



Acropore
Prime Minister (2)
MS 31/3

CABINET OFFICE
Central Policy Review Staff

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From: J. R. Ibbs

Qa 05877

CONFIDENTIAL

31 March 1982

Dear Secretary of State,

Draft Objectives for British Airways and
British Airports

I am afraid that I did not receive until a few days ago a copy of your minute to the Prime Minister requesting comments by 10 March.

added 31/3

Given the size of the losses of the British Airways Board (BAB), and the apparently receding prospects for privatisation, I do not think Ministers would wish to remain satisfied indefinitely with objectives on profitability and privatisation as imprecise as those in your draft, particularly as to timescale. Although I have no special knowledge of BAB I am concerned that even now the Board may not be looking sufficiently radically at the size and structure of the industry, and in particular at the scope for cutting back on loss-making routes. It may be that the Government at present lacks sufficient information to be able to specify precise and demanding targets for profitability and privatisation. Hence the importance of objective 3 which, as your minute says, will lead to an examination of alternative strategies in the context of the Corporate Plan. I believe it important that the Board takes early action along these lines, aimed at developing a corporate strategy; perhaps your discussion with the Chairman about the Price Waterhouse report will provide an opportunity to get this point across.

I have no major comments on your draft objectives for BAA although I wonder whether a pay objective should be included, given

The Rt Hon John Biffen MP
Department of Trade
1 Victoria Street
S W 1

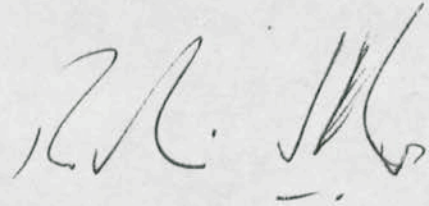
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that BAA is in a near monopoly situation. Something on the following lines might suffice:

'to negotiate settlements on pay, pensions and other conditions of service at the lowest levels consistent with adequate recruitment and other relevant factors, particularly productivity improvement.'

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

yours sincerely,

A handwritten signature in dark ink, appearing to read 'J R Ibbs', with a horizontal line underneath the name.

J R Ibbs