



CONFIDENTIAL

*From the Secretary of State*

John Kerr Esq  
Private Secretary to the  
Chancellor of the Exchequer  
H M Treasury  
Treasury Chambers  
Parliament Street  
London SW1

22 September 1982

*Dear John,*

## PRIVATISATION

The Prime Minister's Personal Minute of 28 July asked that progress reports on privatisation measures already set in hand should be sent to the Chancellor by mid-September.

Thus far, as with other Departments, our privatisation measures have focused largely on the public trading sector, which offers the most obvious scope for such initiatives. On this occasion, however, we decided that we would take a particularly close look at what might be possible in the less obvious areas of our Departmental responsibilities - such as some of our regulatory activities and some services to exporters. As you will know, my Secretary of State is abroad at the moment, but we hope he will be in a position to write to the Chancellor with some new possibilities in the early part of next month.

In the meantime, it may be useful for me to set out the present position on the two public sector trading bodies for which this Department is responsible.

British Airways

The enabling legislation has already been enacted (the Civil Aviation Act 1980), but progress depends on improving BA's very bad trading results. We are currently working to a target of a flotation in late 1983.

British Airports Authority

E(DL) has agreed that the possibilities of privatising BAA in the short term are ruled out by the uncertainties arising from current litigation by the airlines and, to a lesser extent, the public enquiries into the expansion of the South East airports. Nevertheless,



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it seems a possible candidate for privatisation in the next Parliament, and work on this has already been set in hand. Ministers have also agreed to pursue the possibility of introducing private sector finance into BAA's investment programme during the interim period while it remains in the public sector, with a view to reducing its call on the PSBR, and work on this too has started.

I am sending a copy of this letter to Michael Scholar (No 10), the Private Secretaries to all members of E(DL), and to Richard Hatfield (Cabinet Office).

*Yours sincerely*

*John Whitlock*

JOHN WHITLOCK  
Private Secretary