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The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

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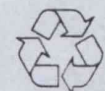
20 September 1990

Dear Secretary of State,

WORKING GROUP ON RUNWAY CAPACITY TO SERVE THE SOUTH EAST

at final
Thank you for sending me a copy of your letter of 10 August to Chris Patten on the working group which you propose to set up to examine the wider implications of the Civil Aviation Authority's report CAP 570. I welcome the inclusion of my department in the group.

When the report was commissioned from the CAA they were asked "to bear in mind the Government's aim of promoting competition in all markets to the benefit of users and so to encourage a sound and competitive multi-airline industry in Britain". The CAA report makes it clear that congestion and the lack of runway capacity in the South East are severe constraints on competition between airlines. I share this concern. I have recently received, as I believe you have also, a complaint from British Midland Airways about how difficult it is for smaller UK airlines to establish their position in the market. I am also very concerned at concentration in the airline industry both in the UK and in Europe, and we are currently doing our best to combat anti-competitive mergers through UK and EC competition legislation and procedures. Given these problems, the Government's wider policies on competition are one of the key issues which will need to be addressed when considering the CAA report. The issues are complex: consideration will need to be given both to competition between airlines and between airports (in other regions as well as the South East). The two may well not prove to be mutually compatible. I think it would be helpful for the terms of reference for the group explicitly to recognise the competition



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issues. I suggest this could be achieved by adding the following at the end of the first indent in your draft terms of reference:

"Taking into account the Government's aim of promoting competition between airports and airlines for the benefit of consumers".

I have also seen the responses to your letter from John Gummer, Tom King and Chris Patten. I strongly endorse their view that there need to be satisfactory separate arrangements to discuss issues which require a Government view and where there might be significant differences between departments. The inclusion of outside bodies in the working group would inhibit departments when discussing sensitive issues raised by the CAA's advice and I should be surprised if the sectional interests represented did not seek to provoke differences between Departments and exploit any such to their advantage.

One such issue is the competition aspects of civil aviation, as I have already mentioned. I also have in mind the question of examining options for developing military airfields (including those used by United States' forces) for civilian use. The proposed terms of reference for the group would exclude such consideration (except possibly in the case of Manston), but given the painful choice that may need to be made I think we will need to be able to say that these options also have been reviewed before a final decision is reached. Separate consultation arrangements between Government departments will therefore be needed.

I also agree with Chris Patten that the terms of reference might usefully be amended so as to include the reassessment of the considerations which led to the conclusion that there should not be a second runway at Gatwick or at Stansted. The fact is that the competition arguments may well point to such a solution, and we should not inhibit the working group from looking at these points again.

With respect to membership of the group I accept the need to keep the size of the group itself within manageable proportions. However I do suggest that you consider inviting the Kent Economic Development Board instead of Thanet District Council to act in place of a consultative committee for Manston, and that an organisation representing air freight users should be invited to join, perhaps as members of a sub-group (I understand that the Air Transport Users Committee does not represent this interest).





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There is, however, likely to be criticism from wider business and consumer interests that their views may not be adequately taken into account, and there is also a need to balance the emphasis on interests in the south east in the group with views from other regions. The latter is particularly important in examining the contribution which regional airports can make to meeting the growth in demand into the next century. It is therefore important that you should consult as widely as possible and I am pleased to see that you will be seeking written representations from interested parties later in the year. My Department should be asked to assist in identifying the bodies which should be consulted.

I am copying this letter as before, to the Prime Minister and Cabinet colleagues, and to Tim Renton, Bertie Denham and Sir Robin Butler.

Yours sincerely
Rosaline Giff.

[approved by the Secretary of State
and signed in his absence]

AEROSPACE : Policy
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