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SECRETARY OF STATE FOR TRANSPORT

attached.

The Gulf: War Risk Insurance for Airlines

1. Your minute of 4 January to the Prime Minister set out the action you have taken to avert the abrupt suspension of air services to the Gulf as a result of the dramatic increase in insurance premiums. I welcome these arrangements, and hope that the Treasury will agree.

2. I am anxious that if we must give notice to the airlines that as from 15 January we will ask them to pay all or part of the war-risk insurance premiums, this should be left to the last possible moment. I understand that there is no legal obligation to provide 7 days' notice of this. An early announcement would risk alarm among our communities in the Gulf and encouraging key workers, who we want to stay, to leave. Issuing notice now would also prejudice the option of maintaining the new arrangements beyond 15 January. This will need careful thought. While it is true that we could ourselves lay on charters if needed, this would require us to pay the operating costs of the aircraft as well as the insurance premiums. I should be happy to discuss this with you if that would be helpful.

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3. I am copying this minute to the Prime Minister, the Secretaries of State for Defence and Trade and Industry, the Chief Secretary to the Treasury and Sir Robin Butler.

DHL

(DOUGLAS HURD)

Foreign and Commonwealth Office

7 January 1991

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