



From the Secretary of State

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Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
London SW1

1 March 1982

Dear Clive,

BRITISH MIDLAND AIRWAYS: LONDON (HEATHROW) TO GLASGOW AND
EDINBURGH ROUTE APPLICATIONS

You asked this morning for a note about the application which British Midland Airways (BMA) have made to fly the routes from London Heathrow to Glasgow and Edinburgh. This is attached.

The appeal to the Secretary of State necessarily involves advice from officials and lawyers in the Department, but we expect the final decision to be made no later than the end of this month.

Yours sincerely,

JOHN RHODES
Private Secretary



BRITISH MIDLAND AIRWAYS : LONDON (HEATHROW) TO GLASGOW
AND EDINBURGH ROUTES

British Midland Airways (BMA) applied last year to the Civil Aviation Authority (CAA) for air transport licences to operate daily scheduled services between Heathrow-Glasgow and Heathrow-Edinburgh. The main consumer benefit BMA claimed over the shuttle services operated from Heathrow by British Airways, and the scheduled services from Gatwick of British Caledonian, would be lower fares. Both BA and BCal objected to BMA's applications and in accordance with the Civil Aviation Regulations 1972 the CAA held a hearing.

2. During the hearing the CAA examined a large amount of evidence from the applicant, rival airlines and also a strong consumer contingent from Scotland. In the event the Authority decided to refuse both applications. There were three main reasons for this decision:-

- a. The Authority considered BMA's assumption that the market would increase by 45% over three years as extremely optimistic.
- b. The two routes together would be unremunerative for BMA in the long run.
- c. Granting the application would result in a reduction in the existing services of BA and BCal bringing a disbenefit to consumers.

3. BMA have appealed to the Secretary of State against the decision. The main thrust of their grounds of appeal was that the Authority failed to recognise the need to inject greater competition at lower fares on these domestic routes, and thereby departed from the requirements of the Civil Aviation Acts of 1971 and 1980.

4. As required by the Regulations the appeals procedure provides for comment by the other parties and by the CAA; these submissions have been received and the Department is now preparing advice for the Secretary of State on the case.

5. Because of the Secretary of State's quasi-judicial role it would be improper to offer any comment to any of the parties or to take into account any representations from them at this stage about the possible outcome of the appeal.