



THE MONOPOLIES AND MERGERS COMMISSION

British Airways Plc and British Caledonian Group plc

A report on the proposed merger

Presented to Parliament by the Secretary of State
for Trade and Industry by Command of Her Majesty
November 1987

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£7.40 net

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¹ These members formed the group which was responsible for this report (see paragraph 1.3).

Note by the Department of Trade and Industry

In accordance with section 83(3) of the Fair Trading Act 1973, the Secretary of State has excluded from the copies of the report, as laid before Parliament and as published, certain matters, publication of which appears to the Secretary of State to be against the public interest. The omissions are indicated by a note in the text.

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1 Introduction

1.1. On 6 August 1987 the Department of Trade and Industry sent to the Commission the following reference:

Whereas it appears to the Secretary of State that it is or may be the fact that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a merger situation qualifying for investigation as defined in section 64(8) of the Fair Trading Act 1973 ('the Act'), in that:

- (a) enterprises carried on by or under the control of British Caledonian Group plc (a body corporate incorporated in the United Kingdom) will cease to be distinct from enterprises carried on by or under the control of British Airways Plc; and
- (b) the value of the assets which will be taken over exceeds £30 million;

Now, therefore, the Secretary of State, in exercise of his powers under sections 69(2) and 75 of the Act, hereby refers the matter to the Monopolies and Mergers Commission for investigation and report within a period of three months beginning with the date of this reference.

In relation to the question whether a merger situation qualifying for investigation will be created if the arrangements herein referred to are carried into effect the Commission shall exclude from consideration section 64(1)(a) of the Act.

(Signed) R E ALLEN
An Assistant Secretary

6 August 1987

Department of Trade and Industry

1.2. On 6 August 1987 in a press release announcing the reference the Department stated that the Secretary of State 'considered that the merger proposal raised issues of competition in markets for both domestic and international airline services which deserved to be investigated by the MMC'.

1.3. On 10 August 1987 the Chairman of the Commission directed that the functions of the Commission in relation to the reference should be discharged through a group consisting of six members of the Commission, including himself as Chairman. The composition of the group is indicated in the list of members which prefaces this report.

1.4. On 10 August 1987 the Commission issued a press release inviting interested parties to submit evidence to the Commission.

1.5. In addition we sought evidence and views directly from Government departments; the Confederation of British Industry; the Trades Union Congress; BAA plc; the Civil Aviation Authority; the Association of British Travel Agents Ltd and other relevant trade associations; organisations representing consumers' interests; and competitors and suppliers in the civil aviation industry.

1.6. We received submissions from British Airways Plc and British Caledonian Group plc. Members of the group accompanied by staff visited British Caledonian Group headquarters at Gatwick and the ground facilities of British Caledonian Airways Ltd at the airport.

1.7. We received a large number of submissions from other parties. The names of those who wrote to us are given in Appendix 7.1. A summary of some of this evidence is given in Chapter 7.

1.8. We held hearings with British Airways, British Caledonian Group, the Civil Aviation Authority and the Department of Transport, trades unions, one user and two consumer organisations, a large number of airlines, and one trade association. A meeting was also held with Investors in Industry plc (3i).

1.9. Some of the evidence obtained in the course of our inquiry was of a confidential nature; our report contains only such information as we consider necessary for an understanding of our conclusions.

1.10. Throughout our report we have found it necessary to distinguish between the British Caledonian Group plc, which is a party to the proposed merger, and British Caledonian Airways Ltd, its principal subsidiary. We have used the abbreviation BCG for the former, and BCAL for the latter.

1.11. We should like to place on record our thanks to all those who helped us in our inquiry, and particularly to the two companies principally concerned and to the Civil Aviation Authority.