

Lord KING

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CF Your PPS

Malaysia Airways



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→ GTR

10 DOWNING STREET

Ack

From the Private Secretary

24 June, 1985

I enclose a copy of a letter the Prime Minister has received from Lord King, Chairman of British Airways.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature by Thursday, 4 July.

(Andrew Turnbull)

R. Allan, Esq.,
Department of Transport.



GR
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X ref

10 DOWNING STREET

Anne Minister ②

Sir Arnold Hall wrote to you recently about the negotiations on air flights with Malaysia. Lord King has now written to put his side of the case. I am seeking advice on a reply from D/Tsp.

C.H. I have dealt with as regular correspondence HT

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Chairman
Lord King of Wartnaby

Mrs C M Ryder
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

21 June 1985

Dear Mrs Ryder,

In Lord King's absence he asks if you would be kind enough to see that the Prime Minister has a sight of this letter. He also asks that you tell the Prime Minister that he apologises for giving her even a small problem, and sends his best wishes.

*Yours sincerely,
John Oram*

J S K Oram



British Airways Plc,
Registered office:
Speedbird House,
Heathrow Airport (London)
Hounslow TW6 2JA.
Registered in England No. 1777777.

21 June 1985

The Right Hon. Margaret Thatcher, MP
Prime Minister
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Chairman:
Lord King of Wartnaby

Dear Prime Minister

MALAYSIA

We in British Airways have been concerned for some time by the requirements of several Far East airlines for extra capacity on their scheduled services to the UK. These requirements far exceed anything that can reasonably be justified by the actual traffic demand between their own countries and the UK.

I can well appreciate the pressures which resulted in your agreement in principle for the Malaysian Airline (MAS) to operate a fifth service to London to start within the next one to two years after the details have been worked out between the aviation authorities. At the request of your own Transport officials we have since been endeavouring to reach a conclusion with MAS, since agreement between the airlines would obviously make it easier for the two Governments to finalise the arrangements.

I am afraid that little progress has been made at our meetings with MAS. This is because they are not only pressing for the early introduction of their 5th frequency and the removal of other constraints under the present arrangements, but they are also seeking to link a 6th and 7th frequency into the discussions. For our part, we have been trying to secure some additional benefits to try to counter in some small measure the imbalance which we see in the present agreement. In doing so we believe we are behaving consistently with the recent White Paper on Airports Policy when it said (paragraph 6.6) that in negotiating traffic rights with other countries, increased access by foreign airlines to UK airports should be balanced by parallel improvements in access, of equivalent value, for UK airlines to that country.

*See para 7 of
the note attached
to Sir Arnold Hall's
letter.*



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- 2 -

Formal negotiations at Government level have now been fixed for the end of July and we very much hope that the matter will then be resolved. My concern, however, is that the Malaysians will once again mount an extensive public relations campaign - indeed, the High Commission has reported that it has already started - and will continue to threaten other British trade interests in the expectation that this will result in capitulation by the British. It is significant to note that the Malaysians have made no move so far to relax or remove their tax provision which discriminates against foreign airlines to the benefit of MAS.

Our experience with the Malaysians is that they will continue to use tactics of this kind as well as their influence with the press to achieve whatever aim is immediately of most concern to them. We also know from experience that giving way to such pressure will encourage them to come back for more. In this view we feel we have the full support of the Department of Transport and the High Commission in Kuala Lumpur.

I do hope that you will feel able to give your own support to the line we are adopting. The grant of traffic rights beyond the normal bilateral principles has an extremely serious impact on the whole of our South East Asia/Australasia network.

Yours sincerely
BW