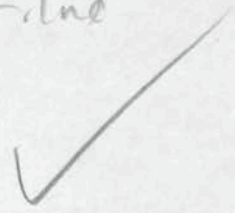




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CABINET OFFICE
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7765

Qa 06257

From: John Sparrow
CONFIDENTIAL

11 February 1983

The Rt Hon Lord Cockfield
Department of Trade
1 Victoria Street
SW1

Dear Secretary of State
BAA Objectives

P+7
I have just received a copy of your letter to Leon Brittan of 17 December about objectives for the British Airports Authority. I have also seen his reply of 19 January.

I recognise that, because of the litigation by the American Airlines, we are not able to proceed with the agreement of objectives for BAA in the normal way. The BAA Board's adoption of a set of objectives that reflect the Government's own reasonably closely is a welcome and helpful development. And, I agree about the importance of quantified indicators of overall performance.

Together these objectives and quantified targets will help to set the Corporate Plan in proper context. Where the objectives are less clear or demanding than the Government would wish, the ground can be made up to a certain extent in Corporate Plan discussions.

There is just one point I would like to make about the objectives. BAA say that they will strive to improve the range and quality of services and reflect best practice (Objective c). An open-ended commitment always to improve runs the risk of 'gold-plating'; whilst not denying the need for improvement, I hope that the range and quality of services will be governed, as in any private sector concern, by what customers want and are prepared to pay for, and by BAA's primary objective, to improve efficiency and profitability.

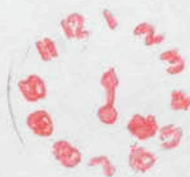
I am sending copies of this letter to the Prime Minister, other members of E(NI), and Sir Robert Armstrong.

Yours sincerely

P.O. John Sparrow
(Dictated by Mr Sparrow and signed in his absence)

Not Ind: Policy: Pt 8

FEB 1983





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LC JV
NB PM

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Cockfield
Secretary of State
Department of Trade
1 Victoria Street
London SW1H 0ET

MUS 20/1
19 January 1983

E. Arthur
BRITISH AIRPORTS AUTHORITY: OBJECTIVES

Thank you for your letter of 17 December enclosing the corporate plan objectives agreed by the BAA Board. I am glad to note that they are broadly in line with those we agreed earlier in the year. Since that is so, I am inclined to agree that there would be no point in pursuing the legal issues which have been raised any further at this time. Obviously, if severe problems of this kind are experienced with other nationalised industries, we may need to think again. But for the moment it looks as though the BAA, because of the litigation by the American airlines, is in something of a special position.

I agree with you about the importance of quantified performance aims and I trust that your forthcoming discussions with the BAA Chairman will result in the adoption of suitably challenging aims for this growing industry.

I am copying this reply to members of E(NI) and to Robert Armstrong.

Leon
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LEON BRITTAN

Nat Ind : Policy Towards Nat Ind Pt 8



20 JAN 1983