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2nd July 1981

Rt. Hon. Margaret Thatcher P.C., M.P.,
10 Downing Street
London SW1

Dear *Prime Minister,*

I think you are familiar with the issues which have arisen out of the efforts which my airline, Laker Airways, has made to be licensed to fly air services between London and Hong Kong. John Nott, as Secretary of State for Trade decided in June 1980 to grant us a licence but our ability to use it has been frustrated by the Air Transport Licensing Authority (ATLA) on Hong Kong. We have had the support of the Governor but the ATLA is an independent body against whose decisions there is no right of appeal except on points of law.

This is an important route for us and I believe that our advent on it would be important for the travelling public. Furthermore, I have seen it as an essential component in a new British round the world air service which just this week has come one step nearer reality by our being granted by the same ATLA a licence to operate across the Pacific between Hong Kong and the United States via Japan. There remain, however, formidable problems vis a vis the Japanese before we can fly the Pacific route.

Because of the unsatisfactory situation highlighted by the ATLA's frustration of Laker Airways licence on the London Hong Kong route, the Hong Kong Government has for sometime now been reviewing the regulations under which the ATLA is set up and exercises its function. While I am not, of course, privy to their deliberations, the Department of Trade has been closely involved and I have had meetings on this subject first

with John Nott and more recently with John Biffen.

I was, therefore, shocked to be told by John Biffen on Monday that, after consultation with other interested Ministers, including I understand you, he had decided that the proposed new Hong Kong regulations, one of whose effects would be to provide for a right of appeal against the decisions of the ATLA, were not acceptable. The reason lay in another feature of the Hong Kong proposals which would have put British Airways, who are exempt from the need to get an ATLA licence under the present Regulations, on the same footing as all other British Airlines in Hong Kong. John Biffen found this objectionable.

There are several matters here which I feel I must draw to your attention. Firstly, one effect of proposed new Hong Kong regulations would be to correct the present situation whereby the ATLA can frustrate the combined wills of Government here and in Hong Kong. In particular they would make possible the commencement of Laker Airways London Hong Kong air service.

Secondly, the reason for rejecting them is really pure protectionism for British Airways. Under the Civil Aviation Act 1980 we have at last achieved the situation whereby in Britain private sector airlines are treated for Air Transport licensing purposes equally with British Airways. The proposed new Hong Kong regulations are being rejected because they attempt to follow suit.

Thirdly, the more specific reason for John Biffen's decision is, I understand, that British Airways are apprehensive lest under the proposed new regulations the ATLA would take from them a valuable route from Japan via Hong Kong to South Africa and give it to the local airline, Cathay Pacific Airways. This apprehension is surely misplaced. The Hong Kong intention seems to be to operate an air transport licensing system under as nearly as possible the same conditions as apply here. These include ample provision to protect the interests of an incumbent airline which is providing a good service. In any case I am bound to observe that the revenue which British Airways are

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protecting is a good deal less than the £42 million which is my estimate of the revenue Laker Airways would earn in the first year of operating between London and Hong Kong.

Fourthly, when I called on the Governor in Hong Kong last month the one point in this context on which he lay stress was the need to end the present arrangement whereby an airline wanting to fly between London and Hong Kong needed to apply separately to the Authorities at both ends of the route for a licence. This modification would give Laker Airways all that it needs since the licence which John Nott authorised would suffice by itself.

As you may imagine, as a free enterprise/competition man, I regard the need for an airline to obtain licences before they can engage in competitive business ventures as wrong. In so aggressively free enterprise a society as Hong Kong, I should have expected proposals to be coming forward for the simple abolition of the ATLA. But failing this ideal solution, whatever regulations there are should treat all parties equally and should encourage competition. This is the basis of the law here and I am astonished that Ministers should, for protectionists reasons which seem to me quite insubstantial, object to Hong Kong's following suit. The effect is to undermine John Nott's action last year, itself taken in order to encourage competition.

I understand that the decision has not yet been notified formally to Hong Kong. May I urge that it first be reconsidered. As you will understand I feel very strongly about it, or I would not have presumed to write to you at such length. If you would like me to call on you in order to explain more fully what is involved I am at your service.

I am sending a copy of this letter to John Biffen.

Kind Regards

Heather Laker.