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DEPARTMENT OF TRANSPORT  
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01-212 3434

*Prime Minister* (2)

*To note this difficulty*

*AT 23/2*

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

22 February 1984

*Dear Nigel*

*M*

NIGERIA: ECONOMIC RELATIONS

Adam Thomson came to see me on 20 February to emphasise how serious is the situation British Caledonian face in Nigeria where they have currently some £60m of remittances blocked. You know the background from the letter which Trevor Boud, their Finance Director, sent to you on 13 February.

They have perhaps been less than prudent to allow the situation to build up to this point, but of course they reckon to operate with some degree of special protection under the terms of the Air Services Agreement and they claim to have had what they regarded as satisfactory assurances of a reasonable flow of payment up to and even beyond the time of the coup. They received £14m as recently as December; but it has become clear in the last couple of weeks that the assurances they had received were without adequate authority or foundation.

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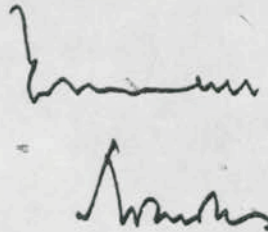
They are already taking some steps to help themselves, notably by co-operating with the Nigerian authorities in stopping the sale of air tickets for Naira to non-residents; and they are in close touch with IATA who are negotiating on behalf of all the international airlines in Nigeria. But such measures are unlikely to be sufficient in present circumstances.

I understand that the arrangements you are negotiating for the whole range of trade creditors will not directly cover British Caledonian, though anything which puts Nigeria's finances back on to a sounder footing must have a beneficial effect for everyone doing business there. Nevertheless I hope you will feel able to give priority to the special position of airlines, particularly in relation to the resumption of remittances on a current basis and an understanding that any backlog of outstanding remittances will be guaranteed against devaluation. For our part we shall be discussing with BCAL what action may be open to us within the framework of the Air Services Agreement and will let you know of any action which may seem appropriate. In all this what we must bear in mind is the political importance of supporting British Caledonian. They are essential to our plan for introducing more competition into civil aviation, both domestically and internationally, and we must therefore take every reasonable measure to ensure that they remain a healthy and vigorous company. We cannot afford to let them go to the wall in circumstances where they could say that the Government have some responsibility to help them as signatories of the Air Services Agreement.

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Copies of this letter go to the Prime Minister,  
the Foreign Secretary, and the Secretaries of State for  
Defence and for Trade and Industry; and also to the  
Governor of the Bank of England and to Sir Robert  
Armstrong.

A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', is written in a cursive style. The signature is positioned above the typed name.

NICHOLAS RIDLEY

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Exam P. 1. k 3  
indebtedness

23 JAN 1984

