



cc BGC

Awaiting Pmg  
Unit

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP  
Secretary of State for Transport  
Department of Transport  
2 Marsham Street  
LONDON SW1

7 November 1985

*Nicholas*

**ECONOMIC REGULATION OF AIRPORTS**

I have seen a copy of your minute of 4 November to the Prime Minister seeking agreement to your proposals for the economic regulation of airports.

My concern over the original proposals for the CAA to regulate trading practices as well as charges in relation to core aeronautical activities was that their apparent vagueness would deter potential investors. I was therefore pleased to see that you are now proposing to be rather more specific and to make clear that the CAA's powers will be directed at unreasonable discrimination against any class of airport user. Provided that a satisfactory definition of the powers along those lines can be worked out for the Airports Bill, as I am sure it can, I am happy to withdraw my objection to the CAA regulating trading practices.

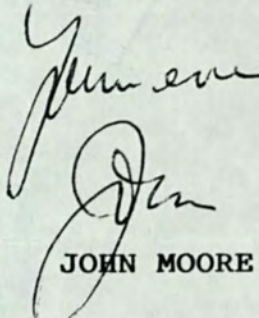
As to "reasonable profitability", I am glad to see that you accept that our objectives are the same so that the issue is a matter of wording rather than of principle. It is, however, a very important matter of wording which could have major implications for the proceeds from the sale of the BAA. So whilst I am content for the moment to leave it to officials to discuss the wording of the CAA's general duties, I will wish to be satisfied in due course that the outcome removes all risk of the BAA being seen as subject to profit regulation. I am inclined to think that it would be best if there were no mention of profitability in the CAA's general duties.

I understand that it has not yet been established whether the proposed regulatory regime takes proper account of our international obligations, notably as to the subsidisation of aeronautical charges by profits on commercial activities. This

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too could have major implications for proceeds so I hope that before long you will be able to bring forward proposals to cover the issue.

I am sending copies of this letter to the Prime Minister, members of E(A) and to Sir Robert Armstrong.

  
JOHN MOORE

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