



DEPARTMENT OF TRANSPORT  
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30 July 1986

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign  
& Commonwealth Affairs  
Foreign & Commonwealth Office  
LONDON SW1

*Prime Minister*  
*CDP*  
*30/7.*

*Dear Geoffrey,*

**UK/US AIR SERVICES**

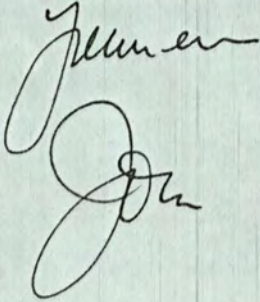
As you know it was not possible, at the negotiations held in Washington last week, to conclude an agreement on the capacity control issue along the lines set out in the paper I circulated on 7 July to Members of MISC 112. But sufficient progress was made to justify the hope that one more round in London, in the week commencing 11 August, may be enough to bring the negotiations to a conclusion. Extending the negotiating period into mid August in this way does not put at risk our timetable for taking decisions about the privatisation of BA, though any further significant delay might begin to do so.

It is difficult to judge the chances of success. Important differences remain between the two sides. However I am advised that there is no reason to conclude at this stage that an agreement cannot be reached within the perimeters of the agreed negotiating brief which establishes our bottom line. I would not want to change that anyway. The Americans showed sufficient flexibility last week (as we did too) to suggest that they are negotiating constructively and that they recognise the need to bring matters to a conclusion quickly, but it is very much in their interest to press us to the limits of our negotiating flexibility in every possible respect, and in ours to continue working for a successful outcome to the negotiation until time really does run out for us and we have to face up to the alternative options set out in my paper. I will report again after the talks in mid August.

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I am copying this letter to the Prime Minister, to other members of MISC at 112, and to Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read 'John Moore', written in dark ink.

JOHN MOORE

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1. Copying this report for the purpose of disseminating its contents to other personnel is prohibited without the express written approval of the Director of the Office of Management and Organization.

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