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*Pls see providing a guide through
the report which will supersede this*

PRIME MINISTER

14 December 1984

AIRPORTS POLICY

Graham Eyre has thrown down the gauntlet for this Government to break out of the muddling-through mould and take a cool, strategic look at airports policy in the wider context of a coherent aviation policy. His challenge derives both from the breadth of the remit he has assumed and the quality of his analysis and report.

You will be widely applauded for undertaking to read Eyre's magnum opus. Firstly, his report deserves it. Secondly, you have signalled to the passionate special interest groups that a matter of considerable national importance should be approached carefully and with an open mind. Politically, the parcel he has passed us is fraught with problems.

One lobby can safely be appeased. Graham Eyre fully supports the expansion of traffic through the regional airports. The proposed expansion of terminal capacity at Stansted is seen as having little or no influence on the growth of passenger movements through regional airports from 22 million per year to 43 million per year by 2000. Moreover, given tough restrictions on night movements to and from the London airports - the likely price for continued expansion - more of the charter business is likely to migrate away from London. This is a high growth sector of the market.

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Efficient operators like Britannia can only offer cheap travel to holidaymakers by keeping their aircraft in the air 17-19 hours per day over the peak Summer period. This mode of operations inevitably requires some night movements.

More charter business for the regional airports should promote a virtuous circle, with improving airport facilities in turn attracting more scheduled international flights. Quantas, for example, have now hit the ceiling at Heathrow and moved 2 Australian flights per week to Manchester. Singapore Airlines are not far from the same point. We should advertise the fact that an airport like Manchester is open for more business and would welcome it, point out what we are doing to improve access to Manchester; and explain that any airlines wishing to run services would get a welcome.

We are left with the politically-difficult question of how to handle a near doubling of traffic (47 million passengers per year to 89 million) in the South-East between now and 2000. It is tempting to point to the progressive scaling down of past forecasts - particularly in the aftermath of the two oil shocks - and suggest that today's projection may well be over-optimistic.

Unfortunately, the problem has wider and more complex dimensions such as the seasonal and peak hourly demands on airport capacity. It is also significant that Eyre's recommendation of a Terminal 5 at Heathrow, pushing annual capacity from 38 to 53 million passengers, implies an increase

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in the average number of passengers per flight from about 100 to 180. That probably flies in the face of Nicholas Ridley's efforts to liberalise air travel by stimulating genuine commercial competition - often in small, efficient aircraft capable of rapid turn-around.

One is also tempted to consider the scope for making greater use of Luton. Moreover, Birmingham is within reach of many travellers who would otherwise regard Heathrow as their only outlet. Both offer some scope, and this should be used, but they are likely to be limited by safety and air traffic control problems.

Conclusion

Graham Eyre has laid down a commendable, but politically difficult, challenge. He deserves to be read and carefully considered before options are closed.

Nicholas Ridley will hit this problem in the Commons Committee on the Civil Aviation Bill, to erect controls for air transport movements. We understand that the line he will take is:

- to concede the need to consider Eyre's report carefully before reaching a final decision on the 275,000 ATM limit at Heathrow;

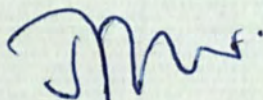
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- to maintain that irrespective of that decision controls will be required in due course - hence the need to preserve the Bill.

It will probably be inferred that he is still pro-Stansted. It may be better to put the Bill on ice until the Government has formulated a coherent airports policy.



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