

PRIME MINISTER

Two comments from Mr Wiggins on the draft answer below:

1) Last sentence of third paragraph: the successor to the present Air Service Agreement with the United States, which expires in the summer, may have to be a temporary one year Agreement while negotiations continue for a more permanent arrangement. This sentence ought therefore to be presented less firmly, for example "... it is necessary to have a better idea about the arrangements which will ...".

2) Can we get away with a written answer? The Chief Whip's and Lord Privy Seal's advice is necessary here?

N.L.W.

N.L.WICKS
10 March 1986

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David Norgrove Esq
Private Secretary
10 Downing Street
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10 March 1986

Dear David,

BRITISH AIRWAYS PRIVATISATION: MISC 112

MISC 112 will discuss tomorrow morning my Secretary of State's Paper MISC 112(86)1.

My Secretary of State has now asked me to circulate the draft of the written Parliamentary Answer which, if colleagues agree, he would give later this week. This is attached.

I am copying this letter to the Private Secretaries to all members of MISC 112, and to Michael Stark and John Wiggins (Cabinet Office).

Yours,

Richard Allan

R A ALLAN
Private Secretary

S E C R E T

DRAFT WRITTEN PARLIAMENTARY QUESTION

To ask the Secretary of State if he will make a statement about the privatisation of British Airways.

DRAFT ANSWER

The Government's aim remains to privatise British Airways as soon as possible.

The Government is currently engaged in important negotiations with the US Government about UK/US air services and the competition law that applies to them.

The North Atlantic market is of great importance to all the British airlines which serve it, accounting, for example, for about 25% of British Airways' total revenue and about 35% of British Caledonian's total revenue. It is most important for all British airlines, not least British Airways, that we secure an agreement with the US Government which either enables them to compete on fair and equal terms for all the traffic between our two countries or, failing that, safeguards our vital interests. Without such an agreement the ability of our airlines to maintain or improve their competitive position would be severely undermined. I made our position perfectly clear during my recent visit to the United States. I am hopeful that it will be possible to negotiate acceptable arrangements before the present ones expire this summer. But before we proceed with the privatisation of British Airways, it is necessary to have a satisfactory agreement with the American Government about the arrangements which will govern a large part of the company's business.

During my visit to the USA, I also set out our concern about the unilateral application of US anti-trust laws to international civil aviation. Until such time as the US authorities rectify the situation, it is for British Airways and other defendants to decide how best to deal with cases brought against them.

British Airways hope that the American court will shortly give its final agreement to the provisionally approved settlement of the Class Action brought on behalf of North Atlantic travellers who claim to have been disadvantaged as a result of the collapse of Laker Airways. But two further anti-trust actions relating to the collapse of Laker Airways have now been filed in the US against British Airways and other defendants. The company admitted no liability in the earlier litigation and strongly deny the claims in these two suits. I understand they will defend these cases vigorously but a successful result may take some time.

In view of these factors I have decided, with great reluctance, that I can still not set a firm timetable for privatisation for the time being. I shall watch the situation closely, and proceed as soon as I judge the situation to be sufficiently clarified.