



CCND

MO 26/8/1

PRIME MINISTERFALKLANDS TROOPING CONTRACT

You will have seen the exchanges of letters between Nicholas Ridley and myself over a Falklands trooping contract following the official opening of Mount Pleasant Airport in mid-May.

2. The point at issue relates neither to the longer term trooping service which will be by RAF-operated Tristars nor to the proving and inaugural flights which will be made by RAF Tristars with support from British Airways (BA). It is a short term problem covering a period, at the outside, of 12 months from the date of the Airport opening. Nor is there any dispute between us that British Airways were offered a trooping contract: the terms which I agreed, at the request of the Department of Transport, are set out in my letter to Nicholas Ridley of 18th March. BA no longer want to proceed on that basis; and the contract they now want is not the most efficient way of meeting the defence requirement. The question is whether the Government's commitment should be re-interpreted in the way that now best suits BA but which involves a cost to the defence budget and a significant risk of public criticism.

3. BA have offered a 747 contract for a year, or perhaps something shorter. This is certainly in line with the tenders that were under discussion at an earlier stage last summer; but it is not what they were offered following the Cabinet's decision. The RAF can themselves perform the task with the support of a contractor.



BA say they cannot provide contractor support but there are two other contractors who can do the job. An RAF Tristar service with contractor support would have a total cost up to £9M less than BA would charge for a 12 month contract with a 747. If we give BA the contract we shall have nothing for the RAF Tristars to do and will effectively have to ground them and their crews: the effects on RAF morale, when they know they can do the job more cheaply, are obvious. The grounding would inevitably become known and would have to be defended. This would not be easy.

4. We have also to consider the impact on BA. They will of course be disappointed but my own impression is that they will accept that circumstances have changed. The Chief Executive of BA has made it clear that, whatever the outcome on the contract, BA's good relationship with the Royal Air Force will not be affected.

5. This is not an easy decision. On balance, my own view is that I should tell BA that my Ministry does not require their 747, and that we should instead proceed with the RAF option with contractor support. I should be grateful to know that you are content.

6. I am copying this minute as in the previous correspondence.

Rumman (Approved by the Defence Secretary

Ministry of Defence *L. signed in his absence*)

29th March 1985

AEROSPACE Pt 3



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