



Econ Pol.
Privatization
AT 7/12
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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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Andrew Turnbull Esq
10 Downing Street
LONDON SW1

2 December 1983

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interested
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Dear Andrew,

SALE OF BRITISH AIRWAYS

The Chancellor has seen your letter of 30 November recording the Prime Minister's comments on his report of the discussion at E(DL).

The Chancellor has commented that, while none of the routes for correcting BA's balance sheet is wholly without difficulty, there is still some hope that it will be possible to avoid going to the Court if the BA Board are persuaded that their capital assets are now somewhat undervalued. This is likely to be the case.

Your letter did not mention this possibility. However, it will be necessary to review the existing balance sheet valuations in any case for the prospectus and for all parties to the sale to be satisfied that they are fairly assessed. The Chancellor is anxious that the essential work on this should be done now before embarking on the potentially hazardous Court route, not least in order to guard against the risk of a capital reduction being subsequently criticised for being unnecessary.

Our understanding is that work on the valuation issues is already in hand and need not delay the proposed timetable in any way.

The Chancellor has suggested that the further report to E(A) for which the Prime Minister has asked should cover the outcome on revaluation, as well as the question of route transfers and a capital reduction.

I am copying this letter to those who received yours and to Richard Hatfield.

Yours sincerely,
Margaret O'Mara

MISS M O'MARA
Private Secretary

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10 DOWNING STREET

Prime Minister

To note Chancellor's glance
on revaluation of BA's assets.

Agree 1 minute saying
that work on BA's balance
sheet should include
possibility of revaluation
which might make recourse
to Court unnecessary?

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10 DOWNING STREET

From the Private Secretary

7 December 1983

Sale of British Airways

The Prime Minister has seen your letter to me of 2 December. She is content with the Chancellor's suggestion that the further report to E(A) should cover the possibility that revaluation of BA's assets might obviate the need to seek a reduction of capital in the Court, as well as the question of route transfers and a capital reduction.

I am sending copies of this letter to the Private Secretaries to the Secretaries of State for Energy, Scotland, the Environment, Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Secretary of State for Transport, the Financial Secretary to the Treasury, and to Sir Robert Armstrong.

Andrew Turnbull

Miss M. O'Mara,
HM Treasury.

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