

CABG



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

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Prime Minister

Dear Nigel

DLR
30/12
ML

AIRPORTS BILL

I thought I should alert you to two aspects of our Bill proposals on which opposition seems to be growing amongst our backbench colleagues.

Conservative members from the North West, and possibly others will be pressing for the compulsory privatisation of local authority airports. They will be joined by the anti-Stansted lobby, by officers of the Aviation Committee, and by others to press for the separate privatisation of Stansted Airport.

I think it as well for colleagues to be aware of the arguments being marshalled by these groups and of the counter arguments which we will deploy if we continue to stand firm on these two issues.

First, on compulsory privatisation, it will be argued that there are good precedents, for instance, the compulsory sale of council houses and of publicly owned land; it will be said that the Socialist Governments of the 40s and 50s "sequestered" Municipal undertakings; and it will also be pointed out that the history of the ownership of an airport such as Manchester has been one of shares being taken arbitrarily from one authority and given to another, eg from the City to the Metropolitan County in 1973.

Against this we say that to compel local authorities to sell the shares in their airports would constitute a serious erosion of local authority independence and that it would be undesirable for a Conservative administration to be seen to be engaged in the sequestration of assets on this scale.

I believe that the opposition to our proposal to keep Stansted as part of the BAA airport company is likely to be the more serious threat to our proposals. It is quite possible that we will be defeated on this issue in Committee since the Labour and Liberal Parties are likely to find a way of voting with our own dissidents.

Opposition from our own side will range from those motivated by a desire to frustrate the development of Stansted to the increasing number of Conservative backbenchers who are anxious about privatised monopolies. (It will be virtually impossible to exclude these views from the Standing Committee since they are shared, for instance, by all officers of the Conservative Aviation Committee.)

Our case for retaining Stansted within the BAA company will be based first on the pressing need to develop Stansted rapidly up to 8mppa. I am doubtful whether this development would proceed at the necessary pace if Stansted were a separate company. Secondly, we argue that Heathrow, Gatwick and Stansted cannot be conceived as being genuinely competitive. Heathrow is undoubtedly the much preferred choice of airlines; the distribution of traffic between the airports will not be the function of competitive pressures but of the regulations and traffic distribution policies which we shall have to lay down. Thirdly, if Heathrow and Gatwick are privatised separately from Stansted and are bound by aeronautical and economic regulations, and are also full, it is difficult to know what benefits will flow from privatisation since there will be almost no scope for management initiatives. Fourthly it has to be said that separate privatisation is unlikely to raise as high a level of proceeds to the Treasury; indeed there is a risk that Stansted would not be saleable at all, at least in the short-term, and that the development would have to be financed for the time being from the public sector. In summary, we shall argue that the London airports are part of one system linked by the M25. - They were one system before the M25

feeble!

If we stand firm on these two issues we may well have to accept defeat on at least one of them in the Standing Committee, and to reverse the decision at the Report stage. I thought I should warn colleagues of the unrest which may lie ahead.

I am copying this letter to the Prime Minister, other members of E(A), and to Sir Robert Armstrong, & to the Chief Whip

Nicholas Ridley

NICHOLAS RIDLEY

