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DEPARTMENT OF TRANSPORT
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N/S Martin
stage

The Rt Hon John MacGregor OBE MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1

13 DEC 1985

Prima Dister

Dear John

LAKER CLASS ACTION SETTLEMENT:
CLAIMS BY GOVERNMENT DEPARTMENTS

As you may know, an American court has recently given provisional approval to an out of court settlement negotiated between British Airways, Pan Am and TWA as defendants, and lawyers representing a class of transatlantic travellers who claim that, as a result of an alleged conspiracy to bring about the collapse of Laker Airways, they have had to pay higher fares on flights between the UK and the USA than would otherwise have been the case. The provisional settlement implies no admission of liability on the part of the defendants under US law. There has been no question of any liability under UK law.

I enclose a copy of a recent advertisement, inviting claims under the settlement. Briefly the settlement provides that any claimant who can provide evidence of flying on the routes in question on the defendants' flights between 1 March 1982 and 31 March 1984 will be entitled to a coupon or coupons for each single journey which may be used to offset the cost of further transatlantic flights during the next five years. Claims have to be submitted by 16 February. The settlement provides for a potential fund of \$30m, which is the total face value of the coupons. The value of each coupon will depend on the number of valid claims.

Government departments are likely to form a substantial category of claimant. It is impossible to estimate what the potential claims might amount to because the value of each coupon will not be known until the period for claim is close, and it would require a good deal of work by departments to work out how many valid claims they could make. Preliminary enquiries suggest that the FCO might have some 6000-8000 claims, the DTI might have about 600, and the DOE and DTp taken together have about 70. The MOD would no doubt be another large claimant, but I understand that they have not been able to give my officials a quick estimate

of the scale of their claims. The total potential claims by all passengers flying by the three airlines over the 25 month period, of course, runs into many millions.

My purpose in writing to you however is to ask that the Treasury, and with your endorsement, all other departments, should forego their claims. It has been HMG's long standing policy that international civil aviation, which is the subject of bilateral agreements between Governments, should not be subject to the domestic competition of laws of the signatories to those agreements. The agreements themselves provide the means of regulating competition. The US Government, however, has argued that, notwithstanding our agreement with them on civil aviation (the Bermuda 2 agreement), their domestic competition laws should apply, and the case against the three airlines for which this out of court settlement is proposed was brought under those laws. Leon Brittan gave on 11 December a written Parliamentary Answer, reaffirming the Government's intention to maintain its long standing policy, as a prelude to negotiations with the Americans about mutually acceptable arrangements for civil aviation. A copy of the answer is enclosed.

It would in my view undermine the credibility of HMG's policy if Government departments were to take advantage of this settlement by lodging claims for compensation arising from a case which, in our view, should never have been brought. I should therefore be grateful for your assistance in ensuring that no such claims for travel on official business are made.

I am copying this letter and enclosures to the Prime Minister and Cabinet colleagues.

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Nicholas

NICHOLAS RIDLEY

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s. Wrinkle

it down to an increased
education of women about skin
care, "plus the fact there is quite
a bit of marketing hype. And it's
a huge market, the 20 to 25-
year-olds. They have the money
and they like anything that's
expensive. And of course it's
not just one product, in that

as soon as they start working,
and private health insurance
too - both, you would have
thought, very middle-aged con-
cerns. "But they usually leave it
much too late," said one
financial expert gloomily, "until
they're about 30."
Older people have always
been obsessed with staying

Alexandra Campbell, editor
of the magazine, Soap, Per-
fumery and Cosmetics, doesn't
agree. The first youth-conscious
generation is in its thirties now.
I don't think they like it much."
It's back to the chicken and
the egg, I suppose, and which
came first, the problem or the
cure. Nobody knows. But the
eggs are golden, that's for sure.



Sunday Times 24.11.85

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

IN RE NORTH ATLANTIC AIR TRAVEL
ANTITRUST LITIGATION

THIS DOCUMENT RELATES TO:
ALL CASES

LEAD CIVIL ACTION
No. 84-1013

ATTENTION

Summary Notice of Class Action and Proposed Settlement

If you flew between the United States and the United Kingdom
on Pan Am, TWA or British Airways between March 1, 1982
and March 31, 1984, you may be entitled to share in a fund with
a potential value of \$30 million.

Whether you are a company or an individual, if you purchased
an airline ticket after February 26, 1982 for scheduled subsonic air
travel between the continental United States and the United Kingdom
during the period March 1, 1982 and March 31, 1984, on Pan Am, TWA,
or British Airways, you may be entitled to share in a distribution of a
potential fund of \$30 million in coupons usable to reduce your cost of
future U.S.-U.K. air travel.

The coupons would be distributed as part of the proposed
settlement of this antitrust class action lawsuit, In re North Atlantic
Air Travel Antitrust Litigation, Civ. No. 84-1013, currently pending
in the United States District Court for the District of Columbia.

If you wish to share in this settlement and receive your coupon(s),
or to object to this settlement, or to exclude yourself from this lawsuit,
you must follow the procedures set forth in the full Notice of Class

Action and Proposed Settlement. All claims for coupons must be
submitted on the Claim Form that accompanies that Notice. To
obtain a copy of the full Notice of Class Action and Proposed Settle-
ment, together with the Claim Form, you must promptly:

Either call 718 236 2337 in the U.S. or 0272 277008 in the U.K.

Or complete the form below and send it, or simply send your
name and address, to the Settlement Administrator at the appropriate
address below:

U.S.A.:
The Settlement Administrator
P.O. Box 1002
Bowling Green Station
New York NY 10274.

U.K.:
The Settlement Administrator
P.O. Box 314
Bristol BS99 7AW.

PLEASE DO NOT CONTACT PAN AM,
TWA OR BRITISH AIRWAYS

If you wish to share in the settlement and receive coupon(s),
you must complete the Claim Form and return it postmarked no later
than February 16, 1986. Failure to submit the Claim Form or to exercise
any of the other options described in the Notice of Class Action and
Proposed Settlement by February 16, 1986 will result in the loss of any
right to share in this settlement or to recover on the claims asserted
in this lawsuit.

Please forward Notice of Class Action and Proposed Settlement to:

NAME _____

ADDRESS _____

CITY _____

STATE/COUNTY _____

ZIP/POST CODE _____

COUNTRY _____

(PLEASE USE BLOCK CAPITALS)

Civil Aviation (Anti-trust Laws)

Mr. Hirst asked the Secretary of State for Trade and Industry in the light of the recently announced provisional

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settlement of the class action relating to the collapse of Laker Airways, what is the Government's policy towards the application of the United States anti-trust laws to civil aviation.

Mr. Brittan: The Government have consistently maintained the view that in so far as the activities of airlines are authorised and regulated in accordance with an air services agreement, the domestic laws of a contracting party may not be used to constrain or regulate those activities, unless that is provided for expressly, or is necessary in order to implement the agreement, or the laws can be applied in a manner which is compatible with the agreement. Regulation under the agreement by the contracting parties jointly of matters such as market access, capacity and tariffs necessarily displaces the unilateral application of the domestic competition laws of each party which implements the national economic philosophy of each country and are not designed to deal with the special characteristics and needs of international civil aviation.

In particular, the Government's view is that the unilateral application of United States anti-trust law to air services operated under the United Kingdom-United States air services agreement (Bermuda 2) is not only incompatible with the United Kingdom's rights under the agreement, but is damaging to the trading interests of the United Kingdom. In 1983 the then Secretary of State for Trade and Industry exercised his powers under the Protection of Trading Interests Act 1980 to prohibit compliance by persons carrying on business in the United Kingdom with requirements for the enforcement of United States anti-trust laws in relation to activities of United Kingdom airlines and concerning the operation of air services under Bermuda 2.

Our policy is unchanged, and I therefore intend to exercise powers under that Act to whatever extent is necessary if proceedings under the anti-trust laws were to be begun in the future in United States courts against any United Kingdom airline in relation to air services operated by it under Bermuda 2, and would not envisage consenting to requests to comply with discovery orders made by United States courts in such cases.

While maintaining this position, the Government's longer-term objective is to reach mutually acceptable arrangements as appropriate with foreign Governments to deal with anti competitive behaviour by airlines. As a first step we have indicated to the United States Government that we are ready to discuss these issues with them.