

C O N F I D E N T I A L

CCBB



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OUR REF: R/PSO/5747/86

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

NBP 7

28 April 1986

Dear John

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

2 pps.

I have seen Paul Channon's letter of 17 April and your reply of 24 April.

In view of our commitment to privatise BA as soon as possible it would cause major political problems if we let it be known that a candidate other than British Airways had been allocated the January/February 1987 privatisation slot. I hope we can agree, therefore, that British Airways should be our first priority for the January/February slot. As you say, if Paul Channon needs a decision now on the timing of Rolls Royce privatisation, that should, I think, be the April slot.

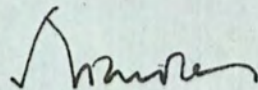
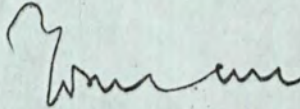
I cannot be certain at present whether circumstances will allow us to proceed with BA then and would certainly not wish to announce a target date now. But we have largely completed those preparations which could be dealt with in advance of a definite timetable, and there would be no risk therefore of duplicating work if at the same time we made contingency preparations for the BAA to fill that slot. If, however, Paul is prepared to wait until September before deciding the Rolls Royce timetable, I would be happy, as I said in my letter of 15 April, to defer until then our decisions on how the slots for the first half of next year should be allocated. I am confident that by September we shall be in a position to take a firm decision on whether it would be right to proceed with BA in January/February 1987, and that this will be in sufficient time for privatisation of the BAA to proceed in January, if BA cannot go ahead then. I am doubtful whether Bermuda 2 problems will be still unresolved then, but even if they are, the uncertainty for the BAA would not be such as to delay privatisation.

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I hope that Paul Channon will be prepared to proceed as you and I propose. Otherwise, I think that we will need a discussion.

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



NICHOLAS RIDLEY

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