

MR TURNBULL

7 September 1984

c Mr Redwood

PRIME MINISTER'S MEETING WITH MR MICHAEL BISHOP,
BRITISH MIDLAND AIRWAYS

Even with the verbiage stripped away, it is still difficult to see precisely what Mr Bishop wants. The essence of his argument seems to be that:

- i. BMA has competed successfully with BA on domestic routes out of Heathrow. BMA would now like to compete with BA on international routes out of Heathrow, and out of the provincial airports too.
- ii. This would tend to increase the number of Air Traffic Movements at Heathrow, which HMG is committed to limiting to 275,000 per annum. HMG should raise the limit.
- iii. BA is behaving in a predatory fashion by holding down domestic fares and increasing route capacity; by obstructing BMA's applications to fly Manchester/New York and Glasgow/New York; and by having made life difficult for BMA in obtaining a licence to fly Heathrow/Belfast - although BMA did obtain it and is flying the route.

Subsidiary - and I suggest unrelated - points which Mr Bishop makes are:

- iv. he is an entrepreneur in the best Conservative tradition;
- v. he does not wish to associate himself with BCal's stated desire to acquire assets from BA;
- vi. he has supported two difficult areas of the country, Merseyside and Northern Ireland, by respectively running routes out of Liverpool airport and by purchasing Shorts aircraft.

Questions which arise from Mr Bishop's case are:

- a. How does BMA wish to compete with BA on international routes out of Heathrow? Does Mr Bishop have route transfers in mind, or dual designation, or what? And what routes does he wish to compete on?
- b. Can HMG really walk away from its declared limit of 275,000 movements per year at Heathrow? I think

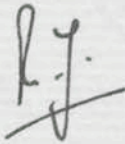
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not, even if the number looks low relative to the passenger capacity which Terminal 4 will provide. The lower noise emissions of current generation aircraft were taken into account when the figure of 275,0000 was arrived at.

- c. Surely price competition on domestic routes is an inevitable consequence of the large measure of deregulation we already have? It is a matter of judgement whether any given level of fare is predatory, and it is open to BMA to demonstrate their belief objectively.

Clearly, the Prime Minister cannot comment on the Manchester/New York and Glasgow/New York routes while they are subject to appeal. But some weeks ago British Airways described another side of each case for me: that voluntary restraints on total North Atlantic capacity have deterred BA from restarting Manchester/New York, and that there is doubt about whether Glasgow airport is suitable for transatlantic traffic. I make no comment on what BA said, but I think it does demonstrate that there is more than one side to most accusations.

All in all, it seems to me that the Prime Minister can and should do no more than politely hear Mr Bishop out.



ROBERT YOUNG

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