

cc/c



JU852

Secretary of State for Trade and Industry

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CONFIDENTIAL

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

Dear John,

NBPN

at trap

Thank you for copying to me your minute of 7 July to the Prime Minister, circulating your proposals to MISC 112 for concluding negotiations with the United States on capacity control arrangements under the Bermuda 2 Air Services Agreement.

I have no difficulty with what you propose, and I see no need for a meeting. My Department has, of course, been greatly concerned with the anti-trust obstacles to BA's privatisation; and I look forward to the report by officials making a revised assessment. As regards the further round of the negotiations on capacity under Bermuda 2, I can also go along with your proposals. Our policy will, however, need to be presented carefully if these negotiations are successfully concluded on the basis you envisage. While I understand very well your reasons for preventing the lesser carriers' market share falling below 33% - 35%, this might be seen by consumer interests here as being at odds with our generally liberal approach to the international aviation market, particularly as regards the European Community. It will be necessary to make clear that we have had to vary our stance in this instance, given the special features of the US market, and in particular the denial of access for our airlines to the internal US market.

I am sending copies of this letter to the Prime Minister, to other members of MISC 112 and to Sir Robert Armstrong.

*Yours,
Paul*

PAUL CHANNON

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BOARD OF TRADE
BICENTENARY

AGROSPACE : British Airways PTS

