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DUS(P) 291/82 CDS will wish to see.

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The point is in the tail.
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 stand to gain "very valuable"
 up, it doesn't look as
 though it's on. *Just*
 5 May. (A)

OPERATION BEDFORD

This morning you asked me to discuss this proposed operation with the Department of Trade. This afternoon I had a meeting with William Knighton, the Deputy Under Secretary and Christopher Roberts, the Under Secretary responsible for civil aviation. The purpose of this minute is to report the outcome of that meeting. Mr Knighton and Mr Roberts made the following points:-

- a. Their South American routes represent approximately 20 per cent of British Caledonian's business.
- b. This business probably pays its way although it is not the most profitable part of British Caledonian's operations. It is in difficulties at present because of the trouble with Argentina. The routes to Chile are dependent on access through Bolivian air space.
- c. For a long time Adam Thompson has been seeking access to British Airways' routes because a lot of British Caledonian business overseas depends on volatile governments eg North Africa (particularly Libya) and West Africa (particularly Nigeria).
- d. If Operation Bedford went ahead and it was detected, the consequences could be extremely serious. British Caledonian might be black-balled not merely in South America but also in North and West Africa. In those circumstances HMG might not only have to find British Caledonian other routes, at the expense of British Airways, but also pay heavy financial compensation. Furthermore in South America, not only British Caledonian but British civil aviation generally might be declared "persona non grata". South American domestic airlines could avoid the obvious reprisal by making Paris rather than London their European terminal point.
- e. Only the Secretary of State for Trade can give the Chairman of British Caledonian the kind of "bankable" assurances which he is seeking. Although to give such assurances is not impossible, it would present considerable problems since British Airways could challenge a decision to transfer some of their routes, in the courts. In these circumstances the S of S for Trade would need to be consulted on Operation Bedford, and would want the opportunity to inform his colleagues collectively of the risks involved before a decision was taken.

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2. The conclusion we reached was that if the information to be obtained from this operation was sufficiently valuable, the Secretary of State for Trade could probably be persuaded to accept the risk. But the information would have to be very valuable indeed to outweigh the scale of the risks involved. Adam Thompson's willingness to undertake this task should not be put down to pure patriotic zeal. He has been seeking better routes for British Caledonian for a long time.

R.M. H-S

4 May 1982

R M HASTIE-SMITH
DUS(P)

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