

Almost qualifying for one of Roger Bacon's "Are You All Right?" series, this spectacular shot shows the Breguet 941 demonstrating its STOL capabilities near the Brussels city-centre heliport.



SIR MATTHEW'S REPLY

IN last week's issue Sir Matthew Slattery, chairman of BOAC, replied to the criticisms of his annual report and accounts in our October 31 issue. At his annual news conference last month Sir Matthew gave, as usual, straight answers to questions from the Press; but these occasions provide no opportunity for questions based on a detailed examination of the report and accounts.

Our review of October 31 was the result of the detailed analysis which is not possible at a news conference. Sir Matthew has now replied—characteristically. He need not have done so, because the gospel according to Sir Matthew is accountable to Parliament, not to the Press. Nevertheless, it is important to examine his extremely interesting replies.

First, his letter is of interest for the replies that it does not contain. The major part of our article was concerned with what we considered to be the failure of BOAC's sales efforts in 1962-63. Sir Matthew makes no comment on this. He does explain the decline in charter revenues by repeating that this was due to the withdrawal of many older aircraft from service. But it is surely the very existence of this idle plant that should have inspired Sir Matthew to launch a major charter programme, or at least to maintain with jets the level of charter business instead of allowing it to fall from £7m to £4m. The reference to "certain restrictions imposed upon us" is not clear: if it means IATA restrictions, BOAC should get them changed; if it means Government troop work, this is something which BOAC have always had to live without. But our main concern was with a sales effort that resulted in a scheduled traffic growth less than half the international average, and the absence of a rejoinder here is an encouraging sign that BOAC are aware of the need to crack the sales whip.

Sir Matthew rejects our suggestion that BOAC have "bemoaned" declining revenue rates. But in associating declining revenues with fare reductions, as BOAC do in their report, they are by implication bemoaning fare reductions. It is quite possible that BOAC's revenue would have been even lower than it was but for fare reductions and the traffic growth they stimulated.

The "independent survey" of BOAC's selling effort that Sir Matthew says advocated an expansion of Continental sales shops is an answer to our criticism that the duplication of BEA and BOAC sales shops is wasteful only if this survey specifically recommended that separate BOAC overseas sales establishments are better than joint BOAC-BEA establishments. If it did so recommend them it may be of doubtful value. BEA offices overseas rarely display and promote BOAC and actually sell BOAC's rivals, and vice versa. When one sees the imaginative way Aer Lingus offices sell Irish International Airlines one wonders why BOAC and BEA cannot sell each other as British Airways instead of interlining their customers—BEA do this in particular—with foreign carriers. BOAC's selling failures may well be due, though obviously even the blunt-speaking Sir Matthew cannot say this, partly to a lack of support from BEA (many more of whose Heathrow Continental arrivals could incidentally be arranged to synchronize with BOAC departures). Whatever Sir Matthew's "independent survey" said, the evidence to suggest wasteful duplication of overseas selling

effort is strong—so much so that if he and Lord Douglas do not do something about it then the Minister of Aviation, who must by now be aware of the problem, will.

We referred in our review to the fact that it is not possible to discover, as it should be, BOAC-Cunard's contribution to such important items as depreciation. Sir Matthew says this is shown in statement B-1 in the accounts. But B-1 shows "standing charges" which presumably include other things such as insurance. Even if it is all depreciation is £1½m sufficient contribution to the amortization of a £30m Boeing fleet? The sum should be more like £3m.

Our point was that BOAC's receipt of £20m from BOAC-Cunard ought to be broken down. This is countered by Sir Matthew with the reply that limited liability companies do not reveal details of their commercial agreements. This comes disconcertingly close to saying that BOAC-Cunard is exempt from shareholder accountability. Millions of pounds of public money have been invested at BOAC's commercial discretion in BOAC-Cunard, yet the financial arrangements are protected by a sort of BOAC-Cunard Embarrassing Secrets Act. This will inevitably always provoke the hapless taxpayer, MPs and journalists to look for something nasty in the woodshed. How much are Cunard contributing to the £40m deficit incurred by BOAC in developing western routes? What interest do they pay? Nobody knows, and this was why we asked for more information about that £20m. It is not really enough to say, in effect: "We have a £30m agreement with Cunard which is absolutely splendid but you will have to take our word for this because we made a pact with Cunard to tell you nothing about it."

We noted that Statements E-1(a) and F-1 showed an increase and in the same breath a decrease in BOAC's depreciation provisions. Sir Matthew's reply to this, in which he says there is "no inconsistency or cause for puzzlement," actually makes the matter curiousest and curiousest. Sir Matthew says that "some" BOAC 707s were acquired by BOAC-Cunard. According to the *British Register* ten 707s—exactly half BOAC's fleet—are registered in BOAC-Cunard's name, yet there is no sign that BOAC-Cunard contributed more than £1½m to the total BOAC £14m aircraft depreciation bill. Sir Matthew reveals now that Statement F-1 relates to BOAC-owned aircraft only; but F-1 contains nothing to indicate that it does not apply to BOAC-Cunard—an example of the lack of clarity to which we referred and which Sir Matthew disputes.

These are not niggling points: very large sums of money are involved, and they ought to be clearly labelled before they are swept under the accumulated deficit carpet.

We accepted in the opening sentences of our review that the BOAC-Cunard deal and the capital reconstructions that took place last year inevitably made the accounts unusually difficult to sort out. But perhaps they need not have been so difficult to follow. The acid test of the corporation's report and accounts is whether MPs and intelligent taxpayers can understand what is happening. While we value Sir Matthew's reaction to our comments and accept his assurance that BOAC have not been loading their £80m accumulated deficit, we doubt whether even the most skilled financial analysis could unravel this BOAC report.

J. M. R.