europe, would not involve screening by religion or ethnic background but would be carried out well in advance of flights based on biometric checks – electronic eye or facial scans.

The European Commission vice-president, Franco Frattini, said he wanted to see a system of advanced screening of passenger name records – similar to that demanded by the Americans and Australians – brought forward urgently.

The EU's plan on terrorism envisages a directive being drawn up this autumn to implement the scheme, which would enable both regular cleared passengers to get through security checks quicker and enable the security services to check passenger names against warning lists of terror suspects.

The scheme is part of a package of



A dog handler walks past the diverted United Airlines plane on the runway at Boston's Logan airport yesterday Photograph: Michael Dwyer/AP

measures agreed yesterday at the meeting called as an act of solidarity in response to last week's arrests in connection to the alleged airline plot.

The ministers were briefed by the director general of MI5, Dame Eliza Manningham-Buller, and the head of special operations at Scotland Yard, assistant commissioner Andy Hayman.

The measures also include:

- An urgent £237,000 research project into how to detect liquid explosives, which were at the centre of last week's alleged plot;
- New moves against internet sites that incite terrorism and detail bomb-making techniques;
- The adoption across Europe of the new British regime of hand luggage checks at airports;

Further measures to curb radicalisation and recruitment among Europe's Muslim communities;

● A Euro-summit of security services later this month to "pre-empt the terrorists' next plot".

Mr Reid said after the meeting: "What's clear to all of us is that we face a persistent and very real threat across Europe. It is a threat we face here in Britain as individu-

als and as communities, but it's not unique to the UK. It affects us all across the European Union."

Mr Reid said in considering the use of advanced passenger data it was important to distinguish between "positive profiling" and "ethnic or racial profiling".

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National

Rapist soldiers to get early release

Three former British soldiers jailed for murdering and raping a Danish tour guide in Cyprus in 1994 will be released in the next few days, it emerged yesterday. The men, formerly of the Royal Green Jackets, were jailed for life in 1996 after they seized Louise Jensen outside a nightclub in Ayia Napa and killed her with a shovel. Their sentences were reduced on appeal two years later to 25 years on the grounds that they were young and drunk at the time and had no previous convictions. Cypriot law also provides for early release for good behaviour, and in 2003 all prisoners received a presidential pardon that cut their sentences by a quarter.



How did a compass, a Bible, raw fish, sea birds and a lot of rain water help three Mexican fishermen? 3»

International

Hizbullah leads drive to rebuild

Hizbullah activists set to work yesterday, clearing rubble-strewn roads, burning piles of refuse and ferrying the dead and wounded to hospital through the scrub-covered hills in polished modern ambulances. With funding from Iran, the group is at the forefront of the reconstruction effort in southern Lebanon, with a pledge to pay a year's rent and provide new furniture for every family whose house has been destroyed. Hizbullah's Nabil Kaouk yesterday welcomed a Lebanese cabinet decision to deploy 15,000 troops south of the Litani river from today, but warned that disarmament of Hizbullah was "not on the table".

Financial

British Energy profits up 145%

The nuclear generator British Energy reported soaring profits yesterday due to higher electricity prices, but unsettled investors with a warning that it is likely to miss its target for power output for the third year in a row. Shares in the company fell almost 5% in spite of a 145% rise in earnings. It blamed equipment and "human performance" problems for unplanned stoppages, but said there were no safety issues. The government owns a 65% stake in British Energy after it bailed it out in 2002. It is considering selling its stake, which could raise up to £6bn. Analysts said there would be no shortage of buyers.

Sport

Strauss throws hat in ring for captaincy

Andrew Strauss handed England's cricket selectors a dilemma yesterday ahead of their Ashes defence this winter. On the eve of the final Test against Pakistan at the Oval today, having already led England to a series win, the stand-in captain revealed he would relish the prospect of taking charge in Australia. Strauss, who replaced the injured Andrew Flintoff as captain, himself standing in for Michael Vaughan, has overseen two wins in the past two Tests and indicated he would like to keep the job even if Flintoff returns. "I have enjoyed doing it recently," he said, "and, if asked, it would be a massive honour."

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