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Prime Minister
copy 10/12/87

mr
18 DEC 1987

Dear Stephen

BA/BCAL: EC COMMISSION INTEREST

We spoke yesterday about Commissioner Sutherland's telephone call to your Secretary of State, which Lord Young subsequently reported to Cabinet. We agreed that it would be appropriate for my Secretary of State to take the action necessary to fulfil the Cabinet remit.

Just after 4 o'clock yesterday afternoon my Secretary of State spoke on the telephone to Commissioner Sutherland, who was in Strasbourg. He made it clear that he was expressing the Government's concern about the Commissioner's proposed intervention. He suggested that Commissioner Sutherland should wait and see what emerged from the BA and SAS bids. He also pointed out that the British statutory processes were not complete: whichever bid succeeded there would be CAA hearings into most of BCal's network; the CAA was the only airline regulatory authority in Europe with a statutory obligation to promote competition.

Mr Channon also put to Commissioner Sutherland that any intervention would be seen as politically motivated support from the Commissioner for SAS, which had a monopoly of international scheduled services in Scandinavia; the Commission had done nothing about the dominant market position of SAS and other EC airlines; an intervention into the BA bid was unjustified.

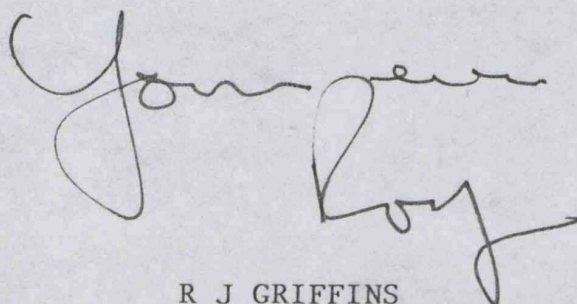
Commissioner Sutherland took these points but referred to the complaints that he had received from BMA and others. His services had investigated and thought there were prima facie grounds for complaint. However, he had not yet decided whether to write. He would take that decision, he said, within the next day or so and certainly by Sunday. Sutherland asked whether, if an intervention were to happen, the Secretary of State would

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welcome an early one. Mr Channon responded by saying that he would prefer no intervention at all, but in any event the Commissioner should take time to consider before acting. Commissioner Sutherland took this point also. My Secretary of State said that if Commissioner Sutherland had concerns about BA's assurances to the MMC, we had anticipated these and had secured from BA a statement on how their assurances to the MMC would be carried out; he offered to let the Commissioner have a copy if he wished. Sutherland did not ask for one; he did not pick up the value of the document. The Commissioner gave the impression (consciously or not) that he was at some distance from the matter, which was being pursued lower down in his services, with whom he would be discussing things on return to Brussels.

I am sending a copy of this letter to Brian Bender at UKREP. I have already reported the telephone conversation to Brian, who has promised intelligence as soon as Commissioner Sutherland decides whether to write or not. I am also sending copies of this letter to David Norgrove and to Trevor Woolley.

A handwritten signature in dark ink, appearing to read 'R J Griffins', with a stylized, flowing script.

R J GRIFFINS
Private Secretary

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