

MR WICKS

25 February 1986

BILATERAL WITH NICHOLAS RIDLEY

The Prime Minister might like a résumé of the live issues which Nicholas Ridley may want to raise:

BA Privatisation

The remaining anti-trust pitfalls mean that flotation this Summer is still touch-and-go. The main problem is the degree of disclosure of BA's anti-trust liability in the privatisation prospectus; the Government cannot risk being accused later of insufficient disclosure; yet the more we disclose, the more we expose BA to fresh anti-trust suits and the more we tend to devalue the proceeds from privatisation. Meanwhile, BA are still pressing ahead with their pre-flotation marketing.

The recent discovery of body cracks on the older Boeing 747s will reinforce BA's claim to be left with a sufficiently strong balance sheet to undertake an ambitious aircraft replacement programme post-privatisation. The trouble is that this will reduce the Government's proceeds.

Airline Competition

This subject is beginning to simmer again following a period of calm since the 1984 White Paper on Airline

Competition Policy. BCal are starting a fresh campaign against BA's dominant position in the market for scheduled air services; likewise, the charter airlines, led by Britannia, are worried about the potential strength of BA/British Airtours in the charter market.

Airports

So far so good on the Airports Bill, but the Prime Minister may want Nicholas Ridley's latest assessment of the possible threat from those who advocate splitting up the ownership of the London airports - supposedly as a spoiling tactic against the development of Stansted.

British Rail

The Chairman's reappointment and his objectives for the three year period starting early in 1987 are live subjects. The presumption is that the basis for the new objectives will be further steady - rather than radical - progress towards running BR on efficient business lines, with the subsidy set to continue declining in real terms.

Roads

Nicholas Ridley feels that tackling the growing strains on London's overloaded road system is a matter of priority. However, political sensitivities following the abolition of the GLC preclude bold, overt initiatives. He will probably

want to discuss what progress can sensibly be made before the Election.

Nicholas Ridley may also want to touch on his latest plans for adopting novel approaches to secure the rapid cost-effective construction of the third Dartford Crossing. The problem is that he may need a hybrid bill.

Buses

The imminent retirement of Robert Brooke from the Chairmanship of NBC is a favourable development. He is not the man vigorously to prosecute a disposal programme for 60 NBC subsidiaries. The prospect for successful management/employee buy-outs looks promising. About 20 management teams are already on the starting line and eager to go.

Progress towards deregulation of stage carriage services is satisfactory. The registration of competing unsubsidised services is due to be completed by the end of the week. The Prime Minister may want to hear how Transport Ministers intend to minimise the political fall-out in those cases where problems arise.

Docks

Nicholas Ridley will no doubt mention the state of play on the possibility of the 40 redundant Liverpool dockers

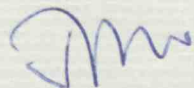
sparking an attempted national dock strike. Even if that were to happen, we believe that it would be a half-hearted flop foreshadowing the long-overdue demise of the Dock Labour Scheme.

Shipping Policy

Nicholas Ridley may regret the further postponement of his Merchant Shipping Bill. Although modest in its aims, the Bill would have furthered this Government's programme. It would certainly have been a more positive contribution to our beleaguered shipping industry than the proposed White Paper on Shipping Policy.

Docklands Light Railway

Extending the Docklands Light Railway to the centre of the city is important to the further development of Docklands - one of the Government's notable achievements. Achieving this without increasing the call on public expenditure looks like being more difficult.



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