

PRIME MINISTER

7 September 1984

CIVIL AVIATION POLICY

We see nothing but trouble in Mr Ridley's key recommendations, which are:

- i. to enforce route transfers from BA mainly to BCal by means of limited life legislation;
- ii. to defer the privatisation of a reduced size BA.

The costs - financial and other - of doing this are open-ended, but the benefits very limited. In our view the disadvantages are:

- The transfer of monopoly route rights will benefit a few airlines, not the consumer.
- Like it or not, we will be seen to have pledged a future for the independents in general and for BCal in particular. What happens if the transfer of routes in 1985 does not work?
- BA will have to dispose of surplus physical assets and staff. We do not know the direct cost, but must count on disruption costs too.
- The value of BA on sale will be reduced and the sale itself delayed. None of the so called off-setting benefits will accrue to the taxpayer.
- The general intent, and certainly the Bill which Mr Ridley has in mind, will upset as many of our supporters as it pleases. It is guaranteed to increase media attention to the dilemma facing the government. If there is any gain of political goodwill in Mr Ridley's proposals, it is likely to be very small. Our privatisation programme could look a shambles.

We recommend:

- a. no route transfers;
- b. as complete a form of deregulation as is possible on domestic routes (as the CAA recommend);
- c. either applying a limit to the life of the route licences, so that airlines have to rebid at regular intervals;  
or  
dual designation of routes on as wide a scale as is feasible;
- d. proceed with the privatisation of BA in Spring 1985 as planned.

  
ROBERT YOUNG