

Prime Minister (2)

Although I do not recommend you to intervene before Sir Geoffrey's meeting, you may like to see this. I suspect it is right.

ce. Laker: legal procedure

to Mavel 23

AT 5/12

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PRIME MINISTER

5 December 1984

BA PRIVATISATION AND THE LAKER SUITS

Geoffrey Howe's meeting tomorrow will be faced with complex US legal problems of uncertain dimension and an array of unpalatable options - including the possibility of a nasty dust-up with the US Government. It would be helpful if you could encourage him to concentrate on first things first; it is easier to see the wisdom of the next step or two than contemplate the journey as a whole.

Delaying BA's launch into the private sector will not only cost money in the current financial year, but is also likely to increase the risk of losing the Laker <sup>civil</sup> suits and of damaging the Government's wider relations with the US; the press are likely to read the delay as implying some guilt whatever we say. There seems a fair prospect that the airlines defending the case raised by the Laker liquidator could rapidly conclude an acceptable out-of-court settlement. (The fact that the liquidator's lawyer is haggling for his reward is encouraging.) That being so, we can still achieve the February deadline for the launch.

The immediate plan of action should, therefore, be:

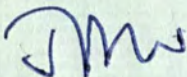
1. Conclude out-of-court settlement with the Laker liquidator.

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2. Meanwhile, expedite legal advice on how best to cover the Laker-related class actions (qualification in prospectus, BA takes out insurance, HMG indemnifies BA in respect of liabilities which should have been obviated by Bermuda 2).
  
3. Also in parallel, expedite legal advice on whether other possible anti-trust actions (not related to Laker) can be dealt with satisfactorily in the prospectus.
  
4. And simultaneously conclude negotiations with BA on capital reconstruction prior to privatisation.

We may be thwarted on any of these, and will then have to consider fallbacks. The greater threat lies in not resolutely grasping the nettle and pressing ahead for the February launch. Importantly, BA's management still have the conviction that they can achieve this.



JOHN WYBREW