



cc/6

CONFIDENTIAL

18/04/86 at 11:45 AM

Prime Minister!
Agree to write again in favour
of keeping January open for the
privatisation of BA or BAA?

Yes - it is
very important
Otherwise the Treasury
may have to find
large capital sum for
release of
of under the
not

PO2030

MR NORGROVE

28 April 1986

DRS
29/4/86

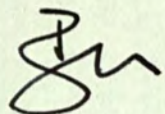
PRIVATISATION: B.A., B.A.A., & ROLLS ROYCE.

You will have seen the recent exchanges resting with the Financial Secretary's letter of 24 April to Mr Channon. The issue, in brief, is the pecking order for privatisation in the period January to July 1987. Mr Channon (with Mr Tebbit's earlier support) wants to book January for Rolls Royce; the Treasury and Department of Transport favour keeping January free for either BA or BAA, in case the obstacles to the former are by then removed.

2. I find the Financial Secretary's letter very persuasive. Given the previous problems, particularly the widespread criticism of the BA postponement, there seems great advantage in keeping the option of a January privatisation for BA open. Nothing would be lost if in the event it still did not prove possible; BAA would fill the gap and Rolls Royce would have the firm April/May date. And there might be some marginal advantage in going to the market on Rolls Royce in April/May when their final audited results for 1986 will be available. I suspect also that there would be a considerable row with Lord King if it became known (as it surely could soon) that Rolls Royce were to be allocated the January slot.

3. I do not yet know whether Mr Channon will accept the new proposal. It would be a pity, however, to have to convene a meeting of E(A) to resolve this and, if the Prime Minister also finds the Treasury/Transport arguments

convincing, you may wish to indicate this quickly to the parties concerned.
They will, however, need to give very careful thought to how to present the
decisions in due course, so as to avoid ruffling any unnecessary feathers
and also to avoid any precise public commitment on the BA timing while the
background problems are still being sorted out.



J B UNWIN

ECON POL: Privatisation PT13

