



British Caledonian

Prime Minister (2)

To note *BT* *3/8*

3 August 1984

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Mr F E R Butler
Principal Private Secretary to the
Prime Minister
Prime Minister's Office
10 Downing Street
London SW1

Dear Mr. Butler,

I understand that when the Prime Minister met our Chairman, Sir Adam Thomson, on Wednesday of this week, reference was made to a recent letter dated 24 July which Sir Adam had written to all Members of Parliament on the question of British Caledonian finances and the Civil Aviation Authority's news release on the subject.

I now have pleasure in enclosing the text of the letter referred to for your records.

Yours sincerely,

J M Ritchie
External Affairs Director

enc:



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TEXT OF LETTER SENT FROM SIR ADAM THOMSON, CHAIRMAN OF
BRITISH CALEDONIAN AIRWAYS, TO ALL MEMBERS OF PARLIAMENT,
SELECTED PEERS AND LEADERS OF COMMERCE AND INDUSTRY ON
24 JULY 1984

"Since the publication of the CAA Report on Airline Competition on 16 July, British Caledonian has been most concerned at the number of groundless, critical and derogatory remarks that have been made about our ability to finance the route transfers that the CAA recommended.

British Caledonian has never had any doubt about its ability to raise the £75 m. of new equity that would be required to finance the additional BCAL routes proposed by the CAA. In fact, we and our advisers were confident that we could cover the higher amount that would have been required had our full proposal to the CAA been accepted.

We can advise you that the CAA has today issued a new release stating that it is satisfied that BCAL can raise the additional finance.

The text of the CAA's news release reads:-

'In its report on airline competition policy the Authority stated that, before making a firm recommendation for the transfer to BCAL of the routes to Harare, Dhahran and Jeddah, it would need to be satisfied that BCAL could raise the necessary additional resources.

Following discussions with BCAL and its financial advisers, the Authority is now satisfied as to the prospect that BCAL will be able to raise the necessary finance to take over their routes and compete on inter-continental as well as European routes. The Authority therefore confirms its recommendations to the Secretary of State.'

This means that the debate can now be entirely about the merits of a competitive airline policy."

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