

CONFIDENTIAL

cc Mr. Mount  
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MR. SCHOLAR

BRITISH AIRPORTS AUTHORITY: E(NI)(81)19

1. The broad satisfaction that the Department of Trade expresses for the performance and plans of the British Airports Authority is not echoed in the House of Commons, nor in many other quarters, especially international airlines and passengers. There has indeed been frequent calls for privatisation and elimination of the very substantial monopoly that BAA commands. (See Michael Colvin et al CPS report of July.)
2. It has been pointed out that the monopoly position of British Airports Authority has enabled them to charge landing fees which have been, by international standards, very high indeed. (When I last looked at this I found the only comparable ones were in Australia.) Although one should not object to high fees if they perform the service of limiting demand to the existing capacity, there is also considerable evidence that such high fees are absorbed in high manning levels and general inefficiency. Certainly comparisons with American airports of a similar kind, such as New York's John F. Kennedy, suggest that BAA costs and manning levels are high. Similarly, JFK charges much lower landing fees than Heathrow, and this has given rise to the outrage of Pan Am and other American airlines.
3. The only domestic competition for British Airports Authority in the London area comes from Luton, an airport which is owned by the local authority. When I examined airports I found Luton consistently made a good profit for the local authority in spite of its locational disadvantages, the high seasonality of its package tour trade, and the limitation on the size of aircraft. At least Luton should provide standards by which we can judge a minimum requirement for the British Airports Authority.

② 4. But in any case the general issue of possible privatisation of British Airports Authority is not mentioned in the report. (I suspect the BAA have contingency plans along such lines!) It is likely that the threat of privatisation would induce a number of changes, such as the rationalisation of the Edinburgh/Glasgow airports and the reorganisation of Heathrow.

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