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10 DOWNING STREET

From the Private Secretary

17 April 1986

**PRIVATISATION OF THE BRITISH AIRPORTS AUTHORITY,
BRITISH AIRWAYS AND ROLLS ROYCE**

The Prime Minister has seen the Secretary of State for Transport's letter of 15 April to the Financial Secretary about the timetable for privatising the British Airports Authority, British Airways and Rolls Royce.

The Prime Minister would be content with the proposal made by the Secretary of State for Transport about the allocation of the available privatisation slots in the first half of 1987, provided of course that the Financial Secretary and the Secretary of State for Trade and Industry are also content with it.

I am copying this letter to the Private Secretaries to members of E(A), the Lord President, the Chief Whip, Lord Denham and Sir Robert Armstrong.

(David Norgrove)

Ms. Vivien Life,
H.M. Treasury.

CONFIDENTIAL

21

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PRIME MINISTER

PRIVATISATION OF BAA, BA, ROLLS ROYCE

Mr Ridley and Mr Channon have been wrangling over whether British Airways or Rolls Royce should be promised privatisation in January 1987.

The second page of Mr Ridley's letter (attached) sets out a proposal which has been agreed in advance with the Treasury. It will go through unless Mr Channon objects strenuously.

Are you content?

DL

Yes

DAVID NORGROVE

16 April 1986

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The Rt Hon John Moore MP
Financial Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

ASST

15 April 1986

Dear John

PRIVATISATION OF THE BRITISH AIRPORTS AUTHORITY,
BRITISH AIRWAYS AND ROLLS-ROYCE

In the light of responses to my minute of 3 April to the Prime Minister, I am writing to confirm that I have definitely ruled out the possibility of privatising the British Airports Authority in July 1986.

However, that decision raises the question of the allocation of slots for the three major privatisations planned for the first half of 1987 - British Airways, British Airports Authority and Rolls-Royce. Paul Channon in his letter to me of 9 April proposed that Rolls-Royce should now definitely be allocated the January/February slot. I am afraid that I cannot accept this.

We have very recently reaffirmed our commitment to privatising British Airways as soon as possible. To rule out January/February for BA and let it be known that another candidate had been allocated that slot would be inconsistent with that commitment and would cause major political problems. I believe therefore that (as Norman Tebbit accepts in his letter of 11 April) we must treat BA as the priority candidate for the January/February slot.

If that is agreed, there seem to be two options for the allocation of the three early 1987 slots (first, January/February, before the budget; second, April/May; and third, June/July). One option is to delay a final decision until the practicability of a January/February privatisation for BA is clearer - probably in September. But this would

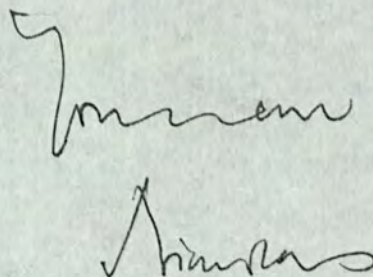
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deny any of us a firm planning date till then,, and I do not believe this course to be in any of our interests.

The alternative, which would enable DTI and Rolls-Royce at least to plan for a definite date, would be to agree now that the January/February slot should be allocated to this Department - preferably for BA, but failing that for BAA, which I am confident can be ready by then - and definitely to allocate one of the subsequent slots for Rolls-Royce - say, the second, next spring. I would be allocated the third slot, the midsummer one, probably for BAA, if we have sold BA off at the beginning of the year, but otherwise for BA.

It is this course that I favour. It gives the necessary priority to BA, should it be ready; it makes the consequences of our inevitable uncertainty over BA more manageable by containing them within my Department; and it gives Paul Channon the firm timetable he seeks for Rolls-Royce. It also seems to provide the best fit with the three industries' financial years, both BA's and BAA's ending on 31 March with half-year results available in about December and full year figures in about June, and Rolls-Royce's ending on 31 December, with full year figures presumably ready by about March. I should be glad to know if you agree that we should plan on this timetable.

I am copying this letter to members of E(A), to the Lord President, the Chief Whip, Lord Denham and Sir Robert Armstrong.



NICHOLAS RIDLEY



Econ Pol: Privatization

PK 13